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If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional advisor.

If you have sold or transferred all your shares in DACHAN FOOD (ASIA) LIMITED, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS
MASTER PURCHASE AGREEMENT WITH
THE ULTIMATE CONTROLLING SHAREHOLDER OF THE COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 14 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from Pelican, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 31 of this circular.

A notice convening the EGM of DaChan Food (Asia) Limited to be held at (a) Whampoa Harbourfront Landmark, 6/F, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong; and (b) via online video conference on 30 June 2020, Tuesday at 2 p.m. or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, is set out on pages 40 to 42 of this circular.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM should you so wish.

12 June 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 27 April 2020 relating to the Transactions;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“associated corporation”	has the meaning ascribed to it under the Part XV of the SFO;
“Board”	the board of Directors;
“business day(s)”	has the meaning ascribed to it under the Listing Rules;
“chief executive”	has the meaning ascribed to it under the Listing Rules;
“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;
“controlling shareholder”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Effective Date”	the next day of the date on which the Independent Shareholders approve the Transactions and their proposed annual caps at the EGM;
“EGM”	the hybrid extraordinary general meeting of the Company to be convened and held (a) at Whampoa Harbourfront Landmark, 6/F, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong; and (b) via online video conference, on 30 June 2020, Tuesday at 2 p.m. or, immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, for the purposes of considering and, if thought fit, approving, the Transactions and their proposed annual caps;
“Group”	the Company and its subsidiaries from time to time;

DEFINITIONS

“GWE”	Great Wall Enterprise Co., Ltd., a joint stock company established under the laws of the Republic of China, whose shares are listed on Taiwan Stock Exchange Corporation, and the ultimate controlling shareholder of the Company;
“GWE Group”	GWE and its subsidiaries from time to time but excludes the members of the Group for the purpose of the Transactions;
“Master Purchase Agreement”	the master purchase agreement entered into between the Company and GWE dated 27 April 2020;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	a committee of the Board established for reviewing the terms and the proposed annual caps of the Transactions, consisting only of all independent non-executive Directors who do not have any material interest in the Transaction;
“Independent Financial Adviser” or “Pelican”	Pelican Financial Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO, and an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transactions and their proposed annual caps;
“Independent Shareholders”	any Shareholder who does not have any material interest in the Transactions;
“Independent Third Party”	any third party that is not a connected person of the Company and the term “Independent Third Parties” shall be construed accordingly;
“Latest Practicable Date”	10 June 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“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;
“Transactions”	the transactions contemplated under the Master Purchase Agreement;
“USD”	means United States dollar, the lawful currency of the United States;
“underlying shares”	has the meaning ascribed to it under Part XV of the SFO; and
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wei Anning (*Chairman*)

Mr. Han Chia-Yin

Non-executive Directors:

Mr. Han Chia-Yau

Mr. Han Jia-Hwan

Mr. Harn Jia-Chen

Mr. Chao Tien-Shin

Independent Non-executive Directors:

Mr. Way Yung-Do

Mr. Chen Chih

Mr. Ting Yu-Shan

Registered Office:

Clifton House

75 Fort Street

George Town

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal Place of Business
in Hong Kong:*

Suite 1806, Tower 1

The Gateway

25 Canton Road

Tsimshatsui, Kowloon

Hong Kong

12 June 2020

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS MASTER PURCHASE AGREEMENT WITH THE ULTIMATE CONTROLLING SHAREHOLDER OF THE COMPANY

INTRODUCTION

Reference is made to the Announcement in relation to the Master Purchase Agreement. As disclosed in the Announcement, the Company entered into the Master Purchase Agreement with GWE on 27 April 2020.

Listing Rules Implications

GWE is the ultimate controlling shareholder of the Company which indirectly holds approximately 52.04% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, GWE is a connected person of the Company under the Listing Rules and hence, the Transactions constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

As at least one of the applicable percentage ratios (other than the profits ratio) calculated based on the proposed annual caps of the Transactions exceed 5%, they are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under the Listing Rules.

As a result, the purposes of this circular are: (i) to provide the Shareholders with further information regarding the details of the Transactions and the proposed annual caps as mentioned in the Announcement; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions; and (iii) to give the Shareholders the notice of the EGM and other information required under the Listing Rules.

The Independent Board Committee, comprising three independent non-executive Directors namely Mr. Way Yung-Do, Mr. Chen Chih, and Mr. Ting Yu-Shan, none of whom has any material interest in the Transactions, has been established to advise the Independent Shareholders as to (i) whether the terms of the Transactions and the proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the Transactions. Pelican has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

MASTER PURCHASE AGREEMENT

MAJOR TERMS

Set out below are the principal terms of the Master Purchase Agreement:

- Date: 27 April 2020
- Parties: (i) the Company – the purchaser (for itself and on behalf of other members of the Group); and
- (ii) GWE – the supplier (for itself and on behalf of other members of the GWE Group).
- Duration: Starting from the Effective Date to 31 December 2022.

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Major terms: The Company agrees to purchase and procure members of the Group to purchase and GWE agrees to supply and procure relevant members of GWE Group to supply aquatic annual feeds processed, manufactured, produced, sold or distributed by the relevant members of GWE Group on a non-exclusive basis pursuant to contracts of purchase to be entered into between the relevant members of the Group and the relevant members of GWE Group from time to time in accordance with the terms of the Master Purchase Agreement. The terms of such contracts of purchase shall not contradict the Master Purchase Agreement (except for terms in relation to general matters such as notice clause).

Price determination: The prices of the products shall be agreed between the parties to the relevant contract of purchase on an arm's length basis and shall be on normal commercial terms, and shall be within the range of fair price prevailing on the relevant market of the same or similar products for the time being.

Details of price determination mechanism for the products purchased under the Master Purchase Agreement are disclosed under the section "**PRICING POLICIES AND INTERNAL CONTROL MEASURES REGARDING PRICE DETERMINATION FOR THE TRANSACTIONS**" below.

Payment: The Company shall procure the members of the Group to pay the price of the products in accordance with the contract of purchase entered into between the relevant member of the Group and the relevant member of GWE Group from time to time after the relevant member of GWE Group has supplied products in accordance with the said contract of purchase.

PRICING POLICIES AND INTERNAL CONTROL MEASURES REGARDING PRICE DETERMINATION FOR THE TRANSACTIONS

The Group intends to purchase aquatic animal feeds from GWE Group.

Products that are available in the market

In respect of products that are available in the market, the Group will create a database ("**Database**") containing the prevailing market price of the products with same specification and nutrient contents by obtaining quoted prices from at least 2 Independent Third Parties in the area where the contemplated transactions would take place.

The Group will review and update the Database on a monthly basis. During the periodical review, the relevant procurement department of the Group will obtain quoted prices from at least 2 Independent Third Parties for the purpose of updating the information in the Database. Based on the understanding of the Company in the aquatic animal feed

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market, there are on average only around three to four price adjustments of aquatic animal feed products in Vietnam per year. Given the stable market of aquatic animal feed products in Vietnam, the Board is of the view that conducting the said review on a monthly basis would be able to reflect the prevailing market prices of the aquatic animal feed products.

When the relevant members of the Group intend to enter into the contract of purchase with relevant members of GWE Group, it would do so only when the terms of the products (in particular the price) provided by the relevant members of GWE Group is the same or more favourable than that as recorded in the Database regarding the same product of the same quality.

