
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in DACHAN FOOD (ASIA) LIMITED, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

**CONTINUING CONNECTED TRANSACTIONS
MB PURCHASE AGREEMENT
AND
GW PURCHASE AGREEMENT AS MODIFIED BY THE MODIFICATION AGREEMENT
AND
PROPOSED ANNUAL CAPS THEREFOR**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 13 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 and 15 of this circular. A letter from Taifook Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening the EGM of DaChan Food (Asia) Limited to be held at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Marco Polo Prince Hotel on 18 July 2008, Friday at 2:30 p.m. is set out on pages 34 and 35 of this circular.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 June 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 13 June 2008 relating to continuing connected transactions;
“Articles”	the existing articles of association of the Company adopted by the Shareholders by special resolutions from time to time;
“associates”	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 Stock Exchange (stock code: 3999);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Marco Polo Prince Hotel on 18 July 2008, Friday at 2:30 p.m. for the purposes of considering and, if thought fit, approving the MB Transaction and GW Transaction together with the relevant proposed caps;
“Great Wall Enterprise”	Great Wall Enterprise Co., Ltd. (大成長城企業股份有限公司), an enterprise established under the laws of Taiwan on 28 December 1960 and listed on the Taiwan Stock Exchange (stock code: 1210) on 20 May 1978;
“Group”	the Company and its subsidiaries;
“GW Products”	the products to be supplied by the GWE Group to the Group from time to time under the GW Purchase Agreement which are mainly ingredients (i.e. mixed flour) for the Group’s processed food production;
“GW Purchase Agreement”	the existing master purchase agreement entered into between Great Wall Enterprise and the Company dated 14 September 2007, details of which are disclosed in the Prospectus;
“GW Transaction”	the GW Purchase Agreement as modified and the proposed revised caps thereunder;

DEFINITIONS

“GWE Group”	Great Wall Enterprise and its subsidiaries (excluding members comprising the Group for the purpose of this circular);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board established to give advice to the Independent Shareholders in respect of MB Transaction and GW Transaction which will be voted upon at the EGM;
“Independent Shareholders”	in respect of (a) the MB Transaction, Shareholders other than Marubeni PRC and its associates; in respect of (b) GW Transaction, Shareholders other than Great Wall Enterprise and its associates;
“Independent Third Party(ies)”	third party(ies) that is not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the Listing Rules;
“Latest Practicable Date”	26 June 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Marubeni PRC”	Marubeni (China) Co., Ltd. (丸紅(中國)有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Marubeni Corporation;
“MB Group”	Marubeni PRC and its subsidiaries;
“MB Products”	products to be sold to the Group from time to time under the MB Purchase Agreement, which are mainly soybean meal for chicken feeds production;
“MB Purchase Agreement”	the master purchase agreement entered into between Marubeni PRC and the Company dated 5 June 2008;
“MB Transaction”	MB Purchase Agreement and the proposed caps thereunder;

DEFINITIONS

“Modification Agreement”	the modification agreement to modify, among other things, the duration of the GW Purchase Agreement, entered into between Great Wall Enterprise and the Company dated 5 June 2008;
“PRC”	the People’s Republic of China;
“Prospectus”	the prospectus of the Company dated 20 September 2007;
“RMB”	Renminbi, the lawful currency of PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taifook”	Taifook Capital Limited, a licensed corporation under the SFO to carry on Type 6 regulated activity (advising on corporate finance) appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the MB Transaction and the GW Transaction;
“%”	per cent;
“US\$”	United States dollars, the lawful currency of United States of America.

For the purpose of this circular and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.000 = RMB0.973 for the year 2007 and HK\$1.000 = RMB0.905 for the year 2008; conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.78.

LETTER FROM THE BOARD



DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Executive Directors:

HAN Jia-Hwan (*Chairman*)
CHANG Tiee-Shen (*Chief executive officer*)
CHEN Fu-Shih

Non-executive Directors:

CHAO Tien-Shin
HAN Chia-Yau
HARN Jia-Chen
Nicholas William ROSA

Independent non-executive Directors:

CHEN Chih
LIU Fuchun
WAY Yung-Do

Registered office:

Clifton House
75 Fort Street
George Town
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Suite 1806, Tower 1
The Gateway
No. 25 Canton Road
Tsimshatsui, Kowloon
Hong Kong

30 June 2008

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MB PURCHASE AGREEMENT
AND
GW PURCHASE AGREEMENT AS MODIFIED BY THE MODIFICATION AGREEMENT
AND
PROPOSED CAPS THEREFOR**

Introduction

Reference is made to the Company's Announcement dated 13 June 2008 in relation to the continuing connected transactions between the Company and Marubeni PRC under the MB Purchase Agreement and Great Wall Enterprise under the GW Purchase Agreement as modified by the Modification Agreement and the relevant proposed caps in connection with the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee, comprising Dr. Chen Chih, Mr. Liu Fuchun and Mr. Way Yung-Do and each of them does not have any material interest in the MB Transaction and the GW Transaction, has been established to advise the Independent Shareholders as to whether the terms under the MB Purchase Agreement and the GW Purchase Agreement as modified by the Modification Agreement and the relevant proposed caps are fair and reasonable and whether the MB Transaction and the GW Transaction are in the interests of the Company and the Independent Shareholders as a whole and to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions regarding the MB Transaction and the GW Transaction. Taifook has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

The purpose of this circular is (i) to provide the Shareholders with further information regarding the details of the MB Transaction and the GW Transaction and the relevant proposed caps; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iii) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

Background

The Group has been conducting certain transactions with group of companies under Marubeni Corporation and GWE Group in its ordinary and usual course of business. Certain waivers have been obtained from the Stock Exchange in respect of the continuing connected transactions with them. Details of which are set out in the Prospectus. However, in view of the recent business development and growth of the Company and the rising costs of raw materials, the scope and/or extent of transactions with them are required to be revised.

