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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)

CONNECTED TRANSACTION

ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN YANZHOU DACHAN FOOD CO., LTD.

The Board announces that on 19 May 2011, Tianjin DaChan, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor, pursuant to which Tianjin DaChan agreed to acquire from the Vendor an additional 30% equity interests in the JV Company for a consideration of RMB9,735,000 (equivalent to approximately HK\$11,585,000), and the Share Transfer Agreement is subject to the board approval of both the purchaser and the vendor. After the completion of the Acquisition, the JV Company will become a wholly owned subsidiary of the Company.

As the Vendor is a substantial shareholder of the JV Company (which is a subsidiary of the Company) and therefore a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is less than 5%, the Acquisition is, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND OF THE JV COMPANY

The JV Company is an indirect non-wholly owned subsidiary of the Company. The total investment amount and the registered capital amount are RMB50,000,000 (equivalent to approximately HK\$59,500,000) and RMB50,000,000 (equivalent to approximately HK\$59,500,000) respectively, all of which are fully paid up.

Prior to the completion of the Acquisition, the JV Company is owned as to 70% by Tianjin DaChan and as to 30% by the Vendor.

Date: 19 May 2011

Parties: Tianjin DaChan as the purchaser

Vendor as the vendor

Pursuant to the Share Transfer Agreement, the Vendor has agreed to transfer to Tianjin DaChan 30% equity interest in the JV Company at a consideration of RMB9,735,000 (equivalent to approximately HK\$11,585,000), and the Share Transfer Agreement is subject to the board approval of both the purchaser and the vendor.

Consideration

Based on the audited financial statements of the JV Company for the year ended 31 December 2010 prepared in accordance with China Accounting Standards for Business Enterprises, the net book value of the assets of the JV Company as at 31 December 2010 was RMB39,451,000 (equivalent to approximately HK\$46,947,000).

Set out below are the audited financial information of the JV Company for the two financial years ended 31 December 2010:

	2009	2010
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation and extraordinary items	5,631,000	4,434,000
Net loss after taxation and extraordinary items	5,631,000	4,434,000

After the completion of the Acquisition, the JV Company will become a wholly owned subsidiary of the Company. As an indirect non-wholly owned subsidiary of the Company, the financial results of the JV Company have already been fully consolidated into the consolidated accounts of the Company, there will be no change in the accounting treatment of Tianjin DaChan's interest in the JV Company as a result of the Acquisition.

REASONS FOR THE ACQUISITION

The JV Company is engaged in business of breeding and hatching of broiler breeder eggs, manufacturing of animal feeds, slaughtering of chickens and producing chicken meat. With the JV Company becoming a wholly owned subsidiary of the Company, the Group can fully integrate the business of the JV Company and further secure the supply to it by the JV Company of chicken meat so as to further expand its business. Accordingly, the Directors consider that the acquisition a good move for the Group's development.

The Directors, including the independent non-executive Directors, are of the view that the Acquisition contemplated under the Share Transfer Agreement is on normal commercial terms and that the terms of the Acquisition contemplated under the Share Transfer Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL INFORMATION ON THE PARTIES

Tianjin Dachan is an indirect wholly owned subsidiary of the Company. The principal business activity of the Group is manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products. The Vendor owned 30% equity interest in the JV Company prior to the Acquisition. Its principal business activity is processing and trading of annual feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products. The original costs for the Vendor to acquire 30% equity interest in the JV Company is RMB15,000,000 (equivalent to approximately HK\$17,850,000).

LISTING RULES IMPLICATIONS

As the Vendor is a substantial shareholder of the JV Company (which is a subsidiary of the Company) and therefore a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is less than 5%, the Acquisition is, pursuant to Rule 14A.32 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of an additional 30% equity interests in the JV Company;
“associate(s)”	has the meaning ascribed to it 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;
“Group”	the Company and its subsidiaries;

“Share Transfer Agreement”	the share transfer agreement dated 19 May 2011 and entered into between Tianjin DaChan and the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JV Company”	兗州大成食品有限公司 (Yanzhou DaChan Food Co., Ltd., being the unofficial English name) and is owned as to 70% by Tianjin DaChan prior to the completion of the Acquisition;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holders of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin DaChan”	大成萬達(天津)有限公司 (DaChan Wanda (Tianjin) Co., Ltd., being the unofficial English name), a limited liability company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company;
“Vendor”	兗州嘉隆食品有限公司, a limited liability company incorporated under the laws of the PRC which owned 30% equity interests in the JV Company prior to the completion of the Acquisition;
“%”	per cent;

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated to HK\$ at the rate of RMB1.00 = HK\$1.19. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.

By order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 19 May 2011

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