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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)**

**MAJOR TRANSACTION**

**CONSTRUCTION AGREEMENT IN RESPECT OF THE MAJOR FACILITIES OF  
THE BROILER ELECTRICAL SLAUGHTERHOUSE**

**CONSTRUCTION AGREEMENT**

The Board hereby announces that after a tendering process, on 31 May 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 to Bengbu Dachan for the major facilities (including the production workshop, office building and fire extranet) of the broiler electrical slaughterhouse for the Bengbu Project at the Consideration of RMB144,780,000 (equivalent to approximately HK\$169,392,600).

**LISTING RULES IMPLICATION**

Reference is made to the Food Plant Agreement dated 6 April 2022 entered into between Bengbu Dachan and the Contractor in relation to the construction of a plant and cold storage facilities of the food processing plant for the Bengbu Project.

Both the Construction Agreement and the Food Plant Agreement were entered into between Bengbu Dachan and the same party within 12 months, and the Construction Agreement and the Food Plant Agreement are deemed to be aggregated as one transaction under Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios under the Construction Agreement and the Food Plant Agreement taken together is more than 25% but less than 100%, the transaction contemplated under the Construction Agreement, on an aggregated basis, constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has any material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholder is required to abstain from voting if an extraordinary general meeting were convened for the approval of the Construction Agreement. The Company has obtained written approval in respect of the Construction Agreement from the Shareholders Waverley Star Limited and Asia Nutrition Technologies Corporation. Such Shareholders are beneficially interested in 528,824,852 Shares in aggregate, representing approximately 52.04% of the entire issued share capital and voting rights of the Company as at the date of this announcement. Therefore, as permitted under Rule 14.44 of the Listing Rules, no extraordinary general meeting will be convened for the approval of the Construction Agreement.

A circular containing, among other things, further details of the Construction Agreement will be despatched to the Shareholders on or before 22 June 2022.

## **INTRODUCTION**

The Board hereby announces that after a tendering process, on 31 May 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 to Bengbu Dachan for the major facilities (including the production workshop, office building and fire extranet) of the broiler electrical slaughterhouse for the Bengbu Project at the Consideration of RMB144,780,000 (equivalent to approximately HK\$169,392,600).

## **CONSTRUCTION AGREEMENT**

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

Date: 31 May 2022

Parties: (i) Bengbu Dachan; and  
(ii) the Contractor.

Subject matter: The Contractor shall be responsible for the construction works of the major facilities (including the production workshop, office building and fire extranet) of the broiler electrical slaughterhouse of Bengbu Dachan located in Guzhen County, Bengbu City, Anhui Province, the PRC, with a planned construction scale of approximately 33,408 m<sup>2</sup>.

Construction period: The Works are expected to be completed within 365 days after the commencement. The commencement date is the relevant date as stated in the commencement order signed by the supervisor.

- Consideration: The Consideration payable to the Contractor pursuant to the Construction Agreement shall be RMB144,780,000 (equivalent to approximately HK\$169,392,600).
- Performance guarantee: The Contractor shall issue a guarantee in favour of Bengbu Dachan for the performance of the Contractor's obligations under the Construction Agreement in an amount of RMB24,478,000 (equivalent to approximately HK\$28,639,260) in the following manner:
- (i) the Contractor shall within 7 business days from the date of entering into the Construction Agreement provide Bengbu Dachan with a letter of guarantee in the amount of RMB14,478,000 (equivalent to approximately HK\$16,939,260) issued by a bank (the "**Guarantee Letter A**") for a period of 180 days from the date of the Guarantee Letter A; and
  - (ii) the Contractor shall within 7 business days from the date of entering into the Construction Agreement provide Bengbu Dachan with a letter of guarantee in the amount of RMB10,000,000 (equivalent to approximately HK\$11,700,000) issued by a bank (the "**Guarantee Letter B**") from the date of the Guarantee Letter B until the date of the Comprehensive Completion of the Works.
- Quality guarantee: The Contractor shall issue guarantees in favour of Bengbu Dachan in the amount of 3% of the Consideration for the performance of the Contractor's obligations under the Construction Agreement in respect of the quality assurance of the works in the following manner:
- (i) The Contractor shall upon the Comprehensive Completion of the Works provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter C**") for a period of one year from the date of the Guarantee Letter C;
  - (ii) The Contractor shall upon the Comprehensive Completion of the Works provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter D**") for a period of three years from the date of the Guarantee Letter D; and
  - (iii) The Contractor shall upon the Comprehensive Completion of the Works provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter E**") for a period of five years from the date of the Guarantee Letter E.