On 5 June 2008, the Company entered into the MB Purchase Agreement with Marubeni PRC for provision of MB Products by MB Group to the Group.

On 5 June 2008, the Company entered into the Modification Agreement with Great Wall Enterprise extending the term of the GW Purchase Agreement to 31 December 2010, with other terms of the GW Purchase Agreement remaining substantially the same.

Details of the MB Purchase Agreement and GW Purchase Agreement as modified are set out in this letter below.

MB Purchase Agreement

Date:

5 June 2008

Parties:

- (i) Marubeni PRC (as the supplier)
Marubeni PRC is a wholly owned subsidiary of Marubeni Corporation

LETTER FROM THE BOARD

(ii) the Company (as the purchaser)

Nature of transaction:

Supply of MB Products by MB Group to the Group.

Duration:

Transactions under the MB Purchase Agreement will be effective from the date of approval by Independent Shareholders of the MB Transaction to 31 December 2010. After the expiration of the initial term, both parties may extend the MB Purchase Agreement for one or more successive periods of three years by giving one month's prior written notice to the other party. The Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules upon renewal of the MB Purchase Agreement.

Principal terms:

Pursuant to the MB Purchase Agreement, Marubeni PRC shall sell and shall procure members of MB Group to sell and the Company shall purchase and shall procure members of the Group to purchase MB Products from MB Group on individual sale and purchase contracts to be entered into by the relevant member of the MB Group and the relevant member of the Group provided that the terms offered by MB Group to the Group should adhere to the fair market price ranges of products comparable to MB Products as offered in the PRC market as at the time when the relevant sale and purchase is performed. If no comparable prices from Independent Third Parties are available for references, the terms shall be determined by agreement between the parties based on normal commercial terms that are considered to be fair and reasonable by the respective member of the MB Group and the respective member of the Group. Subject to the guiding principles as aforesaid, relevant members of the Group and MB Group will negotiate on the terms of contracts and enter into individual sale contract for the sale and purchase of the MB Products.

The MB Products are essential for the Group's business such as feed and processed food and they are required not only for producing products for Marubeni Corporation but for other customers.

As disclosed in the Prospectus, the Group has from time to time entered into various business transactions with Marubeni Corporation including but not limited to provision of technical assistance from Marubeni Corporation to the Group and supply of goods (inclusive of processed foods) from the Group to Marubeni Corporation. The supply of goods to Marubeni Corporation is subject to the annual caps as stated in the Prospectus.

Due to inadvertent oversight, the purchases of MB Products were not brought to the attention of the Stock Exchange and the Shareholders when they occurred. For the period from the Listing Date on 4 October 2007 to 31 December 2007 and for the five months ended 31 May 2008, purchases of MB Products from the MB Group amounted to approximately RMB24,434,000 (equivalent to approximately HK\$25,112,000) and RMB19,138,000 (equivalent to HK\$21,147,000) respectively which exceeded the threshold under Rule 14A.33(3) of the Listing Rules, but the relevant ratios are less than the 2.5% under Rule 14A.34 of the Listing Rules for each of the years 2007 and 2008. The

LETTER FROM THE BOARD

Company has failed to strictly comply with the reporting and announcement requirements under Rule 14A.34 of the Listing Rules. As no written agreement in compliance with the requirement of Rule 14A.35(1) of the Listing Rules was entered into until 5 June 2008, the Company also breached Rule 14A.35(1) of the Listing Rules. The respective breach of Rule 14A.33(3) for the years 2007 and 2008 first occurred on 26 October 2007 and 7 January 2008. As a result, the annual report of the Company for the year ended 31 December 2007 has failed to strictly comply with the requirements under Rules 14A.45 and 14A.46 of the Listing Rules. The Stock Exchange reserves its right to take appropriate actions against the Company and its Directors for such breach. The respective breach of Rule 14A.33(3) and Rule 14A.35(1) has been remedied by the issue of the Announcement and the signing of the MB Purchase Agreement by the Company as disclosed herein. The Group will take measures to ensure that purchases of MB Products will remain within the 2.5% threshold under Rule 14A.34 of the Listing Rules until Independent Shareholders' approval is obtained.

The other business transactions with the MB Group (including the supply of goods but other than the purchases of MB Products) and the purchases under the MB Purchase Agreement are different and separate, accordingly the other business transactions with MB Group have not been aggregated with the purchases contemplated under the MB Purchase Agreement for the purpose of Rule 14A.25 of the Listing Rules.

