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## **DACHAN FOOD (ASIA) LIMITED**

**大成食品(亞洲)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3999)**

### **CONNECTED TRANSACTION**

#### **ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN YANZHOU DACHAN FOOD CO., LTD.**

The Board announces that on 11 February 2010, Tianjin DaChan, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor, pursuant to which Tianjin DaChan agreed to acquire from the Vendor an additional 19% equity interests in the JV Company (or such other percentage of equity interest in the JV Company to be agreed between Tianjin DaChan and the Vendor on or before 20 March 2010) for a consideration of RMB5,000,000 (equivalent to approximately HK\$5,682,000). Prior to the completion of the Acquisition, Tianjin DaChan holds 51% of the JV Company. Unless a different percentage of equity interest is agreed by the parties to be transferred for the sum of the consideration, Tianjin DaChan will hold 70% of the JV Company following the completion of the Acquisition.

As the Vendor is a substantial shareholder of the JV Company (which is a subsidiary of the Company) and therefore a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 0.1% but are below 2.5%, the Acquisition is, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND OF THE JV COMPANY**

The JV Company is an indirect non-wholly owned subsidiary of the Company. The total investment amount and the registered capital amount are RMB50,000,000 (equivalent to approximately HK\$56,820,000) and RMB50,000,000 (equivalent to approximately HK\$56,820,000) respectively, all of which are fully paid up.

Prior to the completion of the Acquisition, the JV Company is owned as to 51% by Tianjin DaChan and as to 49% by the Vendor.

## **THE SHARE TRANSFER AGREEMENT AND THE ACQUISITION**

### **Share Transfer Agreement**

**Date:** 11 February 2010

**Parties:** Tianjin DaChan as the purchaser

Vendor as the vendor

Pursuant to the Share Transfer Agreement, the Vendor has agreed to transfer to Tianjin DaChan 19% equity interest in the JV Company (or such other percentage of equity interest in the JV Company to be agreed between Tianjin DaChan and the Vendor on or before 20 March 2010) at a consideration of RMB5,000,000 (equivalent to approximately HK\$5,682,000), which was fully settled by way of bank transfer on 12 February 2010.

The Share Transfer Agreement provides that if the parties cannot agree on the final percentage of equity interest in the JV Company to be transferred on or before 20 March 2010, Tianjin Dachan has the right to terminate this Agreement and in such event, the Vendor shall return the consideration paid by Tianjin Dachan.

### **Consideration**

Based on the unaudited financial statements of the JV Company for the year ended 31 December 2009 prepared in accordance with China Accounting Standards for Business Enterprises, the net book value of the assets of the JV Company as at 31 December 2009 was RMB43,885,000 (equivalent to approximately HK\$49,869,000).

Set out below are the audited/unaudited financial information of the JV Company for the two financial years ended 31 December 2009:

	<b>2008</b>	<b>2009</b>
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation and extraordinary items	484,000	5,631,000
Net loss after taxation and extraordinary items	484,000	5,631,000

As an indirect subsidiary of the Company, the financial results of the JV Company were fully consolidated when preparing the consolidated accounts of the Group. As the JV Company shall remain an indirect subsidiary of the Company subsequent to the Acquisition, there will be no change in the accounting treatment of Tianjin DaChan's interest in the JV Company as a result of the Acquisition.

### **REASONS FOR THE ACQUISITION**

Unless a different percentage of equity interest is agreed by the parties to be transferred for the sum of the consideration, Tianjin DaChan will hold 70% of the JV Company following the completion of the Acquisition.

The JV Company is engaged in business of breeding and hatching of broiler breeder eggs, manufacturing of animal feeds, slaughtering of chickens and producing chicken meat. The Group has recently commenced a new business development program in producing grilled chicken meat products which requires chicken meat supply. The JV Company can give the Group constant supply of chicken meat. With the Group's further interest in the JV Company, the Group can further secure the supply to it of chicken meat in developing the grilled chicken meat, hence the Directors consider that the acquisition a good move for the Group's development of new business.

The Directors, including the independent non-executive Directors, are of the view that the Acquisition contemplated under the Share Transfer Agreement is on normal commercial terms and that the terms of the Acquisition contemplated under the Share Transfer Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

### **GENERAL INFORMATION ON THE PARTIES**

Tianjin Dachan is an indirect wholly owned subsidiary of the Company. The principal business activity of the Group is manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products

The Vendor owned 49% equity interest in the JV Company prior to the Acquisition. Its principal business activity is processing and trading of annual feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products. The original costs for the Vendor to acquire 49% equity interest in the JV Company is RMB24,500,000 (equivalent to approximately HK\$27,841,000).

## LISTING RULES IMPLICATIONS

As the Vendor is a substantial shareholder of the JV Company (which is a subsidiary of the Company) and therefore a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 0.1% but are below 2.5%, the Acquisition is, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

“Acquisition”	the acquisition of an additional 19% equity interests in the JV Company (or such other percentage of equity interest in the JV Company to be agreed between Tianjin DaChan and the Vendor on or before 20 March 2010) by Tianjin DaChan from the Vendor as contemplated under the Share Transfer Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	DaChan Food (Asia) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3999);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Share Transfer Agreement”	the share transfer agreement dated 11 February 2010 and entered into between Tianjin DaChan and the Vendor;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JV Company”	兗州大成食品有限公司 (Yanzhou DaChan Food Co., Ltd., being the unofficial English name) and is owned as to 51% by Tianjin DaChan prior to the completion of the Acquisition;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holders of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin DaChan”	大成萬達(天津)有限公司 (DaChan Wanda (Tianjin) Co., Ltd., being the unofficial English name), a limited liability company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company;
“Vendor”	兗州嘉隆食品有限公司, a limited liability company incorporated under the laws of the PRC which owned 49% equity interests in the JV Company prior to the completion of the Acquisition;
“%”	per cent;

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1.00 = RMB\$0.88 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

By order of the Board  
**Han Jia-Hwan**  
*Chairman*

Hong Kong, 12 February 2010

*As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Chang Tiew-Shen (Chief Executive Officer) and Mr. Chen Fu-Shih are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William Rosa and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Way Yung-Do, Mr. Liu Fuchun and Dr. Chen Chih are the independent non-executive Directors.*