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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)

DISCLOSEABLE TRANSACTION CONSTRUCTION AGREEMENT

CONSTRUCTION AGREEMENT

The Board is pleased to announce that after a tendering process, on 13 January 2022 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor (the successful bidder), pursuant to which the Contractor will provide construction services for the plant, ancillary buildings and facilities to Bengbu Dachan at the Consideration of RMB82,000,000 (equivalent to approximately HK\$100,532,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement is more than 5% but less than 25%, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that after a tendering process, on 13 January 2022, Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor (the successful bidder), pursuant to which the Contractor will provide construction services for the plant, ancillary buildings and facilities to Bengbu Dachan at the Consideration of RMB82,000,000 (equivalent to approximately HK\$100,532,000).

CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are set out below:

- Date: 13 January 2022
- Parties: (i) Bengbu Dachan; and
(ii) the Contractor.
- Subject matter: The Contractor shall be responsible for the construction works of a plant, ancillary buildings and facilities of Bengbu Dachan located in Guzhen County, Bengbu, Anhui Province, the PRC, with a site area of approximately 91.57 mu.
- Construction period: The Works are expected to be completed within 300 days after entering into the Construction Agreement.
- If there are any delays to the expected construction schedule and such delay is attributable to the Contractor, the Contractor shall be subject to a daily delay fee of RMB30,000 (equivalent to approximately HK\$36,780).
- Consideration: The Consideration payable to the Contractor pursuant to the Construction Agreement shall be RMB82,000,000 (equivalent to approximately HK\$100,532,000).
- Performance guarantee: The Contractor shall issue guarantees in favour of Bengbu Dachan for the performance of its obligations under the Construction Agreement in an amount equivalent to 15% of the Consideration in the following manner:
- (i) the Contractor shall, within seven days from the date of entering into the Construction Agreement, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount equivalent to 10% of the Consideration (“**Guarantee Letter A**”) for a period from the date of issuance of the Guarantee Letter A to the date of completion and acceptance of the Works; and
 - (ii) the Contractor shall, within seven days from the date of receipt of the payment of the second instalment by Bengbu Dachan, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount equivalent to 5% of the Consideration (“**Guarantee Letter B**”) for a period from the date of issuance of the Guarantee Letter B to the date of completion and acceptance of the Works.

Quality assurance:

The Contractor shall issue a guarantee in favour of Bengbu Dachan in the amount of 5% of the Consideration for the performance of its obligations under the Construction Agreement in respect of the quality assurance of the works in the following manner:

- (i) the Contractor shall provide a letter of guarantee (“**Guarantee Letter C**”) in an amount equivalent to 3% of the Consideration issued by a bank to Bengbu Dachan for a period of two years from the date of issuance of the Guarantee Letter C after the completion of the Works and the obtaining of comprehensive acceptance by the construction department of the government; and
- (ii) the Contractor shall provide a letter of guarantee (“**Guarantee Letter D**”) in an amount equivalent to 2% of the Consideration issued by a bank to Bengbu Dachan for a period of five years from the date of issuance of the Guarantee Letter D after the completion of the Works and the obtaining of comprehensive acceptance by the construction department of the government.

Payment terms:

The Consideration shall be paid by Bengbu Dachan in the following manner:

First instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB8,200,000 (equivalent to approximately HK\$10,053,200), to the Contractor after the receipt of the Guarantee Letter A by Bengbu Dachan.

Second instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB8,200,000 (equivalent to approximately HK\$10,053,200), to the Contractor within seven business days after the completion of the construction of the boundary wall and the infrastructure of the main workshop by the Contractor and the acceptance by Bengbu Dachan.

Third instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB12,300,000 (equivalent to approximately HK\$15,079,800), to the Contractor within seven business days upon provision of the Guarantee Letter A and the Guarantee Letter B, and after the completion of infrastructure construction of other single buildings (including the complex building, the raw material workshop, the raw material storage unit, the silo, the unloading shed, the boiler room, the equipment room, the quality control room and the rest room, etc.) apart from the main workshop by the Contractor and the acceptance by Bengbu Dachan.

Fourth instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB12,300,000 (equivalent to approximately HK\$15,079,800), to the Contractor within seven business days after the topping out of the main workshop by the Contractor and the satisfaction of condition for setting in the equipment and the acceptance by Bengbu Dachan.

Fifth instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB12,300,000 (equivalent to approximately HK\$15,079,800), to the Contractor within seven business days after the topping out of other single buildings (including the complex building, the raw material workshop, the raw material storage unit, the silo, the unloading shed, the boiler room, the equipment room, the quality control room and the rest room, etc.) apart from the main workshop by the Contractor and the acceptance by Bengbu Dachan.

Sixth instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB8,200,000 (equivalent to approximately HK\$10,053,200), to the Contractor within seven business days after the completion of road base, outdoor pipeline high-voltage and low-voltage electricity work, and the fire engineering work by the Contractor and the acceptance by Bengbu Dachan.