Proposed annual caps for the MB Purchase Agreement

The Company proposes that the annual caps for the transactions under the MB Purchase Agreement be as follows:

	Proposed annual amount for the financial year ending 31 December		
	2008	2009	2010
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amount	11,566	22,963	28,166

The above proposed annual caps are the products of (i) the estimated amount of the MB products to be purchased from the MB Group for each of the three years ending 31 December 2010; and (ii) the estimated average purchase price of the MB Products for each of the three years ending 31 December 2010. The caps are determined by the Board after taking into account the following factors:

- (a) the historical demand and the anticipated growth in demand for the MB Products of the existing chicken slaughtering plants which purchase MB Products from Marubeni PRC and other suppliers;
- (b) the anticipated increasing demand for the MB Products as a result of the expected business growth of the Group arising from the operation of two new chicken slaughtering plants in mid-2008 which will make the Group's production capacity of meat increased by about 14% by the end of 2008 and about 26% by the end of 2009;

LETTER FROM THE BOARD

- (c) due to the distinctive location of the new production plants, it is more commercially feasible and viable to place orders for the products for the new production plants mainly from MB Group and as a result, the demand for MB Products therefrom is expected to be about US\$6.7 million (equivalent to approximately HK\$52 million) for the remaining 2008;
- (d) the anticipated increase in the market price for MB Products, arising from (i) the anticipated average inflation of approximately 5% a year; and (ii) the expected appreciation of RMB of approximately 5% a year against the US\$.

GW Purchase Agreement as modified and proposed revised caps

Modification Agreement

Date:

5 June 2008

Parties:

- (i) Great Wall Enterprise (as the supplier)
- (ii) the Company (as the purchaser)

Nature of transaction:

Supply of raw materials by GWE Group to the Group.

Duration:

The Modification Agreement will be effective from the date of approval by Independent Shareholders of the GW Transaction, which will effectively extending the term of the GW Purchase Agreement to 31 December 2010.

Principal Terms:

Save as aforesaid and some minor changes, the GW Purchase Agreement remains effective. Pursuant to the GW Purchase Agreement, the Company shall and shall procure members of the Group to purchase and Great Wall Enterprise shall and shall procure members of the GWE Group to sell the products of the GWE Group on a non-exclusive basis in accordance with any written quotation of the relevant member of the GWE Group which is accepted by the relevant member of the Group, or any written order of the relevant member of the Group which is accepted by the relevant member of the GWE Group. The pricing of the goods will be determined by reference to the actual costs of the goods purchased from the GWE Group and a reasonable profit margin determined by the relevant member of the GWE Group taking into account the following:

- (a) any quoted price shall not be less than the price charged by the relevant member of the GWE Group to an Independent Third Party when dealing on an arms' length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and

LETTER FROM THE BOARD

- (b) if no such comparable reference prices are available, the quoted price shall be determined by agreement between the parties based on (i) normal commercial terms that are considered to be fair and reasonable by the respective member of the Group and the GWE Group; and (ii) terms no less favourable to the relevant member of the Group than terms available from Independent Third Parties.

Revision of annual caps for the GW Purchase Agreement

As disclosed in the Prospectus, the transactions under the GW Purchase Agreement for the two years ending 31 December 2008 and 2009 will be subject to the annual caps of US\$1,219,000 (equivalent to approximately HK\$9,483,820) and US\$1,245,000 (equivalent to approximately HK\$9,686,100) respectively.

Based on the unaudited management accounts of the Group, purchases from the GWE Group amounted to approximately US\$614,000 (equivalent to approximately HK\$4,776,920) for the four months ended 30 April 2008 representing about 50% of the annual cap as approved for the year ending 31 December 2008. As disclosed in the Prospectus, the Group has from time to time entered into other business transactions with GWE Group, including but not limited to property leasing and use of certain trademark of GWE Group. For calculation of the caps for the GW Transaction, all the purchases with GWE Group have been aggregated, however as the other transactions with the GWE Group are different and separate from the purchases of GW Products by the Group under the GW Purchase Agreement, other transactions have not been aggregated for the purpose of Rule 14A.25 of the Listing Rules.

Due to the increase of the costs of raw materials, rise in Renminbi as well as the rising demands for the Group's meat products, the Board estimates that the existing annual caps for the GW Purchase Agreement will not be sufficient for the years of 2008 and 2009. As at the Latest Practicable Date, the annual cap for the year ending 31 December 2008 has not been exceeded. Further, the term of the GW Purchase Agreement will be extended by the Modification Agreement to 31 December 2010. Accordingly, the Company proposes to revise the annual caps for the years of 2008 and 2009 and proposes a new cap for the year of 2010 as follows:

	Proposed annual amount for the financial		
	year ending 31 December		
	2008	2009	2010
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amount	2,857	6,217	8,734

The above proposed annual caps are determined by the Board after taking into account the following factors:

- (a) the historical demand and the anticipated growth in demand of the Group's existing production facilities for the GW Products;

LETTER FROM THE BOARD

- (b) the anticipated increasing demand for the GW Products as a result of the expected business growth of the Group arising partly from (i) the improvement of the existing processed food plants which will increase the utilization of the Group's production capacity; and (ii) the introduction of two new processed food production plants in the third quarter of 2008 and mid 2009 respectively which will increase the Group's production capacity of domestic processed food by approximately 19% by the end of 2008, approximately 1.6 times by the end of 2009 and approximately 2.3 times by the end of 2010. The demand for GW Products of the two new processed food production plants are expected to be approximately US\$0.3 million for the remaining 2008, approximately US\$3 million for 2009 and approximately US\$5 million for 2010; and
- (c) the anticipated increase in the market price for GW Products, arising from (i) the anticipated average inflation of approximately 5% a year; and (ii) the expected appreciation of RMB of approximately 5% a year against the US\$.