Products that are not available in the market

From time to time, the Group may research and develop tailor-made and new products for potential customers. There is a need to protect the new formula for the new products from potential competitors and hence it is impractical for the Group to obtain quotations in the market for verifying the quoted price provided by GWE Group. In this case, the Group will obtain the expected sale price and expected sale quantity from the potential customers who intend to purchase new products from the Group on one hand, and will on the other hand obtain the quoted price of the new products from GWE Group and further estimate other costs to be incurred in relevant contemplated transactions of the Group. The Group will purchase products from GWE Group only when the Group is expected to receive not less than 10% of profits in relevant sales transactions. The Group would not purchase the new products from GWE Group if the Group is expected to receive less than 10% of profits in relevant sales transactions.

PROPOSED ANNUAL CAPS

The following table sets out the proposed annual caps of the transactions under the Master Purchase Agreement:

		For the year ending 31 December 2020[#]	For the year ending 31 December 2021[#]	For the year ending 31 December 2022[#]
	Continuing connected transactions	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Master Purchase Agreement	Proposed annual caps	27,000	56,000	61,000

[#] The abovementioned three-year periods respectively refer to (i) the first year starts from the Effective Date to 31 December 2020 (the first year starts from 1 July 2020 to 31 December 2020, assuming that the continuing connected transactions under the Master Purchase Agreement are approved by the Independent Shareholders at the EGM); (ii) the second year starts from 1 January 2021 to 31 December 2021; and (iii) the third year starts from 1 January 2022 to 31 December 2022. The above dates are for illustrative purposes only.

LETTER FROM THE BOARD

The actual aggregate amount of the Transactions will be reported orally or in writing to the finance manager of the Group by the accounting staff of the relevant members of the Group within 10 days after the end of each quarter. If the aggregate transaction amount under the Master Purchase Agreement during the previous quarters exceeds 70% of the annual cap, the accounting staff of the relevant members of the Group will be required to do monthly or bi-weekly reporting of the transaction amount.

The Company will inform the members of the Group conducting transactions with the connected person when the aggregate transaction amount under the Master Purchase Agreement reaches 90% of the annual cap and require the relevant members of the Group to seek approval from chief financial officer of the Group before the supply or purchase contract is entered into so as to ensure the annual cap is not exceeded.

REASONS FOR THE PROPOSED ANNUAL CAPS

The major bases and assumptions for determining the proposed annual caps of the Transactions are set out below.

The Group has been selling domestic animal feeds in Vietnam for many years and established sales channels and sales teams. Due to the restructuring of GWE Group, GWE Group will focus on the management of manufacture process of aquatic animal feeds and quality enhancement in Vietnam and cease to engage in the sale of aquatic animal feeds products in Vietnam. The Group intends to commence aquatic animal feed sales business by reselling the aquatic animal feeds purchased from GWE Group to the existing customers of GWE Group so as to expand the Group's customer base. Based on the current sales volume of aquatic animal feeds of GWE Group in Vietnam, it is estimated that the abovementioned business expansion will contribute to the Group monthly sales volumes of fish feeds and shrimp feeds of 5,500 tons and 1,000 tons, respectively.

According to the information collected by the Group regarding aquatic animal feeds in Vietnam, it is expected to have an approximately 5% of compound annual growth rate in aquatic animal keeping industry in Vietnam for 2020 to 2024, therefore the Company estimates the sales volume of aquatic animal feeds for 2020 to 2022 as follows:

Sale volume (tons)	2020	2021	2022
	(from July to December)		
Fish feeds	33,000	69,300	72,765
Shrimp feeds	<u>6,000</u>	<u>12,600</u>	<u>13,230</u>
Total	<u>39,000</u>	<u>81,900</u>	<u>85,995</u>

According to the quoted prices obtained by the Group from other potential suppliers (i.e. USD550 per ton of fish feeds and USD1,030 per ton of shrimp feeds) and the estimation on the sales volume of aquatic animal feeds for the future three years, the Group expects the transaction amount of the continuing connected transactions with GWE for the future three years as follows:

LETTER FROM THE BOARD

Transaction amount (USD'000)	2020 (from July to December)	2021	2022
Fish feeds	18,150	38,115	40,021
Shrimp feeds	6,180	12,978	13,627
Total	<u>24,330</u>	<u>51,093</u>	<u>53,648</u>

On top of the estimated total amount of aquatic animal feeds to be purchased from GWE Group for the three periods ended 31 December 2022 as set out above, approximately 10% of flexibility buffer is added to cope with the movement of price of aquatic animal feeds and the potential further increase in the demand for aquatic animal feeds arising from the sales of aquatic animal feeds of the Group based on the following factors:

- (i) the Group intends to implement a series of sales strategy in the aquatic animal feed market in Vietnam, including frequent customer visiting, more sharing of experience of animal keeping and selection of feeds, arrangement of seminars in respect of animal health, etc., to enhance the recognition of products sold by the Group in the market;
- (ii) the Group expects to launch new products such as frog feeds, Thai shrimp feeds, etc.; and
- (iii) the expected growth of breeding areas in the major sales market for the future three years.

Calculating on this basis, the Group proposes to fix the annual caps for the Transactions to be USD27,000,000 (from July to December 2020), USD56,200,000 (the whole year of 2021) and USD61,000,000 (the whole year of 2022).

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Master Purchase Agreement are fair and reasonable in so far as the Company and the Independent Shareholders are concerned, on normal commercial terms or better and in the ordinary and usual course of business of the Group and it is in the interests of the Company and the Shareholders as a whole to enter into the Transactions for the following reasons:

1. The Company has been selling domestic animal feeds in Vietnam for many years, and the existing sales channels and human resources are the Company's most valuable assets in Vietnam. If the Company engages in the sales of aquatic animal feeds, the Company will be able to provide feed products needed by the breeders who keep domestic animals and aquatic animals at the same time in one purchase, and also integrate the aquatic animal feed customers of GWE Group into the

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Group's management and provide services for the aquatic animal feed customers through existing sales channels to further enhance the value of the existing sales channels.

2. It is observed that there is a long-term growth in the aquatic animal keeping industry, and as the sales of relevant products increased, the demand for aquatic animal feeds is also expected to experience a long-term growth. The Company's investments in Vietnam's domestic animal feed companies have recorded impressive operating performances for many years, which contributed considerable amount of profits for the Company. However, in addition to the risk from spread of diseases, the domestic animal customers are exposed to the risk of human-made trade barriers. In facing the impact on operating profits from various factors, the introduction of the sales of aquatic animal feed products will strengthen the flexibility and adaptability of the Group's investment in Vietnam towards operating risks so as to safeguard the Company's operating profits.
3. GWE Group is a remarkable feed manufacturing company in Taiwan, which has comprehensive R&D and production management teams for both domestic animal feeds and aquatic animal feeds, and has strict quality control. By entering into the Master Purchase Agreement with GWE, the Group can obtain high quality aquatic animal feed supply with stable delivery, which will be beneficial for the Group's business expansion and development in the future.

LISTING RULES IMPLICATIONS

GWE is the ultimate controlling shareholder of the Company which indirectly holds approximately 52.04% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, GWE is a connected person of the Company under the Listing Rules and hence, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Han Chia-Yin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Ting Yu-Shan are common directors of the Company and GWE and were required under the articles of association of the Company to abstain, and did abstain, from voting on the Board resolutions to approve the Master Purchase Agreement and the proposed annual caps.

Save as disclosed above, none of the Directors has a material interest in the Transactions which required them to abstain from voting on the Board resolutions to approve the same.

As at least one of the applicable percentage ratios (other than the profits ratio) calculated based on the proposed annual caps of the Transactions exceed 5%, they are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under the Listing Rules.

The Independent Board Committee, comprising three independent non-executive Directors namely Mr. Way Yung-Do, Mr. Chen Chih, and Mr. Ting Yu-Shan, none of whom has any material interest in the Transactions, has been established to advise the Independent

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Shareholders as to (i) whether the terms of the Master Purchase Agreement and the proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the Transactions. Pelican has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Shareholders who have material interests in the Transactions, are required to abstain from voting in the resolution proposed to approve the relevant Transactions and the proposed annual caps at the EGM.

