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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

PURSUANT TO RULE 14A.60 OF THE LISTING RULES

This announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

As at the date of this announcement, Better Me (an associate of the Company) is owned as to 50% by NAC (a wholly owned subsidiary of the Company) and 50% by an independent third party. Better Me has on 11 September 2018 entered into the Sale and Purchase Agreement with DaChan Tianjin (an indirect wholly owned subsidiary of the Company) to acquire from DaChan Tianjin the entire equity interests in Sisters Kitchen (an indirect wholly owned subsidiary of the Company) and after completion of registration of Better Me or its wholly owned subsidiary, Batemi, as the sole shareholder of Sisters Kitchen, Sisters Kitchen will cease to be a subsidiary of the Company but will become a direct or an indirect wholly owned subsidiary of Better Me.

On 14 December 2018, Mr. Han (a Director) through HCL (a company wholly owned by him), entered into the Share Transfer Agreement with NAC to acquire from NAC 50% of the total issued shares in Better Me. Upon completion of the Acquisition, each of Better Me and its subsidiaries (including Sisters Kitchen after completion of the shareholder registration) will become an associate of Mr. Han by virtue of being a 30%-controlled company (within the meaning of the Listing Rules) and thus a connected person of the Company.

Before Sisters Kitchen becomes a connected person of the Company, DaChan Hebei and Sisters Kitchen had entered into the Sale Agreement and the Distribution Agreement in relation to the supply of products and provision of distribution service by DaChan Hebei to Sisters Kitchen. As such, the Sale Agreement and the Distribution Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules following the Acquisition and completion of registration of Better Me or its wholly owned subsidiary, Batemi, as the sole shareholder of Sisters Kitchen.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the Sale Agreement and the Distribution Agreement. The Company will comply in full with all applicable reporting, disclosure and, if applicable, shareholders' approval requirements under Chapter 14A of the Listing Rules in the event of any variation or renewal of the Sale Agreement or the Distribution Agreement.

BACKGROUND

This announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

As at the date of this announcement, Better Me (an associate of the Company) is owned as to 50% by NAC (a wholly owned subsidiary of the Company) and 50% by an independent third party. Better Me has on 11 September 2018 entered into the Sale and Purchase Agreement with DaChan Tianjin (an indirect wholly owned subsidiary of the Company) to acquire from DaChan Tianjin the entire equity interests in Sisters Kitchen (an indirect wholly owned subsidiary of the Company) and after completion of registration of Better Me or its wholly owned subsidiary, Batemi, as the sole shareholder of Sisters Kitchen, Sisters Kitchen will cease to be a subsidiary of the Company but will become a direct or an indirect wholly owned subsidiary of Better Me.

On 14 December 2018, Mr. Han (a Director) through HCL (a company wholly owned by him), entered into the Share Transfer Agreement with NAC to acquire from NAC 50% of the total issued shares in Better Me. Upon completion of the Acquisition, each of Better Me and its subsidiaries (including Sisters Kitchen after completion of the shareholder registration) will become an associate of Mr. Han by virtue of being a 30%-controlled company (within the meaning of the Listing Rules) and thus a connected person of the Company.

CONTINUING CONNECTED TRANSACTIONS BETWEEN SISTERS KITCHEN AND THE GROUP

Before Sisters Kitchen becomes a connected person of the Company, DaChan Hebei and Sisters Kitchen had entered into the Sale Agreement and the Distribution Agreement in relation to the supply of products and provision of distribution service by DaChan Hebei to Sisters Kitchen. Following the Acquisition and completion of registration of Better Me or its wholly owned subsidiary, Batemi, as the sole shareholder of Sisters Kitchen, the Sale Agreement and the Distribution Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules. Details of the Sale Agreement and the Distribution Agreement are summarised as follows:

Sale Agreement

Parties: *Seller:*
DaChan Hebei

Purchaser:
Sisters Kitchen

Date: 11 September 2018

Term: 2 years

Scope: DaChan Hebei will supply and Sisters Kitchen will acquire the relevant products required for the production and operation of Sisters Kitchen as stipulated in the orders placed by Sisters Kitchen from time to time.

Price: The purchase price for the aforementioned products will be determined between DaChan Hebei and Sisters Kitchen in accordance with the costs of the products plus a processing fee of RMB700 per ton.

The purchase price will be calculated on a monthly basis and will be paid by Sisters Kitchen after receipt of the invoice from DaChan Hebei.

Distribution Agreement

Parties: *Service provider (Distributor):*
DaChan Hebei

Service recipient (Manufacturer):
Sisters Kitchen

Date: 11 September 2018 (revised on 12 December 2018)

Term: 2 years

Service: DaChan Hebei will act as the non-exclusive distributor of the “better me” brand products of Sisters Kitchen in the PRC through all online and offline distribution channels.

Service fees: The fees for the aforementioned distribution services will be 2% of the proceeds received by DaChan Hebei from its sale of products to third parties after deducting the relevant tax, discount and any other sale-related costs borne by Sisters Kitchen.

The service fees will be calculated and paid on a monthly basis by DaChan Hebei to Sisters Kitchen.