Pricing monitoring mechanism for purchases under the MB Purchase Agreement and the GW Purchase Agreement

The Group will take the following measures to monitor and check whether the asking prices or quoted prices under the MB Purchase Agreement and the GW Purchase Agreement are acceptable:

- (a) compare the asking prices or quoted prices with the quotations from suppliers in the market for similar products;
- (b) the purchase order to be reviewed by a three tier review system (firstly by the relevant product manager, secondly by the person-in-charge in the purchase department, and lastly by the general manager); and
- (c) if no such comparable reference prices are available, the asking prices or quoted prices shall be determined by agreement between the parties based on (i) normal commercial terms that are considered to be fair and reasonable by the respective member of both parties; and (ii) the impact of the asking prices or quoted prices of the relevant products as provided under the MB Purchase Agreement and the GW Purchase Agreement on the cost of the production of the Group.

Reasons for entering into the MB Purchase Agreement and the GW Purchase Agreement as modified

By entering into the MB Purchase Agreement, the Group will benefit by securing a reliable source of high quality MB Products. Furthermore, purchasing goods from Marubeni PRC will strengthen the already close business relationship with the Marubeni Corporation which is one of the main customers of the Group.

The GWE Group has been a very reliable supplier of high quality raw materials to the Group. By extending the GW Purchase Agreement by the Modification Agreement, the Group has secured a longer term of supply of high quality raw materials which will be beneficial to the growth of the Group's business.

LETTER FROM THE BOARD

Listing Rules Requirements

Marubeni PRC is a wholly-owned subsidiary of Marubeni Corporation which is a substantial shareholder of a subsidiary of the Company.

Great Wall Enterprise is the ultimate substantial shareholder of the Company. As at the Latest Practicable Date, Great Wall Enterprise is indirectly holding approximately 52.32% through two of its wholly owned subsidiaries, namely Waverley Star Limited as to approximately 37.19% and Asia Nutrition Technologies Corporation as to 15.13%.

Pursuant to the Listing Rules, both Marubeni PRC and Great Wall Enterprise are connected persons of the Company.

Great Wall Enterprise and its associates will abstain from voting for the resolutions in respect of the GW Transaction and the relevant caps to be put forward at the EGM. The voting on the ordinary resolutions in respect of MB Transaction, the GW Transaction will be conducted by way of poll in accordance with the requirements of the Listing Rules.

Annual review of the continuing connected transactions

The Company will comply with the annual review requirements under rules 14A.37 to 14A.41 of the Listing Rules.

General information on the parties

The Group is one of the leading meat products and feed suppliers in the PRC with a particular focus on chicken meat products. For more information on the Group, please visit its official website at www.dfa3999.com (The information that appears in this website does not form part of this circular).

Marubeni PRC is a company incorporated in the PRC whose principal business is production of raw materials and trading, whilst Marubeni Corporation is a company incorporated in Japan whose shares are listed on Tokyo Stock Exchange Group, Inc. and whose principal business are trading of commodities including but not limited to agri-marine products, metal and mineral, and energy products.

Great Wall Enterprise is a company incorporated in Taiwan whose principal business is production of soybean products, feeds and flours and chicken meat processing.

EGM

The EGM will be held at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Marco Polo Prince Hotel on 18 July 2008, Friday at 2:30 p.m., at which resolutions will be proposed for the purpose of considering and if thought fit, approving the MB Transaction and GW Transaction together with the relevant proposed caps. The notice of the EGM is set out on pages 34 and 35 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Closure of Register of Members

The register of members of the Company will be closed on 18 July 2008, for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 17 July 2008.

Recommendations

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the MB Transaction and GW Transaction and their respective proposed annual caps for the three years ending 31 December 2010; (ii) the letter from Taifook set out on pages 16 to 27 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the MB Transaction and GW Transaction and their respective proposed annual caps for the three years ending 31 December 2010; and (iii) additional information set out in the appendix to this circular. You are strongly advised to read each of the above letters and the appendix before reaching a decision in respect of the resolutions to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of Taifook, the independent financial adviser, considers that the MB Transaction and GW Transaction are in the interests of the Company and the Independent Shareholders as a whole and that the terms thereof and their respective proposed annual caps for the three years ending 31 December 2010 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the MB Transaction and GW Transaction and their respective proposed annual caps for the three years ending 31 December 2010.

The Board considers that (a) the MB Purchase Agreement and the GW Purchase Agreement as modified by the Modification Agreement and the respective transactions to be entered into thereunder have been or will be negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the proposed caps thereof are fair and reasonable.

LETTER FROM THE BOARD

The Board considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Independent Shareholders and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

Yours faithfully,
By order of the Board
Han Jia-Hwan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

30 June 2008

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MB PURCHASE AGREEMENT
AND
GW PURCHASE AGREEMENT AS MODIFIED BY THE MODIFICATION AGREEMENT
AND
PROPOSED ANNUAL CAPS THEREFOR**

We refer to the circular of the Company dated 30 June 2008 of the Company (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms under the MB Purchase Agreement and the Modification Agreement and the proposed annual caps of the MB Transaction and the GW Transaction for the three years ending 31 December 2010, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from Taifook set out on pages 4 to 13 and pages 16 to 27 of the Circular respectively.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Taifook, the independent financial adviser, we consider that the MB Transaction and the GW Transaction are in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and the proposed annual caps of the MB Transaction and the GW Transaction for the three years ending 31 December 2010 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the MB Transaction and the GW Transaction and the relevant proposed caps.