As at the Latest Practicable Date, GWE and its associates, including Waverley Star Limited and Asia Nutrition Technologies Corporation which held 375,899,946 and 152,924,906 Shares (representing approximately 36.99% and 15.05% of the total issued share capital of the Company) respectively, together held 528,824,852 Shares (representing approximately 52.04% of the total issued share capital of the Company). GWE, being a party to the Master Purchase Agreement, has material interests in the relevant continuing connected transactions. Therefore, GWE and its associates, including Waverley Star Limited and Asia Nutrition Technologies Corporation, are required to abstain from voting on the resolution to be proposed at the EGM to approve the Transactions (including the proposed annual caps).

Save as disclosed above and to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholders have a material interest in the Transactions which requires them to abstain from voting in the resolution proposed to approve the Transactions and the proposed annual caps.

GENERAL INFORMATION ON THE PARTIES

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 circular).

The principal business activities of GWE are production and processing of soybean products, feeds and chicken meat.

EGM

The Company will hold the EGM at (a) Whampoa Harbourfront Landmark, 6/F, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong; and (b) via online video conference on 30 June 2020, Tuesday at 2 p.m., or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the

LETTER FROM THE BOARD

same day, at which the resolution will be proposed for the purposes of considering and if thought fit, approving the Transactions and the proposed annual caps. The notice of the EGM is set out on pages 40 and 42 of this circular.

A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment of the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of the EGM should you so desire.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 23 June 2020, Tuesday, to 30 June 2020, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 22 June 2020, Monday.

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on the resolution at the EGM will be conducted by way of poll.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Transactions and the proposed annual caps; (ii) the letter from Pelican, the Independent Financial Adviser, set out on pages 16 to 31 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions and their proposed annual caps; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of Pelican, the Independent Financial Adviser, considers that the terms of the Master Purchase Agreement and their proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, the

LETTER FROM THE BOARD

Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Transactions and the proposed annual caps.

The Board considers that the Transactions and their proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of the resolution in respect of the Master Purchase Agreement and their proposed annual caps to be proposed at the EGM.

HYBRID EGM

The Company will conduct a hybrid EGM using Tricor e-Meeting System, which allows Shareholders to participate the EGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the EGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

Although Shareholders are welcome to attend the EGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the EGM in person, including temperature screening, require all participants to wear surgical face mask, plus safe distancing measures for queue management and seating at the meeting venue. To reduce close contact between attendees at the physical EGM, no food or beverages will be served at the venue and no souvenirs would be distributed. The Company may also deny any person who refuses to co-operate with the above precautionary measure or is detected to have a fever (i.e. over 37.3 C) or exhibiting flu-like symptoms from entering the meeting venue. If the venue of the EGM is closed in response to the COVID-19 outbreak, the EGM will continue to be held via the online platform.

For online voting at the EGM, Shareholders can refer to our enclosed letter and the Online Meeting User Guide (by visiting the hyperlink or scanning the QR code as printed therein) for details. If you have any queries on the above, please contact the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2975 0928 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

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HOW TO VOTE AT THE EGM

Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the EGM in person and vote via smartphones or designated mobile devices at the EGM venue; OR
- (2) attend the EGM via Tricor e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
- (3) appoint Chairman of the EGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the EGM or via the Tricor e-Meeting system.

If you are a CCASS non-registered holder of the Company, you are invited to join as an observer to view live streaming, however you will not be able to submit questions and vote online. If you would like to attend physically and vote at the EGM, you may instruct your nominees/banks/stockbrokers to appoint you as their proxy or corporate representative to attend and vote at the EGM.

For corporate Shareholders who wish to attend the EGM and to vote online, please contact Company's Branch Share Registrar at (852) 2975 0928 on or before 24 June 2020 for arrangement.

Yours faithfully,
By order of the Board
Wei Anning
Chairman

*The English transliteration of the Chinese name(s) in this circular, where indicated with *, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 June 2020

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER PURCHASE AGREEMENT WITH
THE ULTIMATE CONTROLLING SHAREHOLDER OF THE COMPANY**

We refer to the circular of the Company dated 12 June 2020 of the Company (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Master Purchase Agreement and the proposed annual caps, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from Pelican in the Circular.

Having taken into account of the advice of Pelican, the Independent Financial Adviser, we consider that (i) the terms of the Master Purchase Agreement and their proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the Transactions and the proposed annual caps.

Yours faithfully,

Way Yung-Do, Chen Chih and Ting Yu-Shan

Independent Board Committee

LETTER FROM PELICAN



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

12 June 2020

*To the Independent Board Committee and the Independent Shareholders of
DaChan Food (Asia) Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Purchase Agreement, the transactions contemplated thereunder (the “**Transactions**”) and the proposed annual caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 12 June 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 April 2020, the Company and GWE entered into the Master Purchase Agreement, pursuant to which, the Company agrees to purchase and procure members of the Group to purchase and GWE agrees to supply and procure other relevant members of GWE Group to supply aquatic animal feeds processed, manufactured, produced, sold or distributed by the relevant members of GWE Group on a non-exclusive basis pursuant to contracts of purchase to be entered into between the relevant members of the Group and the relevant members of GWE Group from time to time in accordance with the terms of the Master Purchase Agreement. The terms of such contracts of purchase shall not contradict the Master Purchase Agreement (except for terms in relation to general matters such as notice clause).

As at the Latest Practicable Date, GWE is the ultimate controlling shareholder of the Company which indirectly holds approximately 52.04% of the issued share capital of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further, at least one of the applicable percentage ratios (other than the profits ratio) calculated based on the proposed annual caps of the Transactions exceed 5%. As such, the Transactions are subject to the reporting, announcement, circular, Independent Shareholders’ approval and annual review requirements under the Listing Rules.

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The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. Accordingly, the Independent Board Committee, comprising Mr. Way Yung-Do, Mr. Chen Chih and Mr. Ting Yu-Shan, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms and the proposed annual caps of the Transactions. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, except for acting as the independent financial adviser to the Company in respect of the renewal of the existing continuing connected transactions as disclosed in the Company’s circular dated 13 June 2018, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the terms and the proposed annual caps of the Transactions.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Transactions are entered into in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms and the proposed annual caps of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) on the Transactions and their proposed annual caps at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Master Purchase Agreement, the Announcement, the sample quotations obtained by the Group from GWE Group and Independent Third Parties, the sales records of fish feeds and shrimp feeds of GWE Group in Vietnam for 2019 and the first quarter of 2020, a monthly financial budget prepared by the management of the Group for the year ending 31 December 2020, the annual report of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”) and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were

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reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms and the proposed annual caps of the Transactions, we have considered the following principal factors and reasons.

1. Background information of the parties to the Master Purchase Agreement

(a) The Company

The Company is an investment holding company with its subsidiaries principally engaged in chicken meat processing, feeds production and the supply of processed foods. 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.

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Set out below is the financial information of the Group for the two years ended 31 December 2019 as extracted from the 2019 Annual Report.

