

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **DACHAN FOOD (ASIA) LIMITED**

**大成食品(亞洲)有限公司**

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3999)**

### **CONNECTED TRANSACTION SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ACQUISITION OF INTELLECTUAL PROPERTY RIGHTS**

Reference is made to the announcement of the Company dated 16 November 2023 regarding the acquisition of intellectual property rights (the “**Announcement**”). Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the Announcement.

This announcement is made to provide supplemental information on the Acquisition.

#### **Valuation report**

In relation to the independent valuation as set out in the Announcement, the independent valuer adopted the income approach to appraise the Target Assets and valued the Target Assets at RMB10,119,300 according to the following key inputs:

1. With reference to iFinD RoyalFlush Financial Information Terminal (iFinD 同花順金融信息終端), the average revenue growth rate of the commercial trading industry in 2022 amounted to 4.10% and level of good value amounted to 14.50%. The enterprises performance appraisal index (企業績效評價標準值) is divided into five levels of value, namely excellent, good, average, lower and worse, in accordance with the regulations of the Interim Measures for the Administration of Comprehensive Performance Evaluation of Central Enterprises (State Council GZWL No. 14) promulgated by the SASAC of the State Council. Assuming that the revenue growth rate of the Target Assets will grow gradually from the average revenue growth rate of 4.10% of the industry to the level of good value of 14.50% and then stabilise to reach the average growth rate of 4.10%, the revenue growth rate of the Target Assets from 2024 to 2030 is 4.10%, 9.00%, 12.00%, 14.50%, 12.00%, 9.00% and 4.10%, respectively. The reasons for the increase of initial revenue growth rate on one hand was due to the gradual economic recovery from the end of COVID-19 pandemic, on the other hand was due to the integrated benefits generated from the synergy of the Group’s own productivity, supply chain and sales channels for chicken products upon the completion of the Acquisition, resulting improvement in business operation and gradual increase in revenue. Afterwards, as the market stabilises over

time, the integrated benefits will diminish and gradually decline to a normal steady state. The PRC's economic development is transitioning from the stage of continuous high-speed growth to steady growth. As a country will have its gross domestic product (GDP) at the level between 2% to 3% once its economy is developed to a certain extent, it is therefore assumed that the sustainable growth rate of the Target Assets is 2%;

2. Based on the gross profit margin of the Target Assets from January to June 2023 of 41.82%, excluding the impact of processing fee of the Target Assets against the overall cost for sales of 3.5%, it is assumed that the gross profit margin of the Target Assets from 2024 to 2030 will gradually increase from 41.82% to 45.32%, i.e. at 41.82%, 44.32%, 45.32%, 45.32%, 45.32%, 45.32% and 45.32%, respectively;
3. Due to clear product planning, unequivocal promotion strategy and comprehensive sales channels, only variable promotion fee and operation and maintenance fee need to be retained in the future, other periodic expenses are no longer considered, and the proportion of expenses to the revenue is decreasing year by year; and
4. Calculated by the weighted average rate of return of the Target Assets of 10.8% as the discount rate. The 10.8% discount rate is obtained by reference to the following key data:
  - a. Nine listed companies were selected as comparable companies, and the risk coefficient  $\beta$  of the Target Assets was calculated based on the average of the systematic risk coefficient  $\beta$  (LeveredBeta) of the comparable companies' capital structure, the average of bond ratio, and the enterprise income tax rate of 25% by Blume Adjustment. Blume Adjustment is a theory suggested by Marsell E. Blume in 1975 in the article "Betas and Their Regression Tendencies" that the real value of stock  $\beta$  is closer to "1" than its estimated value. The Blume Adjustment has since then been widely used to adjust  $\beta$  formulas. The independent valuer is of the view that the Blume Adjustment is appropriate and has adopted it for adjusting coefficient  $\beta$  ;
  - b. The risk-free rate of return of 3.03% was calculated by the treasury bonds with years to maturity exceeding 10 years;
  - c. Take China's comprehensive market risk premium at 7.16% based on the latest statistical structure derived by Aswath Damodaran, an American financial expert, as the rate of risk return;
  - d. A unique rate of risk return of 5% was applied after considering factors such as clients, products, and market concentration; and
  - e. The loan prime rate of 4.2% for five years or longer as at 30 June 2023 (the "**Benchmark Date**") as the rate of return of the debt investment.

Details of the key assumptions for the valuation of the Target Assets set out in the valuation report are as follows:

5. General assumptions

- (I) It is assumed that the valuation object will remain as a going concern after the Benchmark Date and that the business scope and manner will basically remain unchanged.
- (II) It is assumed that no material change will happen to the current national interest rate, exchange rate and tax rate related to the valuation object.
- (III) No unpredictable factors that may cause material adverse effects.