Yours faithfully,

Chen Chih, Liu Fuchun and Way Yung-Do
Independent Board Committee

LETTER FROM TAIFOOK

The following is the text of the letter of advice from Taifook Capital Limited to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation in this circular.



25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

30 June 2008

To the Independent Board Committee and the Independent Shareholders
Dachan Food (Asia) Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to (i) the MB Transaction; and (ii) the GW Transaction, details of which are set out in the "Letter from the Board" (the "Letter") in the circular of the Company dated 30 June 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

As referred to in the Letter, as at the Latest Practicable Date, (i) Marubeni PRC is a wholly-owned subsidiary of Marubeni Corporation which is a substantial shareholder of a subsidiary of the Company; and (ii) Great Wall Enterprise is the ultimate controlling shareholder of the Company. Accordingly, both Marubeni PRC and Great Wall Enterprise are connected persons of the Company as defined under the Listing Rules and the entering into of the MB Purchase Agreement and the Modification Agreement and transactions contemplated thereunder will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, which together with the proposed annual caps under the MB Transaction (the "MB Caps") and the proposed revised annual caps under the GW Transaction (the "Revised GW Caps"), will be subject to the approval of the Independent Shareholders at the EGM by poll. Great Wall Enterprise and its associates will abstain from voting on the proposed resolution at the EGM in relation to the GW Transaction.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with our independent opinion and recommendations as to whether each of the MB Purchase Agreement and the Modification Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and whether the terms of each of the MB Transaction and the GW Transaction are fair and reasonable so far as the interests of the Independent Shareholders are concerned, and are in the interests of the Independent Shareholders and the Group as a whole.

LETTER FROM TAIFOOK

The Independent Board Committee comprising three independent non-executive Directors, namely Dr. Chen Chih, Mr. Liu Fuchun and Mr. Way Yung-Do, has been established to advise the Independent Shareholders in respect of fairness and reasonableness of the MB Transaction and the GW Transaction.

BASES AND ASSUMPTIONS

In formulating our recommendations, we have relied on the financial and other information and facts supplied to us and representations expressed by the Directors and/or the management of the Group and have assumed that all such financial and other information and facts provided and any representations made to us or contained in the Circular were true, accurate and complete at the time they were made and continue to be so at the date of despatch of the Circular and during the period up to the date of the EGM, and have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or management of the Group. We have been advised by the Directors and/or management of the Group that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company as set out below:

- (i) the MB Purchase Agreement, the Modification Agreement and the GW Purchase Agreement;
- (ii) the prospectus of the Company dated 20 September 2007 (the “Prospectus”);
- (iii) the annual report of the Company for the year ended 31 December 2007 (the “Annual Report”); and
- (iv) the Circular.

We have discussed with the Directors and/or management of the Group with respect to the terms of, and reasons for entering into, the MB Transaction and the GW Transaction, and consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We have not, however, conducted an independent verification of the information nor have we conducted any form of investigation into the business, affairs, financial positions or prospects of the Group, the MB Group and the GWE Group.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the MB Transaction and the GW Transaction, we have considered the following principal factors and reasons:

(I) BACKGROUND

1. Information about the Group, the MB Group and the GWE Group as well as the GW Purchase Agreement

The Group is one of the leading meat products and feed suppliers in the PRC with a particular focus on chicken meat products. The Group's business segment includes chicken meat, feeds to external customers and processed foods. According to the Annual Report, turnover of the Group rose 40.3% from approximately USD637.4 million in 2006 to approximately USD894.5 million in 2007, whereas net profits of the Group increased by 89.1% from approximately USD16.5 million in 2006 to approximately USD31.2 million in 2007 mainly attributable to increased average selling prices and strong sales volume as well as effective cost control management.

As mentioned in the Letter, the MB Group is principally engaged in the production and trading of raw materials including the MB products. Marubeni Corporation, the ultimate holding company of the MB Group and a substantial shareholder of a subsidiary of the Company, is a company incorporated in Japan whose issued shares are listed on Tokyo Stock Exchange Group, Inc. and whose principal business are trading of commodities including but not limited to agri-marine products, metal and mineral, and energy products. As mentioned in the Letter, the Group has from time to time entered into various business transactions with Marubeni Corporation including but not limited to provision of technical assistance by Marubeni Corporation to the Group and supply of goods (inclusive of processed foods) by the Group to Marubeni Corporation.

As advised by the Directors, the Group's purchases of MB Products from the MB Group commenced in 2007 and amounted to approximately US\$3,228,000 and US\$2,718,000 for the year ended 31 December 2007 and the five months ended 31 May 2008 respectively.

As mentioned in the Letter, Great Wall Enterprise, the ultimate controlling shareholder of the Company, is incorporated in Taiwan and principally engaged in the production of flours, soybean products, feeds and chicken meat processing. As referred to in the Prospectus, the Group and the GWE Group entered into the GW Purchase Agreement on 14 September 2007 pursuant to which the Company shall and shall procure members of the Group to purchase and Great Wall Enterprise shall and shall procure members of the GWE Group to sell the GW products of the GWE Group on a non-exclusive basis. As disclosed in the Prospectus, the original annual caps (the "Original GW Caps") for transactions contemplated under the GW Purchase Agreement were US\$1,199,000, US\$1,219,000 and US\$1,245,000 for each of the three years ending 31 December 2009 respectively. As mentioned in the Letter, the amount of purchases under the GW Purchase Agreement is expected to exceed the Original GW Caps.