Table 1: Summary of financial information of the Group

	For the year ended 31 December	
	2019	2018
	<i>RMB' million</i> <i>(Audited)</i>	<i>RMB' million</i> <i>(Audited)</i>
<i>Revenue by segment</i>		
– Chicken meat	1,614.8	1,134.1
– Livestock feeds	4,379.1	4,249.4
– Processed food	2,041.3	1,808.4
Total revenue	8,035.2	7,191.9
Gross profit	981.6	760.3
Profit for the year	206.0	61.9

As set out in the 2019 Annual Report, total revenue of the Group amounted to approximately RMB8,035.2 million for the year ended 31 December 2019, representing an increase of approximately 11.7% as compared to the previous year. Meanwhile, the Group's profit for the year amounted to approximately RMB206.0 million, representing a significant growth of approximately 232.8% as compared to that in 2018. According to the 2019 Annual Report, such growth was mainly attributable to (i) the profit generated from the real estate project invested by the Group in Tianjin of approximately RMB2.9 million; and (ii) the increased gross profit of the three major business segments as a result of measures such as adjustments in the Group's product structure and marketing strategies, optimization of its technical process and research and development formulas, as well as strengthened cost control measures.

According to the 2019 Annual Report, the Group's markets cover the PRC, Vietnam, Japan and the rest of Asia Pacific. For the year ended 31 December 2019, revenue generated from the PRC and Vietnam accounted for approximately 59.0% and 33.7% of the Group's revenue. According to the 2019 Annual Report, the Group has also engaged in the trading of aquatic products in Vietnam, which we understand from the Company that the sales of such aquatic products account for less than 1% of the Group's revenue.

(b) GWE

The principal business activities of GWE are production and processing of soybean products, feeds and chicken meat.

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As at the Latest Practicable Date, GWE is the ultimate controlling shareholder of the Company which indirectly holds approximately 52.04% of the issued share capital of the Company. Accordingly, GWE is a connected person of the Company under the Listing Rules.

2. Reasons for and benefits of entering into the Master Purchase Agreement

As stated in the Board Letter, the Directors are of the view that the Transactions would (i) enhance the Group's existing sales channels in Vietnam; (ii) safeguard the Company's operating profits; and (iii) allow the Group to obtain high quality aquatic animal feed supply with stable delivery, all of which will be beneficial for the Group's business expansion and development.

(i) Enhance the existing sales channels in Vietnam

The Group has been selling domestic animal feeds in Vietnam for many years with established sales channels and sales teams. Due to the restructuring of GWE Group, GWE Group will focus on the management of manufacture process of aquatic animal feeds and quality enhancement in Vietnam and cease to engage in the sale of aquatic animal feeds products in Vietnam. The Group intends to commence aquatic animal feed sales business by reselling the aquatic animal feeds purchased from GWE Group to the existing customers of GWE Group. The Directors believes that by engaging in the sales of aquatic animal feeds in Vietnam, the Group would be able to captures sales from farmers who keep both domestic animals and aquatic animals as well as existing aquatic animal feed customers of GWE Group, and hence increase the customer base and existing sales channels of the Group in Vietnam.

(ii) Safeguard the Company's operating profits

It is expected there will be a long-term growth of the aquatic animal keeping industry in the Vietnam, and as the sales of the relevant products increases, the demand for aquatic animal feeds is also expected to increase. Taking into account that the Company's investments in Vietnam's domestic animal feed companies have been contributing a considerable amount of profits to the Company, the introduction of the sales of aquatic animal feeds in Vietnam is expected to further safeguard the Company's operating profits by providing flexibility to the Group in allocating its investments and strengthening the investees' adaptability towards operating risks.

(iii) High quality aquatic animal feed supply

We understand from the Directors that GWE Group is an experienced feed manufacturing company in Taiwan, which possesses comprehensive research and development (R&D) and production management teams for both domestic animal feed and aquatic animal feed products with strict quality control measures. We also note that GWE Group has been a reliable supplier

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of quality raw materials to the Group and hence the Directors are of the view that by entering into the Master Purchase Agreement with GWE Group, the Group would be able to obtain high quality aquatic animal feed supply with stable delivery, which will be beneficial for the Group's business expansion and development.

In light of the above, we concur with the Directors that the Transactions will provide an efficient and effective mean for the Group to expand and develop its business and hence we are of view that the Transactions will be carried out in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Master Purchase Agreement

A summary of the principal terms of the Master Purchase Agreement are set out below. Details of which are set out in the section headed "Major terms" in the Board Letter.

Date:	27 April 2020
Parties:	(i) the Company – the purchaser (for itself and on behalf of other members of the Group); and (ii) GWE – the supplier (for itself and on behalf of other members of GWE Group).
Duration:	Starting from the Effective Date to 31 December 2022.
Major terms:	The Company agrees to purchase and procure members of the Group to purchase and GWE agrees to supply and procure relevant members of GWE Group to supply aquatic animal feeds processed, manufactured, produced, sold or distributed by the relevant members of GWE Group on a non-exclusive basis pursuant to contracts of purchase to be entered into between the relevant members of the Group and the relevant members of GWE Group from time to time in accordance with the terms of the Master Purchase Agreement. The terms of such contracts of purchase shall not contradict the Master Purchase Agreement (except for terms in relation to general matters such as notice clause).

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Price determination: The prices of the products shall be agreed between the parties to the relevant contract of purchase on an arm's length basis and shall be on normal commercial terms, and shall be within the range of fair price prevailing on the relevant market of the same or similar products for the time being.

Payment: The Company shall procure the members of the Group to pay the price of the products in accordance with the contract of purchase entered into between the relevant member of the Group and the relevant member of GWE Group from time to time after the relevant member of GWE Group has supplied products in accordance with the said contract of purchase.

In determining whether the principal terms of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have reviewed the Master Purchase Agreement and discussed with the management of the Company the major terms therein. Through our discussion and review, we note that the Group is not restricted from purchasing and procuring products which are comparable to those provided by GWE Group from other potential suppliers. If the Group decides to enter into the contract of purchase with GWE Group, it shall be conducted on normal commercial terms that are similar to, or more favourable than, the terms offered by other potential suppliers regarding the same product of the same quality.

In addition, we note that in case when there is a need to protect the new formula of the Group's new products from potential competitors and hence it is impractical for the Group to obtain quotations to verify the quoted price provided by GWE Group, the Group will purchase products from GWE Group only when the Group can receive not less than 10% of profits in the relevant sales transactions. In this regard, we have reviewed a monthly financial budget prepared by the management of the Group for the year ending 31 December 2020 based on the historical sales records of fish feeds and shrimp feeds of the GWE Group in Vietnam, which lists out the estimated monthly sales of fish feeds and shrimp feeds in Vietnam and the gross profit therefrom. From such monthly financial budget, we noted that the monthly profit margin of fish feeds and shrimp feeds is estimated to range from 7% to 11% for the year ending 31 December 2020. Accordingly, we consider the cost-plus profit of 10% as set by the Group as appropriate. We also consider such arrangement as beneficial to the Group as it would protect its profitability while providing it with the flexibility to develop and explore new products.

Having considered that (i) the relevant members of the Group are not restricted from purchasing and procuring products comparable to those provided by GWE Group from other potential suppliers; (ii) the Transactions shall be conducted on normal commercial terms that are similar to, or more favourable than, the terms offered by other potential suppliers; (iii) in case there is a need to protect the new formula of the Group's new products from potential competitors and hence it is impractical for the

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Group to obtain quotations from potential suppliers other than GWE Group, the Group will only enter into the contract of purchase with GWE Group if it can receive not less than 10% of profits in relevant sales transactions; and (iv) the Transactions and their proposed annual caps will be governed and monitored by the pricing policies and internal control measures of the Group as discussed in section 5 of this letter below, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

4. The proposed annual caps of the Transactions and their basis of determination

The following table sets out the proposed annual caps of the Transactions for the three years ending 31 December 2022.