The parties will review and (if applicable) re-determine the pricing basis of the distribution service fees before the expiration of one year after the signing of the Distribution Agreement. Should the pricing basis be re-determined, the Company will comply in full with all applicable reporting, disclosure and, if applicable, shareholders’ approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The provision of the products and services under the Sale Agreement and the Distribution Agreement is in the ordinary and usual course of business of the Group. The Group will receive processing fees and service fees for provision of such products and services under the Sale Agreement and the Distribution Agreement and thus such transactions contemplated thereunder will increase the total revenue of the Group.

The Directors (including the independent non-executive Directors) are of the view that entering into the Sale Agreement and the Distribution Agreement and conducting the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Better Me (an associate of the Company) is owned as to 50% by NAC (a wholly owned subsidiary of the Company) and 50% by an independent third party. Better Me has on 11 September 2018 entered into the Sale and Purchase Agreement with DaChan Tianjin (an indirect wholly owned subsidiary of the Company) to acquire from DaChan Tianjin the entire equity interests in Sisters Kitchen (an indirect wholly owned subsidiary of the Company). As all the applicable percentage ratios defined in Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement are below 5%, the said transaction did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. After completion of registration of Better Me or its wholly owned subsidiary, Batemi, as the sole shareholder of Sisters Kitchen, Sisters Kitchen will cease to be a subsidiary of the Company but will become a direct or an indirect wholly owned subsidiary of Better Me.

On 14 December 2018, Mr. Han (a Director) through HCL (a company wholly owned by him), entered into the Share Transfer Agreement with NAC to acquire from NAC 50% of the total issued shares in Better Me. Upon completion of the Acquisition, each of Better Me and its subsidiaries (including Sisters Kitchen after completion of the shareholder registration) will become an associate of Mr. Han by virtue of being a 30%-controlled company (within the meaning of the Listing Rules) and thus a connected person of the Company.

Before Sisters Kitchen becomes a connected person of the Company, DaChan Hebei and Sisters Kitchen had entered into the Sale Agreement and the Distribution Agreement in relation to the supply of products and provision of distribution service by DaChan Hebei to Sisters Kitchen. As such, the Sale Agreement and the Distribution Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules following the Acquisition and completion of registration of Better Me or its wholly owned subsidiary, Batemi, as the sole shareholder of Sisters Kitchen.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the Sale Agreement and the Distribution Agreement. The Company will comply in full with all applicable reporting, disclosure and, if applicable, shareholders' approval requirements under Chapter 14A of the Listing Rules in the event of any variation or renewal of the Sale Agreement or the Distribution Agreement.

GENERAL INFORMATION

Information on the Group

The Group is a leading fully integrated animal protein provider whose products range from feeds, poultry and advanced nutritional formulas for aquatic animals to processed foods. For more information on the Group, please visit its official website at <http://www.dachanfoodasia.com> (The information that appears in this website does not form part of this announcement).

Information on Sisters Kitchen

Sisters Kitchen is principally engaged in the business of food and beverage management.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Acquisition”	acquisition of 50% of the total issued shares of Better Me from NAC by Mr. Han through his wholly owned company HCL pursuant to the Share Transfer Agreement
“associate(s)”	have the same meaning ascribed to it under the Listing Rules
“Better Me”	Better Me Precision Nutrition Limited, a limited liability company incorporated in the British Virgin Islands, in which the Group through NAC holds 50% of the total issued shares as at the date of this announcement
“Batemi”	巴特米食品科技(北京)有限公司 (Batemi Food Technology (Beijing) Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of Better Me as at the date of this announcement
“Board”	the board of Directors of the Company
“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”	has the same meaning as ascribed to it under the Listing Rules
“DaChan Hebei”	大成食品(河北)有限公司 (DaChan Food (Hebei) Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“DaChan Tianjin”	大成萬達(天津)有限公司 (DaChan Wanda (Tianjin) Co., Ltd*), a company established in the PRC and a wholly owned subsidiary of the Company as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Distribution Agreement”	the distribution agreement dated 11 September 2018 (revised on 12 December 2018) and entered into between DaChan Hebei and Sisters Kitchen in relation to the provision of distribution service by DaChan Hebei to Sisters Kitchen
“Group”	the Company and its subsidiaries
“HCL”	Huntington Consultant Ltd., a limited liability company incorporated in the British Virgin Islands and a company wholly owned by Mr. Han as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time
“Mr. Han”	Mr. Han Jia-Hwan, a Director
“NAC”	Great Wall Northeast Asia Corporation, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company as at the date of this announcement
“PRC”	the People’s Republic of China excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Agreement”	the sale agreement dated 11 September 2018 and entered into between DaChan Hebei and Sisters Kitchen in relation to the supply of products by DaChan Hebei to Sisters Kitchen

“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 September 2018 entered into between DaChan Tianjin and Better Me in relation to the acquisition by Better Me or its wholly owned subsidiary, Batemi, of the entire equity interests in Sisters Kitchen
“Shareholder(s)”	holder(s) of share(s) of the Company
“Share Transfer Agreement”	the share transfer agreement dated 14 December 2018 entered into between NAC and HCL in relation to the acquisition of 50% of the total issued shares of Better Me from NAC by HCL
“Sisters Kitchen”	北京姊妹廚房餐飲管理有限公司 (Beijing Sisters Kitchen Food and Beverage Management Co., Ltd*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules and the term “subsidiaries” shall be construed accordingly
“%”	per cent

* *for identification purposes only*

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 14 December 2018

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning are the independent non-executive Directors.