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As advised by the Directors, for each of the two years ended 31 December 2007 and for the four months ended 30 April 2008, the approximate amounts of purchases of the GW Products made by the Group from the GWE Group are set out below:

	Year ended 31 December		Four months ended
	2006	2007	30 April 2008
	<i>USD</i>	<i>USD</i>	<i>USD</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Amounts	558,000	1,183,000	614,000
% of increase	N/A	112%	56% <i>(Note)</i>

Note: The percentage of increase is calculated based on the annualised figure for the four months ended 30 April 2008.

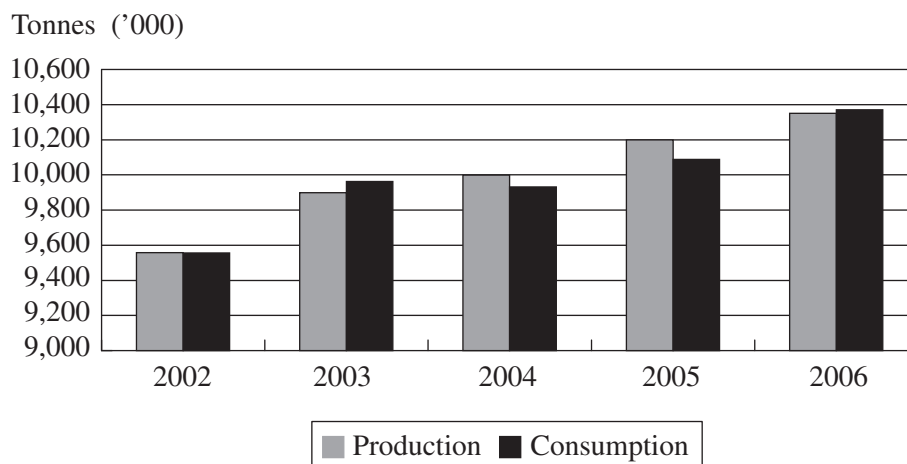
2. The chicken meat, feeds to external customers and processed foods industry in the PRC

As mentioned in the Annual Report, along with the rising income levels of consumers in the PRC benefited from the booming economy, the awareness of food safety and health-consciousness has increased among consumers. In this regard, the value of chicken meat has grown as it is more cost-effective and healthier, being rich in protein like other meats but lower in fat. The potential for the chicken meat market in the PRC remains high. According to the Food and Agriculture Organization of the United Nations, the amount of chicken meat consumed daily per capita in 2005 for the PRC was only 21 grams, much less than those for Japan of 40 grams, Malaysia of 86 grams and the United States of 122 grams.

According to the Food and Agricultural Policy Research Institute of the Iowa State University, Ames, Iowa, the United States, chicken meat consumption in the PRC has grown steadily in the past decade. Between 2002 and 2006, the total chicken meat production in the PRC grew from approximately 9.6 million tonnes to approximately 10.4 million tonnes, representing a compound

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annual growth rate of approximately 2%, with comparable growth in total consumption of chicken meat during the period. The following table shows the annual production and consumption of chicken meat by volume in the PRC between 2002 and 2006:



In recent years, the number of quick-service restaurants in the PRC has increased significantly. According to the press releases of Yum! Brands, Inc. and KFC Corporation made on 20 May 2008 and 13 September 2002 respectively, and the website of Dicos and press releases of Dicos dated 24 March 2008, the number of Yum! China Division-operated Kentucky Fried Chicken restaurants grew from approximately 700 in 2002 to over 2,200 in 2007, and the Dicos chain grew from 246 in 2002 to over 700 in 2007. Yum! China Division-operated Kentucky Fried Chicken restaurants and Dicos fast food chain are both major customers of the Group, and their expansion helped boost the Group's business nationally in the past few years.

As mentioned in the Annual Report, considering the low daily consumption rate of chicken meat against the improving standards of living in the PRC, the Directors are of the view that there is plenty of room for growth in the domestic chicken meat market.

(II) THE MB PURCHASE AGREEMENT AND THE MODIFICATION AGREEMENT

1. Reasons for and benefits of entering into the MB Transaction and the GW Transaction

Due to the expansion of existing chicken slaughtering plants in 2008 and the operation of two new chicken slaughtering plants (the "New Chicken Plants") in mid-2008, the Group's demand for the MB Products for the three years ending 31 December 2010 is expected to surge. The MB Products are mainly raw materials used for chicken feeds production by the Group's chicken slaughtering plants, which are principally engaged in chicken feeds production, chicken growing and chicken slaughtering. By entering into of the MB Purchase Agreement, the Directors believes that the Group will benefit by securing a stable and reliable source of high quality MB Products, and purchasing goods from Marubeni PRC will strengthen the already close business relationship with the Marubeni Corporation, which is one of the main customers of the Group.

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Regarding the GW Transaction, the GW Products are mainly raw materials used by the Group for the production of chicken processed food. The Directors consider that the GWE Group has been a very reliable supplier of high quality raw materials to the Group since the entering into of the GW Purchase Agreement. Due to the Group's increasing demand for the GW Products as a result of the stronger than anticipated growth of the Group's operation and the operation of certain new production facilities, the expected amounts of purchases by the Group under the GW Purchase Agreement for the year ending 31 December 2008 and 2009 are expected to exceed the annual caps as disclosed in the Prospectus. By entering into the Modification Agreement, the Group can secure a longer term of supply of high quality raw materials that will be beneficial to and facilitate the growth of the Group's business.