Table 2: The proposed annual caps of the Transactions

	For the year ending 31 December (Note)		
	2020	2021	2022
Continuing connected transactions	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<i>Master Purchase Agreement</i>	27,000	56,000	61,000

Note: The abovementioned three-year period respectively refers to (i) the first year starts from the Effective Date to 31 December 2020 (the first year starts from 1 July 2020 to 31 December 2020, assuming that the continuing connected transactions under the Master Purchase Agreement are approved by the Independent Shareholders at the EGM on 30 June 2020); (ii) the second year starts from 1 January 2021 to 31 December 2021; and (iii) the third year starts from 1 January 2022 to 31 December 2022. The above dates are for illustrative purposes only.

In determining the proposed annual caps of the Transactions, the Company has taken into account (i) the estimated sales volume of aquatic animal feeds for the three years ending 31 December 2022; (ii) the estimated transaction amounts of the Transactions for the three years ending 31 December 2022 based on the estimated sales volume and the quoted prices obtained by the Group from other potential suppliers; and (iii) the added buffer of approximately 10% to cope with price fluctuations of aquatic animal feeds and the potential further increase in the demand for aquatic animal feeds to be sold by the Group.

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The above basis of determining the proposed annual caps of the Transactions is further illustrated in the below table.

Table 3: Basis for determining the proposed annual caps of the Transactions

	For the year ending		
	31 December (Note)		
	2020	2021	2022
	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
Expected sales volume of fish feeds	33,000	69,300	72,765
Expected sales volume of shrimp feeds	6,000	12,600	13,230
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Expected transaction amount of fish feeds	18,150	38,115	40,021
Expected transaction amount of shrimp feeds	6,180	12,978	13,627
Total expected transaction amount	24,330	51,093	53,648
After adding a buffer of 10%	26,763	56,202	59,013
Proposed annual caps	27,000	56,200	61,000

(i) Estimated sales volume of aquatic animal feeds

According to the Directors, based on the current sales volume of aquatic animal feed products of GWE Group in Vietnam, it is estimated that the business expansion will contribute to the Group monthly sales volumes of fish feeds and shrimp feeds of approximately 5,500 tons and 1,000 tons, respectively. Meanwhile, since the Group expects a compound annual growth rate of approximately 5% in the aquatic animal keeping industry in Vietnam for the three years ending 31 December 2022, the Company estimates that the sales volume of fish feeds for the three years ending 31 December 2022 will be approximately 33,000 tons, 69,300 tons and 72,765 tons, respectively, while the sales volume of shrimp feeds will be approximately 6,000 tons, 12,600 tons and 13,230 tons for the same periods, respectively.

(ii) Estimated transaction amounts of the Transactions

As stated in the Board Letter, according to the quoted prices obtained by the Group from other potential suppliers (i.e. USD550 per ton of fish feeds and USD1,030 per ton of shrimp feeds) and the estimated sales volume of aquatic animal feed products for the three years ending 31 December 2022 as set out above, the Group expects the transaction amount of fish feeds for the three years ending 31 December 2022 will be approximately USD18,150,000, USD38,115,000 and USD40,021,000, respectively, while the transaction amount of shrimp feeds will be approximately USD6,180,000, USD12,978,000 and USD13,627,000 for the same periods, respectively.

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(iii) Added buffer of approximately 10%

On top of the estimated total amount of aquatic animal feed products to be purchased from GWE Group for the three years ending 31 December 2022 as set out above, a buffer of approximately 10% is added to cope with price fluctuations of aquatic animal feeds and the potential further increase in the demand for aquatic animal feeds to be sold by the Group given the below considerations:

- (a) the Group intends to implement a series of sales strategy in the aquatic animal feed market in Vietnam to enhance the recognition of products to be sold by the Group in the market;
- (b) the Group expects to launch new products such as frog feeds, Thai shrimp feeds, etc.; and
- (c) the expected growth of breeding areas in major markets for the three years ending 31 December 2022.

To assess the fairness and reasonableness of above determining basis of the proposed annual caps, we have obtained and reviewed the sales records of fish feeds and shrimp feeds of GWE Group in Vietnam for 2019 and the first quarter of 2020 as well as the monthly financial budget prepared by the management of the Group for the year ending 31 December 2020. We noted that the forecasted sales volume of aquatic animal feeds for the period from 1 July 2020 to 31 December 2020 (assuming that the continuing connected transactions under the Master Purchase Agreement are approved by the Independent Shareholders at the EGM on 30 June 2020) is estimated based on the sales volume of fish feeds and shrimp feeds of GWE Group in Vietnam in 2019 of approximately 58 thousand tons and 11 thousand tons respectively, with a forecasted annual growth rate of the sales volume of fish feeds and shrimp feeds in Vietnam between 2019 and 2020 being approximately 13.8% and 9.1% respectively (inclusive of an estimated compound annual growth rate of 5% during the period). Given that half of such forecasted annual sales volume will be attributed to the Group, assuming that the Effective Date will commence on 1 July 2020, it is estimated that the Transactions will contribute to the Group monthly sales volumes of fish feeds and shrimp feeds of at least 5,500 tons and 1,000 tons, respectively. In this regard, we have discussed the basis of such estimation with the Company and understand that the Group intends to not only resell GWE Group's aquatic animal feeds to GWE Group's existing customers, but also extend such resales to its existing customers in Vietnam, which has been one of its major markets for many years for its sales of animal feeds. According to the Company, many of its current customers for its animal feed products in Vietnam also purchase aquatic feed products from suppliers other than GWE Group, and therefore the Company expects that by consolidating the customer bases of GWE Group and the Group, the sales volume of fish feeds and shrimp feeds under the Transactions is expected to increase in 2020. In addition, through our review of the sales records of fish feeds and shrimp feeds of GWE Group in Vietnam for 2019 and the first quarter of 2020, we noted that while the sales volume of fish feeds and shrimp feeds of GWE

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Group for the first quarter of 2020 had increased year-by-year by approximately 22.1% and 8.0% respectively, the Directors had taken a more conservative approach when determining the proposed annual caps of the Transactions and consider that the respective forecasted annual growth rate of approximately 13.8% and 9.1% of the sales volume of fish feeds and shrimp feeds in Vietnam in 2019 is fair and reasonable, especially when considering that seasonal effects may take place as customers of these aquatic animal feeds harvest their fishes and shrimps during particular months and do not require aquatic animal feeds during those periods. Given that (i) the consolidation of the customer base of the Group and that of GWE Group is expected to broaden the Group's customer base in Vietnam for its future offering of aquatic products; and (ii) GWG Group's sales of fish feeds and shrimp feeds in Vietnam had recorded growth for the first quarter of 2020 compared with that in the corresponding period in 2019, we are of the view that the estimated growth rates in the sales volume of fish feeds and shrimp feeds in Vietnam of approximately 13.8% and 9.1% between 2019 and 2020 are fair and reasonable. Meanwhile, given that the consolidation of the customer bases of GWE Group and the Group will happen in the first year of the Master Purchase Agreement, we consider it reasonable that the estimated growth rates in the sales volume of fish feeds and shrimp feeds are higher for the year ending 31 December 2020 and thereafter followed with a more stable compound annual growth rate of 5% for the two years ending 31 December 2022.

In assessing whether the compound annual growth rate of 5% is fair and reasonable, we have conducted an independent research regarding the development of aquatic animal feed industry in Vietnam. According to Askci Consulting Co., Limited, in December 2019, Vietnam's aquatic animal feed production was approximately 644,900 tons, representing a year-on-year increase of approximately 20.1%. While for the year of 2019, Vietnam's aquatic animal feed production was approximately 6,972,600 tons, representing a year-on-year increase of approximately 13.8%.¹ On the other hand, according to the National Aquaculture Sector Overview of Vietnam released by the Food and Agriculture Organization of the United Nations, technologies for the production of aquaculture feeds in Vietnam have been perfected through the use of cheap raw materials which are locally available, leading the fisheries sector (including aquaculture) to play an important role in the economy of Vietnam and rank third in the league of the key economic sectors of Vietnam.² Given the industry growth rate of more than 10% in the aquatic animal feed industry in Vietnam in 2019 and the relevant industry insights, we are of the view that the 5% compound annual growth rate for the three years ending 31 December 2022 as estimated by the Group is fair and reasonable and on the conservative side.

