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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)

(1) PROPOSED VARIATION DEED; (2) CONNECTED TRANSACTION-PROPOSED JOINT VENTURE; AND (3) CONTINUING CONNECTED TRANSACTION – PROPOSED TOLL-MILLING SERVICE

PROPOSED VARIATION DEED

Pursuant to the Non-Competition Deed, Great Wall Enterprise has undertaken to the Company not to, and procure its associates (other than the Group) not to, directly or indirectly, carry on or be engaged in, connected with or interested in the Restricted Business (i.e. the business carried out by the Group as at the date of the Non-Competition Deed) in the Restricted Territory. Since the Group has carried out some types of the Aquafeed Business as at date of the Non-Competition Deed, the Restricted Business covers such Aquafeed Business. In order to enable the Group to cooperate with Great Wall Enterprise in the Aquafeed Business in the future, it is proposed that the Variation Deed be entered into between the Company and Great Wall Enterprise to supplement the Non-Competition Deed.

The Company will seek the Independent Shareholders' approval for the entering into of the Variation Deed at the EGM.

PROPOSED JOINT VENTURE

It is proposed that after the execution of the Variation Deed, ANTIC, a non-wholly owned subsidiary of the Company and GWIH, a direct wholly owned subsidiary of Great Wall Enterprise, will set up a joint venture company (i.e. the New JV) as a holding company for conducting Aquafeed Business and will execute the Shareholders Agreement to govern the management and affairs of the New JV. The New JV will be owned as 40% by ANTIC and 60% by GWIH. The issued share capital of the New JV will amount to US\$2,000,000.

PROPOSED TOLL-MILLING SERVICE

It is proposed that after the execution of the Variation Deed, the New JV will establish the Vietnamese Corporation to carry on the Aquafeed Business. It is also proposed that after the establishment of the Vietnamese Corporation, ANTVN (a subsidiary of ANTIC) and the Vietnamese Corporation will enter into the Toll-Milling Service Agreement whereby for a period of 3 years ANTVN will be responsible for providing the Vietnamese Corporation with the toll-millings service for aquatic feed products on at costs basis.

LISTING RULES IMPLICATIONS

Great Wall Enterprise is the ultimate controlling shareholder of the Company. Therefore, Great Wall Enterprise is a connected person of the Company under the Listing Rules. Given GWIH is a direct wholly owned subsidiary of Great Wall Enterprise, GWIH is also a connected person of the Company under the Listing Rules. Further, given the New JV will be owned as to 60% by GWIH and the Vietnamese Corporation will be wholly owned by the New JV, both the New JV and the Vietnamese Corporation are regarded as associates of GWIH.

Therefore, the establishment of the New JV constitutes a connected transaction of the Company whereas the Toll-Milling Transactions would constitute continuing connected transactions of the Company under the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules is more than 0.1%, but less than 2.5% in respect of the establishment of the New JV, the establishment of the New JV is only subject to the reporting and announcement requirements but exempted from the requirement for Independent Shareholders' approval. However, the Toll-Milling Transactions and the Proposed Caps will be subject to reporting, announcement and approval by the Independent Shareholders by poll at the EGM under Chapter 14A of the Listing Rules.

GWIH and its associates will abstain from voting in relation to the resolution approving the Variation Deed and the Toll-Milling Service Agreement and the transactions contemplated thereunder and the Proposed Caps at the EGM.

GENERAL INFORMATION

A circular containing, among other things, further details of (i) the Variation Deed and (ii) the Toll-Milling Service Agreement will be despatched to the Shareholders within 21 days after the publication of this announcement.

An Independent Board Committee has been formed to advise the Independent Shareholders on (i) the Variation Deed and (ii) the Toll-Milling Transactions. The Independent Board Committee has approved the appointment of OSK Asia Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Variation Deed and (ii) the Toll-Milling Transactions in accordance with the Listing Rules.

PROPOSED VARIATION DEED

Background

Pursuant to the Non-Competition Deed, Great Wall Enterprise has undertaken to the Company not to, and procure its associates (other than the Group) not to, directly or indirectly, carry on or be engaged in, connected with or interested in the Restricted Business (i.e. the business carried out by the Group as at the date of the Non-Competition Deed) in the Restricted Territory (i.e. in which the Group carried out the Restricted Business (other than the region of Taiwan) as at the date of the Non-Competition Deed, namely Malaysia, PRC and Vietnam. Since the Group has carried out some types of the Aquafeed Business (i.e. the shrimp feed) as at date of the Non-Competition Deed, the Restricted Business covers such Aquafeed Business. The Non-Competition Deed will remain in force so long as (i) the shares of the Company remain listed on the Stock Exchange; and (ii) Great Wall Enterprise and its associates, whether individually or taken together, are interested directly or indirectly in 30% or more of the issued share capital of the Company.