Seventh instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB12,300,000 (equivalent to approximately HK\$15,079,800), to the Contractor within seven business days after the completion of the Works and the obtaining of comprehensive acceptance by the construction department of the government.

Eighth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB4,100,000 (equivalent to approximately HK\$5,026,600), to the Contractor after the filing of the Works with the construction department of the government.

Ninth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB4,100,000 (equivalent to approximately HK\$5,026,600), to the Contractor within ten business days after the completion of the Works and the obtaining of comprehensive acceptance by the construction department of the government, and upon receipt of the Guarantee Letter C and the Guarantee Letter D.

Warranty period: During the warranty period, the Contractor shall be responsible for handling quality problems of the Works in a timely manner and in accordance with the Construction Agreement:

- (1) Unless otherwise specified, the warranty period shall be two years from the date of completion of the Works and the obtaining of comprehensive acceptance by the construction department of the government.
- (2) The warranty period for foundation works and main structural works shall be the reasonable service life as stipulated in the relevant design documents.
- (3) The warranty period for roofing waterproof works, foundation pit with waterproof requirements and waterproofing and leakage prevention works of washrooms, rooms and external walls shall be five years from the date of the obtaining of comprehensive acceptance by the construction department of the government.
- (4) During the warranty period, the Contractor shall, in accordance with the Construction Agreement, carry out maintenance work after being notified of quality problems of the construction work, failing which Bengbu Dachan shall be entitled to carry out the maintenance work and the relevant expenses shall be borne by the Contractor.

BASIS OF CONSIDERATION

The Consideration was determined based on the tender price provided by the Contractor, and the Construction Agreement was awarded to the Contractor by Bengbu Dachan after the tendering process. Bengbu Dachan has assessed the experience and capability of the Contractor, the expected scope and complexity of the construction works to be undertaken, the expected costs of the project and the prevailing market prices of construction works with similar scale and complexity. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable.

The Consideration will be financed by the Group's internal resources, banking facilities or a combination of both.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

As set out in the Company's announcement of results dated 5 November 2021, the Group's construction project of a new plant in Bengbu, Anhui Province is now progressing in an orderly manner. The Works are an important part for the expansion of the Group's one-stop food production chain and is in line with the Group's long-term development strategy. The completion of the project will help establish a stable and efficient supply chain system for the long-term development of the Group's food business and further strengthen the Group's market position in the Yangtze River Delta region of the PRC.

Based on the above, the Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Construction Agreement is on normal commercial terms, that the terms of the Construction Agreement are fair and reasonable and that the entering into of the Construction Agreement is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND THE CONTRACTOR

The Group is a leading fully integrated animal protein product provider whose products range from feeds, poultry and advanced nutritional formulae for aquatic animals, to processed foods. For more information on the Group, please visit the Group's official website at www.dfa3999.com (any information contained on the website does not form part of this announcement).

The Contractor is principally engaged in general contracting for construction of buildings, electrical and mechanical engineering construction and construction of municipal public works, and professional contracting for fire-fighting facilities. To the best of the Directors' knowledge and belief and having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATION

Pursuant to Chapter 14 of the Listing Rules, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction of the Company. As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement is more than 5% but less than 25%, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Bengbu Dachan” Bengbu Dachan Food Co., Ltd.* (蚌埠大成食品有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

“Board”	the board of Directors;
“business day(s)”	days on which the commercial banks in the PRC are generally open for business, other than Saturday, Sunday (except days on which they are open for business due to adjustment of PRC holidays) or any other statutory holidays in the PRC;
“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;
“Consideration”	the total consideration to be paid by Bengbu Dachan to the Contractor pursuant to the Construction Agreement, being RMB82,000,000 (equivalent to approximately HK\$100,532,000);
“Construction Agreement”	the agreement dated 13 January 2022 entered into between Bengbu Dachan and the Contractor for the construction of the Works;
“Contractor”	Suhua Construction Group Co., Ltd.* (蘇華建設集團有限公司), a company established under the laws of the PRC with limited liability;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement);
“RMB”	the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	has the meanings ascribed to it under the Listing Rules;

“Works” construction works of a plant, ancillary buildings and facilities of Bengbu Dachan located in Guzhen County, Bengbu, Anhui Province, the PRC, with a site area of approximately 91.57 mu; and

“%” per cent.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 13 January 2022

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 =HK\$1.226 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

The English translation of Chinese names or words in this announcement, where indicated by “*”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

As at the date of this announcement, Mr. James Chun-Hsien Wei (Chairman) and Mr. Han Chia-Yin are the executive directors of the Company, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive directors of the Company, and Mr. Way Yung-Do, Mr. Chen Chih, Mr. Ting Yu-Shan and Mr. Hsia, Li-Yan are the independent non-executive directors of the Company.