¹ Please refer to <http://baijiahao.baidu.com/s?id=1660112313116188735>

² Please refer to http://www.fao.org/fishery/countrysector/naso_vietnam/en

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Furthermore, in reviewing the sales records of fish feeds and shrimp feeds of GWE Group in Vietnam for 2019 and the first quarter of 2020, we have divided the sales revenue from each product by their respective sales volume in order to obtain their respective price per ton. From our review, we noted that the prices per ton for fish feeds and shrimp feeds were approximately USD530 and USD1,040 respectively, which match the quoted prices obtained by the Group from other potential suppliers (i.e. USD550 per ton of fish feeds and USD1,030 per ton of shrimp feeds) as mentioned in the Circular. Given that the Group will specialise in selling five types of fish feeds and two types of shrimp feeds under the Transactions, we have requested and obtained from the Group 50 sets of sample quotations which include the quoted prices for all of the five types of fish feeds to be sold by the Group in 2020 (i.e. one set of sample quotation for each type of fish feeds provided by the GWE Group for each quarter of 2019 and the first quarter of 2020 and one set of sample quotation for each type of fish feeds provided by Independent Third Parties for each quarter of 2019 and the first quarter of 2020), and similarly, 20 sets of sample quotations which included the quoted prices for all of the two types of shrimp feeds to be sold by the Group in 2020 (i.e. one set of sample quotation for each type of shrimp feeds provided by GWE Group for each quarter of 2019 and the first quarter of 2020 and one set of sample quotation for each type of shrimp feeds provided by Independent Third Parties for each quarter of 2019 and the first quarter of 2020). We understand that these sample quotations were previously obtained by the Company's subsidiaries in Vietnam, which was also engaged in the sales of aquatic products despite such sales had accounted for less than 1% of the Group's revenue in the previous years. From our review, we noted that the prices of these fish feeds and shrimp feeds had been relatively stable in that the difference between their respective average price in 2019 and that in the first quarter of 2020 was less than 10%. In addition, we noted that the difference between the quoted prices provided by GWE Group and those provided by Independent Third Parties for a similar product was less than 5%. Hence, we are of the view that GWE Group's products had been priced in accordance with the market prices and that the sales records of fish feeds and shrimp feeds of GWE Group for 2019 and the first quarter of 2020 serves an appropriate reference for assessing the prices per ton for fish feeds and shrimp feeds as estimated by the Group.

Additionally, we understand that the Group intends to implement a series of sales strategy in the aquatic animal feed market in Vietnam, including frequent customer visits, more sharing sections on experience of animal keeping and selection of feeds as well as seminars in respect of animal health, etc., in order to enhance the recognition of products to be sold by the Group in the market. Furthermore, the Group expects to launch new products such as frog feeds and Thai shrimp feeds in Vietnam in order to broaden its product offering. Given these strategies and the fact that the Group has already established sales channels and sales teams in Vietnam, which has been one of its major markets for many years, we are of the view that the 10% buffer for the three years ending 31 December 2022, are fair and reasonable. Given the current high degree of uncertainty in the global economy, we also consider that the 10% buffer would

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allow the Group to not only cope with any unexpected price fluctuations of aquatic animal feeds in the market, but also capture business opportunities in a timely manner as they arise.

Finally, as shown in the above table, we note that the largest proposed annual cap, i.e. the proposed annual cap for the year ending 31 December 2022, only accounts for approximately 6.13% of the cost of sales of the Group for the year ended 31 December 2019,³ indicating that the estimated purchase amount under the Master Purchase Agreement is expected to account for only a small portion of the cost of sales of the Group, and hence it is unlikely that the Group will rely on GWE Group as its supplier for aquatic animal feeds.

Having considered the above factors, the Directors consider, and we concur, that the proposed annual caps of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

5. Internal controls and pricing policies for the Master Purchase Agreement

To ensure that the terms of the Transactions proposed to be entered into by the Group are fair and reasonable and are on normal commercial terms, the Group has adopted the following pricing policies and internal control measures (the “**Pricing Policies and Internal Control Measures**”).

- (i) in respect of products that are available in the market, the Group will create a database (“**Database**”) containing the prevailing market price of the products with same specification and nutrient contents by obtaining quoted prices from at least 2 Independent Third Parties in the area where the contemplated transactions would take place;
- (ii) the Group will review and update the Database on a monthly basis. During the periodical review, the relevant procurement department of the Group will obtain quoted prices from at least 2 Independent Third Parties for the purpose of updating the information in the Database. Based on the understanding of the Company in the aquatic animal feed market, there are on average only around three to four price adjustments of aquatic animal feed products in Vietnam per year. Given the stable market of aquatic animal feed products in Vietnam, the Board is of the view that conducting the said review on a monthly basis would be able to reflect the prevailing market prices of the aquatic animal feed products. When the relevant members of the Group intend to enter into the contract of purchase with relevant members of GWE Group, it would do so only when the terms of the products (in particular the price) provided by the relevant members of GWE Group is the same or more favourable than that as recorded in the Database regarding the same product of the same quality;

³ An exchange rate of USD1 to Renminbi 7.0827 is applied here for the calculation.

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- (iii) in respect of products that are not available in the market, from time to time, the Group may research and develop tailor-made and new products for potential customers. There is a need to protect the new formula of the Group's new products from potential competitors and hence it is impractical for the Group to obtain quotations in the market to verify the quoted price provided by GWE Group. In this case, the Group will obtain the expected sale price and expected sale quantity from the potential customers who intend to purchase new products from the Group on one hand, and will on the other hand obtain the quoted price of the new products from GWE Group and further estimate other costs to be incurred in relevant contemplated transactions of the Group. The Group will purchase products from GWE Group only when the Group is expected to receive not less than 10% of profits in relevant sales transactions. The Group would not purchase the new products from GWE Group if the Group is expected to receive less than 10% of profits in relevant sales transactions;
- (iv) the actual aggregate amount of the Transactions will be reported orally or in writing to the finance manager of the Group by the accounting staff of the relevant members of the Group within 10 days after the end of each quarter. If the aggregate transaction amount under the Master Purchase Agreement during the previous quarters exceeds 70% of the proposed annual cap for the year, the accounting staff of the relevant members of the Group will be required to report monthly or bi-weekly on the transaction amount; and
- (v) the Company will inform the members of the Group conducting the Transaction(s) when the aggregate transaction amount reaches 90% of the proposed annual cap for the year and requires the relevant members of the Group to seek approval from the chief financial officer of the Group before entering into the supply or purchase contract so as to ensure the annual cap is not exceeded.

In addition to the above measures, we noted from the 2019 Annual Report that annual review of the continuing connected transactions of the Group have been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions of the Group were entered into, among other things, (i) in the ordinary and usual course of the Group's business; and (ii) either on normal commercial terms or on terms no less favourable to the Group than those available to or from other potential suppliers. The 2019 Annual Report also confirms that the Company's auditors has issued the relevant letters to the Company pursuant to Chapter 14A of the Listing Rules confirming that the continuing connected transactions of the Group were conducted in accordance with their terms and that their proposed annual caps have not been exceeded. We understand that the Transactions will, pursuant to the Listing Rules, also be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual reports and annual confirmation by the auditors of the Company.