In order to enable the Group to cooperate with Great Wall Enterprise in the Aquafeed Business in the future, it is proposed that the Variation Deed be entered into between the Company and Great Wall Enterprise to supplement the Non-Competition Deed.

Variation Deed

It is proposed that the Variation Deed to be entered into between the Company and Great Wall Enterprise to supplement the Non-Competition Deed after the Independent Shareholders' approval for the entering into of the Variation Deed at the EGM.

Parties

- (i) the Company; and
- (ii) Great Wall Enterprise.

Major Terms

Under the Variation Deed, the Aquafeed Business will be excluded from the scope of the Restricted Business in the Non-Competition Deed and subject to the undertaking given by Great Wall Enterprise below, Great Wall Enterprise shall be free to carry on, engage in, connect with or interest in, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, firm or company, the Aquafeed Business in any territory.

Great Wall Enterprise and the Company undertakes to each other that if any one of them intends to invest or participate in the Aquafeed Business in any part in the world (other than the region of Taiwan), whether on its own account or in conjunction with or on behalf of any person, firm or company, it shall not, and shall procure that no member of its group shall, invest or participate in any such business unless and until the other party has been offered the opportunity to co-invest or co-participate in such business.

Consideration

In consideration of the Company entering into this Deed, Great Wall Enterprise shall or procure its subsidiaries to enter into the joint venture arrangement in the manner as agreed between the Company and Great Wall Enterprise within 10 days after the date of the Variation Deed.

Date and condition of signing

The Variation Deed will only be entered into by the parties after the Independent Shareholders in the EGM approve, among other matters, the Variation Deed.

Reasons for the Variation Deed

For the two year(s) ended 31 December 2009, Aquafeed Business contributed only 0.7% to the Company in terms of revenue. Great Wall Enterprise has sufficient resources to develop the Aquafeed Business. The Variation Deed enables the Group to cooperate with Great Wall Enterprise in the Aquafeed Business in the future through the establishment of the New JV as described below.

The Directors are of the view that the terms of the Variation Deed (i) have been negotiated on an arm's length basis; and (ii) are fair and reasonable and in the interests of the Shareholders as a whole.

The Company will seek the Independent Shareholders' approval for the entering into of the Variation Deed at the EGM.

PROPOSED JOINT VENTURE

Shareholders Agreement

Parties:	(i) ANTIC as shareholder; (ii) GWIH as shareholder; and (iii) New JV as the joint venture company.
Business of the New JV:	development, research, production and sales of aquafeed and aquafeed related products in Vietnam
Board of directors:	the board of directors of the New JV will consist of five directors, two directors will be appointed by ANTIC and three will be appointed by GWIH
Issued Share capital:	US\$2,000,000, of which US\$800,000 will be contributed by ANTIC and US\$1,200,000 by GWIH

The terms of the Shareholders Agreement were concluded after arm's length negotiations and are normal commercial terms. It is expected that the Shareholders Agreement will be entered into shortly after the Variation Deed is approved by the Independent Shareholders at the EGM and signed by the Company and Great Wall Enterprise.

The capital contribution of ANTIC in the sum of US\$800,000 in the New JV represents 40% of the total issued share capital of the New JV. The total issued share capital of the New JV was determined by taking into account, among other factors, the scale of investment and the capital need.

ANTIC will utilise its internal resources to satisfy its capital contribution in the New JV in full in cash. The New JV will be owned as 40% by ANTIC and 60% by GWIH.

Reasons for the Establishment of the New JV

In the past two years, the Aquafeed Business carried out by the Group included fish feed and shrimp feed. However, the sale of the aquafeed products only represented 0.7% of the total income of the Group and the Group suffered a loss of USD966,000 from the Aquafeed Business for the two years ended 31 December 2009. In order to make a breakthrough in the Aquafeed Business, the Group plans to cooperate with GWIH by setting up the New JV. GWIH has much experience, expertise and resources in the Aquafeed Business and it would provide, among other things, the formula, technical support and personnel training to the New JV free of charge. It would also introduce strategic partner(s) to the New JV. The strategic partners would include a prominent seafood supplier whose operation headquarter located in Taiwan. This strategic partner has successful experience of seafood sales in Vietnam for a number of years and it is expected that such strategic partner would bring in more sales information and client to the New JV. The Board believes that as a result of such proposed cooperation, prospect of the Group's investment in the Aquafeed Business will be much better.