6. Special assumptions

- (I) It is assumed that the management and operation teams involved in the valuation object remain relatively stable after the Benchmark Date, and a severe loss of core professionals will not occur.
- (II) It is assumed that the future operators of the valuation object are responsible and can steadily promote the development plans of its business.
- (III) It is assumed that the future operators of the valuation object observe the relevant national laws and regulations.
- (IV) It is assumed that the accounting policies adopted in the financial information involved in the valuation object and the accounting policies and accounting methods adopted in preparing revenue forecasts are substantially the same in all material respects.
- (V) It is assumed that the purchase and acquisition process of the relevant assets involved in the valuation object comply with the relevant national laws and regulations.
- (VI) It is assumed that the relevant basic information and financial information provided by the entrusting party are true, accurate and complete.
- (VII) It is assumed that the future operating income of the valuation object uniformly obtains net cash flow during the year.
- (VIII) It is assumed that the tangible assets involved in the valuation object are free from major technical failures affecting their continuous usage.
- (IX) It is assumed that the business forecast and related parameters provided by the operator or legal entity involved in the valuation object are based on sustainable and good stability of its operations in the future, and the possible impact of the future development plan of the valuation object and the overall development plan of the local government are objectively and reasonably considered.

## Ultimate beneficial owners of the Vendor

As stated in the Announcement, Mr. Han beneficially owns approximately 34.68% interests in the Vendor. In addition, to the best of the Directors' knowledge and belief and having made all reasonable enquiries, Liu Jiening\*, Liu Xiaogang\*, Zheng Liuyi\*, Xiao Ruomeng\*, Zhou Quan\*, Chen Zhizhong\* and Chen Xuequn\* (collectively, the "**Individual Beneficial Shareholders**") beneficially own approximately 4.32%, 3.15%, 3%, 3%, 2.79%, 2.78% and 2.25% of the interests in the Vendor respectively, while Wenfeng Great World Chain Development Corporation\* ("**Wenfeng Great World**") and Wealthink AI-Innovation Capital Ltd ("**Wealthink AI-Innovation**") beneficially own approximately 9.36% and 10.06% interests in the Vendor respectively. Furthermore, Vistra Trust (Hong Kong) Limited ("**Vistra Trust**") and iCarbonX Group Limited ("**iCarbonX**") hold approximately 14.57% and 10.06% interests in the Vendor, respectively.

The Individual Beneficial Shareholders are shareholders of Better Me Food Technology (Beijing) Co., Ltd\* ("**Beijing Better Me**"), a limited company incorporated in the PRC which is mainly engaged in the business of sale of food, catering services, import and export of goods, import and export of technologies, and technology development. Wenfeng Great World is a company limited by shares incorporated in the PRC, with its shares listed on the Main Board of Shanghai Stock Exchange (stock code: 601010), which is mainly engaged in the business of department stores, supermarkets, electrical appliances sales and shopping centers. Wealthink AI-Innovation is a limited company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1140), which is mainly engaged in investment business, investing in listed and non-listed companies. Vistra Trust is a limited company incorporated in Hong Kong, which is mainly engaged in trust business, and the beneficiaries of the relevant trust were not disclosed to the Purchaser. iCarbonX is a limited company incorporated in the Cayman Islands with, a diverse shareholder base of over 100 shareholders and is mainly engaged in the digital health management business. The largest beneficial owner of iCarbonX is Wang Jun\*, who beneficially owns approximately 2.97% interests in the Vendor.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners (other than Mr. Han) are third parties independent of the Company and its connected persons.

## Other matters

The Target Assets were developed by the Vendor and did not have acquisition costs.

The Group, after acquisition of the Target Assets, will apply its own equipment with the Target Assets for generating revenue.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Acquisition Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the Acquisition Agreement are fair and reasonable, and the entering into of the Acquisition Agreement is in the interests of the Company and its Shareholders as a whole.

All other information as set out in the Announcement remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board  
**James Chun-Hsien Wei**  
*Chairman*

Hong Kong, 7 December 2023

*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. Han Jia-Chen, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive Directors of the Company, and Mr. Ting Yu-Shan, Mr. Hsia, Li-Yan, Ms. Tsai, Yu-Ling and Mr. Kao, Koong-Lian are the independent non-executive Directors of the Company.*

*The English transliteration of the Chinese name(s) in this announcement, 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).*