LETTER FROM PELICAN

Given that the transactions previously entered into between the Company's subsidiaries in Vietnam and GWE Group in relation to the former's purchase of aquatic animal feeds from GWE Group, were de minimis transactions under Chapter 14A of the Listing Rules and hence the Pricing Policies and Internal Control Measures are new measures that will only be implemented starting from the Effective Date, there are no previous transactions available for review in relation to the Group's pricing policies and internal control measures. As such, in commenting on the adequacy and effectiveness of these measures to be implemented, we have assumed that these measures will be in place and that the Group will adhere to them. Since the Group will regularly update the Database, as well as regularly review the quoted prices from Independent Third Parties, we agreed with the Directors that these procedures will keep the Group updated on any significant changes in costs and/or demands of their products in the market, and hence allow the Group to compare the prices and terms of a specific product in a timely and efficient manner, and ensure that the Transactions will be entered into on normal commercial terms and that the price of the products provided by GWE Group is the same or more favourable than that as recorded in the Database. For tailor-made and new products whose prices are not yet available in the market, we consider the Group's plan to compare the information on the expected sale price and expected sale quantity obtained from its potential customers, with that on the quoted prices of the new products obtained from GWE Group, as appropriate for its assessment of whether the 10% profit margin is achievable. Finally, given that a reporting system will be in place and in the event that the aggregate transaction amount reaches 90% of the proposed annual cap for the year, approval from the chief financial officer of the Group before entering into the Transactions will be required, we consider that an effective system will be in place to ensure that the proposed annual caps of the Transactions will not be exceeded.

Given that (i) the Transactions will continue to be compared with the price and terms of similar products from other potential suppliers through the Database to ensure that the Transactions will be entered into on normal commercial terms; (ii) the Group will enter into the contract of purchase with GWE Group only when the price of the products provided by GWE Group is the same or more favourable than that as recorded in the Database regarding the same product of the same quality; (iii) for products whose quoted price provided by GWE Group cannot be verified due to the need to protect the new formula of the Group's new products from potential competitors, the Group will purchase products from GWE Group only when the Group is expected to receive not less than 10% of profits in relevant sales transactions; (iv) a reporting system is in place and approval from the chief financial officer of the Group before entering into the Transactions is required when the actual transaction amount approaches the limit of the proposed annual caps; and (v) the pricing and the annual caps of the Transactions will be annually reviewed by the auditors and the independent non-executive Directors of the Company, we are satisfied that the Pricing Policies and Internal Control Measures are adequate and effective in ensuring the Transactions will be entered into on normal commercial terms and are comparable to, or no less favorable than, the market rates and that there is an effective operating system in place to monitor the annual caps.

LETTER FROM PELICAN

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms and the proposed annual caps of the Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Transactions and their proposed annual caps at the EGM. We also recommend the Independent Shareholders to vote in favour of the Transactions and their proposed annual caps at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (as defined under the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interest in shares of the Company

Name of Directors	Type of Interest	No. of Shares held	Approximate percentage of issued share capital of the Company (Note 1)
Han Jia-Hwan	Beneficial owner	344,000	0.03%
Han Chia-Yin (Note 2)	Beneficial owner/ Interests of spouse	582,000	0.06%
Chao Tien-Shin (Note 3)	Beneficial Owner/ Interests jointly held with spouse	3,834,000	0.38%
Chen Chih	Beneficial owner	300,000	0.03%
Way Yung-Do	Beneficial owner	355,000	0.03%

Note:

- As at the Latest Practicable Date, the total number of the issued Shares was 1,016,189,000.
- Mr. Han Chia-Yin held 382,000 Shares and was also deemed to be interested in 200,000 Shares held by his spouse by virtue of section 344 of the SFO.
- Mr. Chao Tien-Shin was deemed to be interested in 300,000 shares jointly held by Mr. Chao and his spouse.

(b) Long positions in shares of associated corporations of the Company

Name of Directors	Name of associated corporation	Type of Interest	No. of shares held	Approximate percentage of issued share capital of associated corporation (Note 1)
Han Chia-Yau	GWE	Beneficial owner	62,352	0.01%
Harn Jia-Chen	GWE	Beneficial owner	66,973	0.01%
Chao Tien-Shin (Note 2)	GWE	Interests of a corporation jointly controlled with spouse	11,507,024	1.39%

Note:

- As at the Latest Practicable Date, the total number of the issued shares of GWE was 528,824,852.
- Mr. Chao Tien-Shin is deemed to be interested in 11,507,024 shares of GWE held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed in this paragraph 2, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Long Positions in shares of the Company

Name of Shareholder (Note 1)	Type of Interest	No. of shares held	Approximate percentage of issued share capital of the Company (Note 2)
Waverley Star Limited	Beneficial owner	375,899,946	36.99%
Asia Nutrition Technologies Corporation	Beneficial owner	152,924,906	15.05%
GWE (Note 1 and 2)	Interests of a controlled corporation	528,824,852 (Note 3)	52.04%
Great Wall International (Holdings) Ltd.	Interests of a controlled corporation	528,824,852 (Note 3)	52.04%
Continental Capital Limited (Note 4)	Beneficial owner	59,700,029 (Note 5)	5.87%
Contigroup Companies Inc.	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Fribourg Grandchildren Family L.P.	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Fribourg Enterprises, LLC	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%

Name of Shareholder (Note 1)	Type of Interest	No. of shares held	Approximate percentage of issued share capital of the Company (Note 2)
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Fribourg Charles Arthur	Trustee	59,700,029 (Note 5)	5.87%
Sosland Morton Irvin	Trustee	59,700,029 (Note 5)	5.87%
Fribourg Paul Jules	Trustee	59,700,029 (Note 5)	5.87%
Sun Hui Ying	Beneficial owner	50,978,000	5.02%

Notes:

1. The following Directors are directors/employees of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
 - (a) Mr. Han Chia-Yin is a director of GWE;
 - (b) Mr. Han Chia-Yau is a director of GWE and the chairman of the board of the directors of GWE. He is also a director of Waverley Star Limited, Asia Nutrition Technologies Corporation and Great Wall International (Holdings) Ltd.;
 - (c) Mr. Harn Jia-Chen is a director of GWE; and
 - (d) Mr. Ting Yu-Shan is a director of GWE.
2. As at the Latest Practicable Date, the total number of the issued Shares was 1,016,189,000.
3. The shares were registered in the name of Waverley Star Limited and Asia Nutrition Technologies Corporation, each of which was a wholly-owned subsidiary of Great Wall International (Holdings) Ltd, which, in turn, was a wholly-owned subsidiary of Great Wall Enterprise Co., Ltd. Under the SFO, both Great Wall International (Holdings) Ltd and Great Wall Enterprise Co., Ltd were deemed to be interested in all the shares held by Waverley Star Limited and Asia Nutrition Technologies Corporation.
4. The Company was informed by Continental Enterprises Ltd. that it changed its name to "Continental Capital Limited" on 2 November 2011, and that the number of shares in the Company held by it has increased from 59,700,029 to 60,000,029 since it acquired 300,000 shares in the Company in 2012 through the exercise of share option(s).
5. Fribourg Charles Arthur, Sosland Morton Irvin and Fribourg Paul Jules had control of 3.39%, 3.21% and 6.23% interests in Contigroup Companies Inc. respectively. They were also the trustees of and had control of 100% interests in the Declaration of Trust dated 31 May 1957 for the benefit of Robert Fribourg (the "Robert's Declaration"), the Declaration of Trust dated 31 May 1957 for the benefit of Paul Jules Fribourg (the "Paul's Declaration"), the Declaration

of Trust dated 31 May 1957 for the benefit of Nadine Louise Fribourg (the “Nadine’s Declaration”), Declaration of Trust dated 31 May 1957 for the benefit of Charles Arthur Fribourg (the “Charles’ Declaration”), and the Trust Agreement Dated 16 September 1963 for the benefit of Caroline Renee Fribourg (the “Caroline’s Agreement”) (hereinafter collectively referred to as the “Trusts”). Under the SFO, Fribourg Charles Arthur, Sosland Morton Irvin and Fribourg Paul Jules were deemed to be interested in all the interests held by the Trusts.