The Directors (including independent non-executive Directors) are of the view that the proposed establishment of the New JV and the Shareholders Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the shareholders of the Group as a whole.

PROPOSED TOLL-MILLING SERVICE

It is proposed that after the execution of the Variation Deed and within 10 days after the establishment of the Vietnamese Corporation as a wholly owned subsidiary of the New JV, ANTVN (a subsidiary of ANTIC) and the Vietnamese Corporation will enter into the Toll-Milling Service Agreement whereby for a period of 3 years ANTVN will for a period of three years be responsible for providing the Vietnamese Corporation with the toll-millings service for aquafeed products on at a cost basis.

The Toll-Milling Service Agreement

Parties

- (i) ANTVN; and
- (ii) the Vietnamese Corporation

Term

Three years commencing from 1 January 2011 unless terminated pursuant to the terms thereof, and subject to the requirements of the Listing Rules, the Toll-Milling Service Agreement could be renewed for another term(s) of three (3) years by mutual written consent.

Date and Conditions of Signing

It is expected that the Toll-Milling Service Agreement will only be entered into by ANTVN and the Vietnamese Corporation after the approval by the Independent Shareholders with respect to the Variation Deed and the Toll-Milling Transactions.

Nature of transaction

Pursuant to the Toll-Milling Service Agreement, ANTVN will be responsible for providing the Vietnamese Corporation with toll-milling service for aquafeed products, including the purchase, procurement and storage of raw materials, manufacturing the products in conformance with specifications and requirements set by the Vietnamese Corporation, maintaining quality control for the products, storage of finished products, scheduling the products for delivery to the Vietnamese Corporation within time frames specified by the Vietnamese Corporation, compliance with all legal requirements related to aquafeed production and all record keeping services associated with the above processes.

Basis of consideration

The consideration for the Toll-Milling Transactions is determined with reference to the costs to ANTVN and such fee will be reviewed by the parties annually. ANTVN will issue a debit note to the Vietnamese Corporation each month and the Vietnamese Corporation should make payment within 15 days after it receives the debit note.

The Proposed Caps

The table below sets out the Proposed Caps for the Toll-Milling Transactions under the Toll-Milling Service Agreement:

	Proposed Caps (in USD'000)		
	Year ending 31 December 2011	Year ending 31 December 2012	Year ending 31 December 2013
The Toll-Milling Service Agreement	22,931	33,382	43,254

Basis of determining the Proposed Caps

The Toll-Milling Service Agreement is a new agreement and there are no historical figures. The aforesaid projected Proposed Caps for the Toll-Milling Transactions are set by the Board by reference to the past operation experience and the business plan of the New JV and the Vietnamese Corporation.

Reasons for and Benefits of Entering into the Toll-Milling Service Agreement

Although the consideration for the Toll-Milling Transactions is determined on at costs basis, the Directors consider that the Toll-Milling Transactions are in the interests of the Shareholders as a whole and fair and reasonable to the Company for the following reasons:

Under the Toll-Milling Service Agreement, the New JV would reimburse the costs of the toll-milling service for aquatic feed products to the Group and thus the Group effectively transfers such costs to the New JV. As the production volume obtainable by the New JV are expected to be more than that obtainable by the Group in the Aquafeed Business, it is expected that the Group will benefit from this arrangement.

In view of the above, the Directors are of the view that the terms of the Toll-Milling Service Agreement, as arrived at after arm's length negotiation between ANTVN and the Vietnamese Corporation, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Listing Rules Implications

Great Wall Enterprise is the ultimate controlling shareholder of the Company. As at the date of this announcement, Great Wall Enterprise indirectly holds approximately 52.32% through two of its wholly owned subsidiaries, namely Waverley Star Limited as to approximately 37.19% and Asia Nutrition Technologies Corporation as to approximately 15.13%. Therefore, Great Wall Enterprise is a connected person of the Company under the Listing Rules. Given GWIH is a direct wholly owned subsidiary of Great Wall Enterprise, GWIH is also a connected person of the Company under the Listing Rules. Further, given the New JV will be owned as to 60% by GWIH and the Vietnamese Corporation will be wholly owned by the New JV, both the New JV and the Vietnamese Corporation are regarded as associates of GWIH.

Therefore, the establishment of the New JV constitutes a connected transaction of the Company whereas the Toll-Milling Transactions would constitute continuing connected transactions of the Company under the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules is more than 0.1%, but less than 2.5% in respect of the establishment of the New JV, the establishment of the New JV is only subject to the reporting and announcement requirements but exempted from the requirement for Independent Shareholders' approval. However, the Toll-Milling Transactions and the Proposed Caps will be subject to reporting, announcement and approval by the Independent Shareholders by poll at the EGM under Chapter 14A of the Listing Rules.

