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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 IN RESPECT OF THE CONSTRUCTION OF THE ANCILLARY FACILITIES OF THE BROILER ELECTRICAL SLAUGHTERHOUSE**

#### **CONSTRUCTION AGREEMENT**

The Board hereby announces that after a tendering process, on 6 December 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 at the Consideration of RMB15,482,000 (equivalent to approximately HK\$17,339,840) for the construction of the ancillary facilities including outdoor engineering, electrical extranet, and pipeline extranet of the broiler electrical slaughterhouse for the Bengbu Project.

#### **LISTING RULES IMPLICATION**

Reference is made to the First Ancillary Facilities Construction Agreement dated 22 June 2022 entered into between Bengbu Dachan and the Contractor in relation to the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse for the Bengbu Project.

Notwithstanding all applicable percentage ratios for the transaction contemplated under the Construction Agreement are less than 5%, both the Construction Agreement and the First Ancillary Facilities Construction Agreement were entered into between Bengbu Dachan and the same party within 12 months, and the Construction Agreement and the First Ancillary Facilities Construction 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 in relation to the Construction Agreement and the First Ancillary Facilities Construction Agreement taken together exceeds 5% but is less than 25%, the transaction contemplated under the Construction Agreement, on an aggregated basis, 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 hereby announces that after a tendering process, on 6 December 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 at the Consideration of RMB15,482,000 (equivalent to approximately HK\$17,339,840) for the construction of the ancillary facilities including outdoor engineering, electrical extranet, and pipeline extranet of the broiler electrical slaughterhouse for the Bengbu Project.

## CONSTRUCTION AGREEMENT

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

Date:	6 December 2022
Parties:	(i) Bengbu Dachan; and (ii) the Contractor.
Subject matter:	The Contractor shall be responsible for the construction of the ancillary facilities including outdoor engineering, electrical extranet, and pipeline extranet of the new broiler electrical slaughterhouse of Bengbu Dachan located in Guzhen County, Bengbu City, Anhui Province, the PRC.
Construction period:	The Works are expected to be completed within 200 days from the date of entering into the Construction Agreement.
Consideration:	The Consideration payable to the Contractor pursuant to the Construction Agreement shall be RMB15,482,000 (equivalent to approximately HK\$17,339,840).
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 RMB2,500,000 (equivalent to approximately HK\$2,800,000) in the following manner:  The Contractor shall within 7 working days from the date of entering into the Construction Agreement provide Bengbu Dachan with a letter of guarantee in the amount of RMB2,500,000 (equivalent to approximately HK\$2,800,000) issued by a bank (the "Guarantee Letter A") for a period from the date of the Guarantee Letter A to the date of completion and acceptance of the Works.

Quality guarantee: The Contractor shall issue guarantees in favour of Bengbu Dachan in the amount of 5% 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 completion and acceptance of the Works provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 2.5% of the Consideration (the "Guarantee Letter B") for a period of one year from the date of the Guarantee Letter B; and
- (ii) The Contractor shall upon the completion and acceptance of the Works provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 2.5% of the Consideration (the "Guarantee Letter C") for a period of two years from the date of the Guarantee Letter C.

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

**First instalment**

Bengbu Dachan shall pay 20% of the Consideration, being RMB3,096,400 (equivalent to approximately HK\$3,467,968), to the Contractor after entering into the Construction Agreement and the receipt of the Guarantee Letter A by Bengbu Dachan.

**Second instalment**

Bengbu Dachan shall pay 10% of the Consideration, being RMB1,548,200 (equivalent to approximately HK\$1,733,984), to the Contractor after completion of rainwater temporary storage tank and specific rainwater pipe installation and completion of the interfacing with municipal infrastructure, completion of the construction of culture wall (except for the decorative surface), and the acceptance of the image of such completed items by Bengbu Dachan.