Payment terms:

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

First instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB21,717,000 (equivalent to approximately HK\$25,408,890), to the Contractor after entering into the Construction Agreement and the receipt of the Guarantee Letter A and Guarantee Letter B by Bengbu Dachan.

Second instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB7,239,000 (equivalent to approximately HK\$8,469,630), to the Contractor after completion of excavation and acceptance of the foundation trench for the workshop and office building.

Third instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB14,478,000 (equivalent to approximately HK\$16,939,260), to the Contractor after the completion of the construction of the workshop and office building foundations and their acceptance by the quality supervision station.

Fourth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB7,239,000 (equivalent to approximately HK\$8,469,630), to the Contractor after the Contractor has completed the construction of the main structure of the workshop and office building.

Fifth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB7,239,000 (equivalent to approximately HK\$8,469,630), to the Contractor after the acceptance of the main structure of the workshop and office building.

Sixth instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB14,478,000 (equivalent to approximately HK\$16,939,260), to the Contractor after the installation of the workshop enclosure and roof panels.

Seventh instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB14,478,000 (equivalent to approximately HK\$16,939,260), to the Contractor after the completion of pre-built pipework and flooring (except for the designated area) in the workshop.

Eighth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB7,239,000 (equivalent to approximately HK\$8,469,630), to the Contractor after the completion of the installation of all the major electrical and mechanical works in the suspended roof of the workshop (except for the insulation and protective layer works).

Ninth instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB14,478,000 (equivalent to approximately HK\$16,939,260), to the Contractor after the completion of all the electrical and mechanical works in the workshop.

Tenth instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB21,717,000 (equivalent to approximately HK\$25,408,890), to the Contractor after the completion of the Works.

Eleventh instalment

Bengbu Dachan shall pay 7% of the Consideration, being RMB10,134,600 (equivalent to approximately HK\$11,857,482), to the Contractor upon the Comprehensive Completion of the Works.

Twelfth instalment

Bengbu Dachan shall pay 3% of the Consideration, being RMB4,343,400 (equivalent to approximately HK\$5,081,778), to the Contractor upon the Comprehensive Completion of the Works, and the receipt of the Guarantee Letter C, the Guarantee Letter D and the Guarantee Letter E by Bengbu Dachan.

Prior to the payment of each of the aforesaid instalment, the Contractor shall issue to Bengbu Dachan a legal and proper invoice for the corresponding amount.

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 the Comprehensive Completion of the Works.
- (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 shall be five years from the date of the Comprehensive Completion of the Works.
- (4) The warranty period for heating and air-conditioning works shall be two heating seasons.

Condition precedent:

The Construction Agreement is conditional upon the satisfaction of the following condition precedent: the obtaining of written approval of the Shareholders holding 50% or more of the Shares in respect of the Construction Agreement and the transactions contemplated thereunder. As at the date of this announcement, the condition precedent set out above has been fulfilled.

## **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, complexity and expected costs of the Works to be undertaken, and the prevailing market price 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 circular headed "Major and Connected Transaction – Disposal of Equity Interests in Certain Subsidiaries and Notice of EGM" dated 24 September 2021 and announcement of results dated 5 November 2021 of the Company, the Bengbu Project (including a feeds processing plant, a food processing plant and a broiler electrical slaughterhouse) is in progress. The Group has commenced the construction of and purchase of equipment for the feeds processing plant, and has also commenced the construction of the food processing plant, details of which are set out in the Company's announcement dated 13 January 2022, supplementary announcement dated 14 January 2022, announcement dated 25 February 2022, announcement dated 6 April 2022 and circular dated 22 April 2022. The construction works disclosed in this announcement are part of the Bengbu Project. The Group will construct the major facilities of the broiler electrical slaughterhouse, including the production workshop, office building and fire extranet, pursuant to the Construction Agreement. The subsequent ancillary facilities such as the restaurant and dormitory buildings will be constructed through separate tenders. The Bengbu Project is 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 Bengbu 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 the 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](http://www.dfa3999.com) (any information contained on the website does not form part of this announcement).