GWIH and its associates will abstain from voting in relation to the resolution approving the Variation Deed and the Toll-Milling Service Agreement and the transactions contemplated thereunder and the Proposed Caps at the EGM.

GENERAL

A circular containing, among other things, further details of (i) the Variation Deed and (ii) the Toll-Milling Service Agreement will be despatched to the Shareholders within 21 days after the publication of this announcement.

An Independent Board Committee has been formed to advise the Independent Shareholders on (i) the Variation Deed and (ii) the Toll-Milling Transactions. The Independent Board Committee has approved the appointment of OSK Capital Hong Kong Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Variation Deed and (ii) the Toll-Milling Transactions in accordance with the Listing Rules.

INFORMATION ON THE PARTIES

The Group is one of the leading meat products and feed suppliers in the PRC with a particular focus on chicken meat products. For more information on the Group, please visit its official website at www.dfa3999.com (The information that appears in this website does not form part of this announcement).

Great Wall Enterprise is a company incorporated in Taiwan whose principal business is production of soybean products, feeds and chicken meat processing.

DEFINITIONS

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

“%”	per cent
“ANTIC”	Asia Nutrition Technologies (VN) Investment Co., Ltd., an indirect non-wholly owned subsidiary of the Company (which the Company owns 65.51% of its shareholding as at the date of this announcement), which is an investment holding company
“ANTVN”	Asia Nutrition Technologies (VN) Co., Ltd., a subsidiary of ANTIC (which ANTVN owns 100% of its shareholding as at the date of this announcement)
“Aquafeed Business”	means the development, production and sales of aquafeed products

“associates”	has the meanings ascribed thereto under the Listing Rules
“Board “	the board of Directors
“Company”	DaChan Food (Asia) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3999)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve, among the other things, (i) the Variation Deed and (ii) the Toll-Milling Service Agreement and the Toll-Milling Transactions
“Great Wall Enterprise”	Great Wall Enterprise Co., Ltd. (大成長城企業股份有限公司), an enterprise established under the laws of Taiwan, whose shares are listed on the Taiwan Stock Exchange (stock code: 1210), which is a substantial shareholder of the Company
“Group”	the Company and its subsidiaries
“GWIH”	Greatwall International (Holding) Ltd, a direct wholly owned subsidiary of Great Wall Enterprise
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all of its the independent non-executive Directors, namely, Dr. Chen Chih, Mr. Liu Fuchun and Mr. Way Yung-Do, for reviewing the Variation Deed and the terms of and the proposed annual caps for the Toll-Milling Transaction
“Independent Shareholders”	Shareholders other than Great Wall Enterprise, GWIH and their associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New JV”	the new joint venture company to be set up by ANTIC and GWIH in Hong Kong, which will be the holding company of the Vietnam Corporation
“Non-Competition Deed”	the deed of non-competition executed by Great Wall Enterprise and the Company on 14 September 2007
“PRC”	the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“Proposed Caps”	the proposed ceiling for the aggregate annual value received by the Group under the Toll-Milling Service Agreement for each of the three years commencing from the effective date of the Toll-Milling Service Agreement
“Restricted Business”	means any business carried out by the Group as at the date of the Non-Competition Deed
“Restricted Territory”	means any part in the world (other than the region of Taiwan) in which the Group carries out the Restricted Business as at the date of the Non-Competition Deed
“Shareholders Agreement”	the shareholders agreement to be entered into by ANTIC, GWIH and the New JV
“Shareholders”	holders of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Toll-Milling Service Agreement”	the toll-milling service agreement to be entered into between ANTVN and the Vietnamese Corporation
“Toll-Milling Transactions”	the transactions contemplated under the Toll-Milling Service Agreement including the proposed caps therefore

“USD”	United States dollars, the lawful currency of United States of America
“Variation Deed”	the variation deed to be executed by the Company and Great Wall Enterprise to supplement the Non-Competition Deed
“Vietnamese Corporation”	a corporation to be set up and wholly owned by the New JV in Vietnam to carry on the Aquafeed Business

By order of the Board
Dachan Food (Asia) Limited
Han Jia-Hwan
Chairman

Hong Kong, 23 April 2010

As at the date of this notice, the board of Directors comprises Mr. Han Jia-Hwan (Chairman), Mr. Chen Fu-Shih and Mr. Edward Shu Cho-Shen, being the executive Directors, Mr. Chao Tien-Shin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Nicholas William Rosa, being the non-executive Directors, and Dr. Chen Chih, Mr. Liu Fuchun and Mr. Way Yung-Do, being the independent non-executive Directors.