**Third instalment**

Total amount of 48% of the Consideration, being RMB7,431,360 (equivalent to approximately HK\$8,323,123.2), shall be paid to the Contractor by Bengbu Dachan in instalments in the following manner: Bengbu Dachan shall pay RMB1,238,560 (equivalent to approximately HK\$1,387,187.2) to the Contractor upon the completion of the construction of pipelines and roads in any one of the six areas by the Contractor in accordance with the construction schedule and Bengbu Dachan's initial acceptance thereof.

**Fourth instalment**

Bengbu Dachan shall pay 17% of the Consideration, being RMB2,631,940 (equivalent to approximately HK\$2,947,772.8), to the Contractor upon the full completion and Bengbu Dachan's acceptance of the Works.

**Fifth instalment**

Bengbu Dachan shall pay 5% of the Consideration, being RMB774,100 (equivalent to approximately HK\$866,992), to the Contractor upon the full completion and Bengbu Dachan's acceptance of the Works and receipt of the Guarantee Letter B and Guarantee Letter C.

**Proper invoice**

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

Warranty period: Two years from the date of full completion and Bengbu Dachan's acceptance of the Works.

**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 Company's announcement of the discloseable transaction (construction agreement) dated 13 January 2022, in order to 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, the Group intends to construct a new plant in Bengbu, Anhui Province. The Bengbu Project is an important part for the expansion of the Group's one-stop food production chain.

As set out in the Company's announcement dated 31 May 2022, the circular and announcement dated 22 June 2022 and the announcement dated 26 October 2022, the Group would construct major facilities (including the production workshops, office buildings and fire extranet) and ancillary facilities (including the restaurant and dormitory buildings) of the broiler electrical slaughterhouse in the Bengbu Project, and would purchase and install related equipment for

refrigeration and air-conditioning system for its operation. The Group has commenced the construction of the above major facilities and the ancillary facilities and the purchase and installation of the related equipment. The construction works disclosed in this announcement are part of the Bengbu Project. The Group will construct ancillary facilities such as the outdoor engineering, electrical extranet, and pipeline extranet for the broiler electrical slaughterhouse pursuant to the Construction Agreement. 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 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 the business of building construction works, municipal and public works, building decoration and renovation works, electrical and mechanical works and fire fighting works. According to the information available to the Company, the Contractor is ultimately owned as to 50% by Ke Shanlang and 50% by Ke Yihe.

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**

Reference is made to the First Ancillary Facilities Construction Agreement dated 22 June 2022 entered into between Bengbu Dachan and the Contractor in relation to the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse for the Bengbu Project.

Notwithstanding all applicable percentage ratios for the transaction contemplated under the Construction Agreement are less than 5%, both the Construction Agreement and the First Ancillary Facilities Construction Agreement were entered into between Bengbu Dachan and the same party within 12 months, and the Construction Agreement and the First Ancillary Facilities Construction 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 in relation to the Construction Agreement and the

First Ancillary Facilities Construction Agreement taken together exceeds 5% but is less than 25%, the transaction contemplated under the Construction Agreement, on an aggregated basis, constitutes a discloseable transaction of the Company 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;
“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 of the Company;
“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);
“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 RMB15,482,000 (equivalent to approximately HK\$17,339,840);
“Construction Agreement”	the agreement dated 6 December 2022 entered into between Bengbu Dachan and the Contractor for the construction of the Works;
“Contractor”	Hubei Zhongyu Construction Engineering Co., Ltd.* (湖北中宇建筑工程有限公司), a company established under the laws of the PRC with limited liability;

“Director(s)”	the director(s) of the Company;
“First Ancillary Facilities Construction Agreement”	the agreement dated 22 June 2022 entered between Bengbu Dachan and the Contractor for the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse for the Bengbu Project;
“Group”	the Company and its subsidiaries;
“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 of the ancillary facilities including outdoor engineering, electrical extranet, and pipeline extranet of the broiler electrical slaughterhouse for the Bengbu Project; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 =HK\$1.12 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, 6 December 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.*