In view of the above and the growth of the chicken meat industry, the Directors consider the entering into of the MB Transaction and the GW Transaction are in the ordinary and usual course of business of the Group and are in the interests of the Group and the Independent Shareholders as a whole.

2. Terms of the MB Purchase Agreement and the Modification Agreement

The principal terms of the MB Purchase Agreement

Pursuant to the MB Purchase Agreement, Marubeni PRC shall sell and shall procure members of the MB Group to sell and the Company shall purchase and shall procure members of the Group to purchase the MB Products from the MB Group on individual sale and purchase contracts to be entered into by the relevant member of the MB Group and the relevant member of the Group provided that the terms offered by the MB Group to the Group should adhere to the fair market price ranges of products comparable to the MB Products as offered in the PRC market as at the time when the relevant sale and purchase is performed. If no comparable prices from Independent Third Parties are available for references, the terms shall be determined by agreement between the parties based on normal commercial terms that are considered to be fair and reasonable by the respective member of the MB Group and the respective member of the Group.

Transactions under the MB Purchase Agreement will be effective from the date of approval by Independent Shareholders of the MB Transaction to 31 December 2010. After the expiration of the initial term, both parties may extend the MB Purchase Agreement for one or more successive periods of three years by giving one month's prior written notice to the other party, given that the applicable requirements under Chapter 14A of the Listing Rules are complied by the Company upon renewal.

We compared on a sample basis the prices and terms of the MB Products sold by the MB Group to the Group with the prices and terms of similar products comparable to the MB Products sold by Independent Third Parties to the Group for the year ended 31 December 2007 and the five months ended 31 May 2008. We found that the prices and terms offered by the MB Group were no less favourable than those offered by other Independent Third Parties to the Group.

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The principal terms of the Modification Agreement

The Modification Agreement was entered into for the purposes of extending the term of the GW Purchase Agreement from 31 December 2009 to 31 December 2010. Save for the aforesaid and some minor changes, the terms as stated in the GW Purchase Agreement remain effective. Pursuant to the GW Purchase Agreement, the Company shall and shall procure members of the Group to purchase and Great Wall Enterprise shall and shall procure members of the GWE Group to sell the GW Products of the GWE Group on a non-exclusive basis in accordance with any written quotation of the relevant member of the GWE Group which is accepted by the relevant member of the Group, or any written order of the relevant member of the Group which is accepted by the relevant member of the GWE Group. The pricing of the GWE Products will be determined by reference to the actual cost of the goods purchased from the GWE Group and a reasonable profit margin determined by the relevant member of the GWE Group taking into account the following:

- (i) any quoted price shall not be less than the price charged by the relevant member of the GWE Group to an Independent Third Party when dealing on an arms' length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and
- (ii) if no such comparable reference prices are available, the quoted price shall be determined by agreement between the parties based on (i) normal commercial terms that are considered to be fair and reasonable by the respective member of the Group and the GWE Group; and (ii) terms no less favourable to the relevant member of the Group than terms available from Independent Third Parties.

We compared on a sample basis the prices and terms of the GW Products sold by the GWE Group to the Group with the prices and terms of similar products comparable to the GW Products sold by independent third parties to the Group for the year ended 31 December 2007 and the four months ended 30 April 2008. We found that the prices and terms offered by the GWE Group were no less favourable than those offered by other Independent Third Parties to the Group.

Pricing monitoring mechanism for purchases under the MB Purchase Agreement and the GW Purchase Agreement

To ensure the prices offered by the MB Group and the GWE Group to the Group are in accordance with the MB Purchase Agreement and the GW Purchase Agreement (as amended by the Modification Agreement), the Group will (a) compare the asking prices or quoted prices with the quotations from suppliers in the market that are Independent Third Parties for similar products; and (b) review the purchase order by a three tier review system (by the relevant product manager, person-in-charge in the purchase department and the general manager in order) to monitor and check whether the asking prices or quoted prices are acceptable compared to market prices of similar products. If no such comparable reference prices are available, the asking prices or quoted prices shall be determined by agreement between the parties based on (i) normal commercial terms that are considered to be fair and reasonable by the respective member of both parties; and (ii) the impact of the asking prices or quoted prices of the relevant products as provided under the MB Purchase Agreement and the GW Purchase Agreement on the cost of the production of the Group.

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In view of the above, we concur with the view of the Directors that the terms of the MB Purchase Agreement and the GW Purchase Agreement (as amended by the Modification Agreement) are on normal commercial terms and fair and reasonable so far as the interest of the Group and the Independent Shareholders are concerned.