The Trusts controlled 100% interests in Fribourg Enterprises, LLC. Under the SFO, the Trusts were deemed to be interested in all the interests held by Fribourg Enterprises, LLC. Fribourg Enterprises, LLC controlled 2.44% of Contigroup Companies Inc and wholly controlled Fribourg Grandchildren Family L.P, which directly controlled 49.33% interests of Contigroup Companies Inc. Under the SFO, Fribourg Enterprises, LLC was deemed to be interested in all the interests held by Fribourg Grandchildren Family L.P, which was deemed to be interested in all the interests held by Contigroup Companies Inc. The Robert’s Declaration, Paul’s Declaration, Nadine’s Declaration, Charles’ Declaration and Caroline’s Agreement owned 3.93%, 5.84%, 5.23%, 4.97%, and 4.92% of the interests in Contigroup Companies Inc.

Contigroup Companies Inc. wholly controlled Continental Enterprises Ltd, which was interested in 5.90% shares of the Company. Under the SFO, Contigroup Companies Inc. was deemed to be interested in all the shares held by Continental Enterprises Ltd.

The Trusts jointly held their interests in the Company. Fribourg Charles Arthur, Sosland Morton Irvin and Fribourg Paul Jules also jointly held their interests in the Company.

(b) Interests in subsidiaries of the Company

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the issued voting shares of any subsidiary of the Company:

Name of subsidiary of the Company	Name of substantial shareholder	Approximate percentage of shareholding
Great Wall Dalian Investment Co., Ltd.* (大成大連投資有限公司)	Marubeni Corporation (丸紅株式會社)	40%
Asia Nutrition Technologies (VN) Investment Co., Ltd.	Yongkong Holdings Limited	17%
DaChan Livestock Development Co., Ltd.* (孟村回族自治縣大成畜牧開發有限公司)	Mengcun Hui Autonomous County Construction Investment Co., Ltd.* (孟村回族自治縣城市建設投資有限公司)	60%
Green Pac Bio Co., Ltd.* (深圳綠倍生態科技有限公司)	Shenzhen Huada Gene Technology Co., Ltd.* (深圳華大基因科技有限公司)	28%
Taixu & DaChan Foods Holdings Co., Limited* (台畜大成食品控股有限公司)	Taiwan Farm Holding Co., Ltd.	38.46%

Name of subsidiary of the Company	Name of substantial shareholder	Approximate percentage of shareholding
Taixu & Dachan Foods Co., Limited* (台畜大成食品有限公司)	CAI Cathay Ltd.	15%
Tianjin Chao Cheng Food Trade Co., Ltd. * (天津朝成食品貿易有限公司)	Xiamen Fonshinn Bio-Tec Inc. * (廈門風時新生物科技 有限公司)	45%

Save as disclosed in this paragraph 3, there is no person (not being a Director or chief executive of the Company) known to the Directors and chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were, directly or indirectly, interested in 10% or more of the issued voting shares of any subsidiary of the Company.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 being the date up to which the latest published audited accounts of the Company were made.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors (i) had any interest in any assets which have been, since 31 December 2019 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and (ii) was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosable under the Listing Rules.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Pelican Financial Limited	A licensed corporation to conduct type 6 (advising on corporation finance) regulated activities under the SFO.

Pelican has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 12 June 2020 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Pelican did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interest in any assets which have, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clifton House, 75 Fort Street, George Town, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business in Hong Kong is at Suite 1806, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (b) The Company's branch share registrar in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Ms. Cho Yi Ping, a practising solicitor of Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 1806, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong, for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Pelican, the text of which is set out in this circular;
- (d) the written consent from Pelican referred to in the section headed “Expert and Consent” in this appendix; and
- (e) the Master Purchase Agreement.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of DaChan Food (Asia) Limited (the “**Company**”) will be held (a) at Whampoa Harbourfront Landmark, 6/F, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong; and (b) via online video conference, on 30 June 2020, Tuesday, at 2 p.m., or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, to consider and, if thought fit, pass the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Master Purchase Agreement (as defined in the circular of the Company dated 12 June 2020 (the “**Circular**”), a copy of which will be produced to the meeting and marked “A” and initialled by the chairman of the EGM for the purpose of identification), the terms and the transactions contemplated thereunder together with the relevant proposed annual caps in relation to such transactions from the Effective Date (as defined in the Circular) to 31 December 2022 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as he considers necessary, desirable or expedient that are of administrative nature and ancillary to and for the purposes of carrying out or giving effect to the Master Purchase Agreement or the transactions contemplated thereunder.”

By order of the Board
Wei Anning
Chairman

Hong Kong, 12 June 2020

NOTICE OF EGM

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the EGM, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment of the EGM. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed to the notice of the EGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment of the EGM.
3. The register of members of the Company will be closed from 23 June 2020, Tuesday to 30 June 2020, Tuesday (both dates inclusive) for the purposes of determining the entitlements of the members of the Company to attend and vote at the EGM. No transfer of the shares of the Company may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 22 June 2020, Monday.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above resolution will be voted by way of poll; shareholders of the Company who have material interests (within the meaning of the Listing Rules) in the transactions to be approved by the above resolution, including but not limited to Great Wall Enterprise Co., Ltd. and/or its associate (within the meaning of the Listing Rules), are required to abstain from voting in the resolution.
5. The Company will conduct a hybrid EGM using Tricor e-Meeting System, which allows Shareholders to participate the EGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the EGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.
6. Although Shareholders are welcome to attend the EGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the EGM in person, including temperature screening, require all participants to wear surgical face mask, plus safe distancing measures for queue management and seating at the meeting venue. To reduce close contact between attendees at the physical EGM, no food or beverages will be served at the venue and no souvenirs would be distributed. The Company may also deny any person who refuses to co-operate with the above precautionary measure or is detected to have a fever (i.e. over 37.3 C) or exhibiting flu-like symptoms from entering the meeting venue. If the venue of the EGM is closed in response to the COVID-19 outbreak, the EGM will continue to be held via the online platform.
7. For online voting at the EGM, Shareholders can refer to our enclosed letter and the Online Meeting User Guide (by visiting the hyperlink or scanning the QR code as printed therein) for details. If you have any queries on the above, please contact the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2975 0928 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

NOTICE OF EGM

8. Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:
- (1) attend the EGM in person and vote via smartphones or designated mobile devices at the EGM venue;
OR
 - (2) attend the EGM via Tricor e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
 - (3) appoint Chairman of the EGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the EGM or via the Tricor e-Meeting system.

If you are a CCASS non-registered holder of the Company, you are invited to join as an observer to view live streaming, however you will not be able to submit questions and vote online. If you would like to attend physically and vote at the EGM, you may instruct your nominees/banks/stockbrokers to appoint you as their proxy or corporate representative to attend and vote at the EGM.

For corporate Shareholders who wish to attend the EGM and to vote online, please contact Company's Branch Share Registrar at (852) 2975 0928 on or before 24 June 2020 for arrangement.

As at the date of this notice, the board of the directors of the Company comprises Mr. Wei Anning (Chairman) and Mr. Han Chia-Yin as executive directors of the Company, Mr. Han Chia-Yau, Mr. Han Jia-Hwan, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin as non-executive directors of the Company and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Ting Yu-Shan as independent non-executive directors of the Company.