The Contractor is principally engaged in, among others, general contracting for construction works, professional contracting, design, construction and installation of power facilities. According to the information available to the Company, the Contractor was indirectly held by Shenzhen Sed Industry Co., Ltd. (whose A shares are listed on the main board of the Shenzhen Stock Exchange, stock code: 000032.SZ) and Wuxi Taiji Industry Co., Ltd. (whose A shares are listed on the main board of the Shanghai Stock Exchange, stock code: 600667.SH), being intermediaries of the Contractor, as to approximately 49.33% and 19.94% of the interests in the Contractor, respectively. The remaining approximately 30.73% of the interests in the Contractor were directly or indirectly held by certain intermediaries with over 60 individual ultimate beneficial owners, among which, Wan Tongliang, Liu Qianhui, Chen Jinggang and Cui Yuling, being individuals with highest shareholdings, ultimately held as to approximately 7.99%, 4.92%, 3.19% and 3.04% of the interests in the Contractor, respectively.

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**

Both the Construction Agreement and the Food Plant Agreement were entered into between Bengbu Dachan and the same party within 12 months, and the Construction Agreement and the Food Plant Agreement are deemed to be aggregated as one transaction under Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios under the Construction Agreement and the Food Plant Agreement taken together is more than 25% but less than 100%, the transaction contemplated under the Construction Agreement, on an aggregated basis, constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has any material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholder is required to abstain from voting if an extraordinary general meeting were convened for the approval of the Construction Agreement. The Company has obtained written approval in respect of the Construction Agreement from the Shareholders Waverley Star Limited and Asia Nutrition Technologies Corporation. Such Shareholders are beneficially interested in 528,824,852 Shares in aggregate, representing approximately 52.04% of the entire issued share capital and voting rights of the Company as at the date of this announcement. Each of the above Shareholders is a wholly-owned subsidiary of GWIH, which is a wholly-owned subsidiary of GWE, as at the date of this announcement. Therefore, as permitted under Rule 14.44 of the Listing Rules, no extraordinary general meeting will be convened for the approval of the Construction Agreement.

A circular containing, among other things, further details of the Construction Agreement will be despatched to the Shareholders on or before 22 June 2022.

## 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;
“Bengbu Project”	the Group’s construction project of a new plant in Guzhen County, Bengbu City, Anhui Province, the PRC, which comprises a feeds processing plant, a food processing plant and a broiler electrical slaughterhouse;
“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.HK);
“Comprehensive Completion of the Works”	the completion of the Works, the comprehensive acceptance of the Works by Bengbu Dachan and the relevant government department, and the filing with the relevant government department for record;
“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 RMB144,780,000 (equivalent to approximately HK\$169,392,600);
“Construction Agreement”	the agreement dated 31 May 2022 entered into between Bengbu Dachan and the Contractor for the construction of the Works;
“Contractor”	The Fourth Construction Co., Ltd. of China Electronics System Engineering (中國電子系統工程第四建設有限公司), a company established under the laws of the PRC with limited liability;



“Director(s)”	the director(s) of the Company;
“Food Plant Agreement”	the agreement dated 6 April 2022 entered into between Bengbu Dachan and the Contractor in relation to the construction of a plant and cold storage facilities of the food processing plant for the Bengbu Project;
“Group”	the Company and its subsidiaries;
“GWE”	Great Wall Enterprise Co., Ltd., a joint stock company established under the laws of the Republic of China, the shares of which are listed on the Taiwan Stock Exchange (stock code: 1210.TW) and the ultimate controlling shareholder of the Company;
“GWIH”	Great Wall International (Holdings) Ltd., a company established in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of GWE;
“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;
“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”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“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 the major facilities (including the production workshop, office building and fire extranet) of the broiler electrical slaughterhouse of Bengbu Dachan located in Guzhen County, Bengbu City, Anhui Province, the PRC, with a planned construction scale of approximately 33,408 m<sup>2</sup>; and

“%” per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.17 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.*

On behalf of the Board  
**James Chun-Hsien Wei**  
Chairman

Hong Kong, 31 May 2022

*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.*