(III) THE MB CAPS AND THE REVISED GW CAPS

1. The MB Caps

Set out below are the proposed MB Caps for each of the three years ending 31 December 2010:

	For the year ending 31 December		
	2008	2009	2010
	USD'000	USD'000	USD'000
Proposed MB Caps	11,566	22,963	28,166

As advised by the Directors, the MB Caps are the products of (i) the estimated amounts of the MB products to be purchased from the MB Group for each of the three years ending 31 December 2010; and (ii) the estimated average purchase prices of the MB Products for each of the three years ending 31 December 2010. In arriving at the MB Caps, the Directors have taken into account the following factors:

- (i) the historical demand and the anticipated growth in demand for the MB Products of the Group's existing chicken slaughtering plants which purchase the MB Products from Marubeni PRC and other suppliers;
- (ii) the anticipated increasing demand for the MB Products as a result of the expected business growth of the Group arising from the operation of two New Chicken Plants in mid-2008 which will make the Group's production capacity of meat increased by about 14% by the end of 2008 and about 26% by the end of 2009;
- (iii) due to the distinctive location of the New Chicken Plants, it is more commercially feasible and viable to place orders for the products for the New Chicken Plants mainly from MB Group and as a result, the demand for MB Products therefrom is expected to be about US\$6.7 million for the remaining 2008; and
- (iv) the anticipated increase in the market price for the MB Products arising from (a) the anticipated average inflation of approximately 5% a year; and (b) the expected appreciation of RMB of approximately 5% a year against the US\$.

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Having considered the above factors, the increasing trend of the market demand for chicken meat products, the significant increase of turnover of the Group for the year ended 31 December 2007 and our further analyses after discussing with the Directors and/or management of the Group as set out below, we concur with the Directors' view that the MB Caps are fair and reasonable:

- as advised by the Directors, the production volume of the existing chicken slaughtering plants which purchase the MB Products for their production (the "Existing Chicken Plants") is anticipated to increase at an annual rate of approximately 13-15% for each of the three years ending 31 December 2010, which is determined after considering (i) the anticipated growth in demand for the Group's chicken products; (ii) the expected continuous increase in the production capacity and utilisation rate; and (iii) the historical growth of sales generated by the Existing Chicken Plants of approximately 20%, 26% and 23% for each of the two years ended 31 December 2007 and the five months ended 31 May 2008 respectively;
- as advised by the Directors, as the New Chicken Plants are geographically near to the relevant members of MB Group which supply the MB Products, it is more commercially feasible and viable to place orders for the MB Products for the New Chicken Plants mainly from MB Group after taking into account the transportation costs;
- as advised by the Directors, the average purchase prices of the MB Products in US\$ for the calculation of the MB Caps are mainly determined after taking into account the following:
 - (i) the average purchase prices of the MB Products in RMB for the year ending 31 December 2008 will approximate to the recent average purchase prices of the MB Products in RMB, and the average purchase prices of the MB Products in RMB for each of the two years ending 31 December 2010 will increase by approximately 5% as a result of inflation, which are arrived at after taking into account, among others, the PRC's average inflation of approximately 7.8% for the four months ended 30 April 2008 according to the National Bureau of Statistics of China and the 4.8% target inflation rate of the PRC government according to a press conference after the closing ceremony of the First Session of the 11th National People's Congress on 18 March 2008; and
 - (ii) the average appreciation of RMB against the US\$ will be approximately 5% per annum for each of the three years ending 31 December 2010, which is arrived at after taking into account the average appreciation of RMB against the US\$ for the year ending 31 December 2007 and the five months ended 31 May 2008 of approximately 6.5% and 4.9% respectively according to the foreign exchange rates quoted by Bank of China; and
- in summary, in addition to the increase in prices in US\$ of the MB Products as a result of expected inflation and/or appreciation of RMB against US\$, (a) the significant increase in the amounts of the MB Transactions for the year ending 31 December 2008 is mainly due to (i) the increase in the amount of the MB Products expected to be purchased by the Existing Chicken Plants; and (ii) the commencement of the operations of two New Chicken

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Plants in mid-2008; (b) the significant increase in the amounts of estimated MB Caps for the year ending 31 December 2009 is mainly due to (i) the increase in the amount of the MB Products expected to be purchased by the Existing Chicken Plants; and (ii) the full year operations of the two New Chicken Plants opened in 2008; and (c) the significant increase in the amounts of estimated MB Caps for the year ending 31 December 2010 is mainly due to the increase in the amounts of the MB Products expected to be purchased by the Existing Chicken Plants and the New Chicken Plants opened in 2008.

2. The Revised GW Caps

Set out below is the Original GW Caps for each of the three years ending 31 December 2009 and the Revised GW Caps for each of the three years ending 31 December 2010:

	2007	2008	2009	2010
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Original GW Caps	1,199	1,219	1,245	N/A
Revised GW Caps	N/A	2,857	6,217	8,734

As advised by the Directors, the Revised GW Caps are the products of (i) the estimated amounts of the GW products to be purchased from the GWE Group for each of the three years ending 31 December 2010; and (ii) the estimated average purchase prices of the GW Products for each of the three years ending 31 December 2010. In arriving at the Revised GW Caps, the Directors have taken into account the following factors:

- (i) the historical demand and the anticipated growth in demand of the Group's existing production facilities for the GW Products;
- (ii) the anticipated increasing demand for the GW Products as a result of the expected business growth of the Group arising from (i) the improvement of the existing processed food plants which will increase the utilisation of the Group's production capacity; and (ii) the introduction of two new processed food production plants in the third quarter of 2008 and mid-2009 respectively which will increase the Group's production capacity of domestic processed food by approximately 19% by the end of 2008, approximately 1.6 times by the end of 2009 and approximately 2.3 times by the end of 2010. The demand for GW Products of the two new processed food production plants are expected to be approximately US\$0.3 million for the remaining 2008, approximately US\$3 million for 2009 and approximately US\$5 million for 2010; and
- (iii) the anticipated increase in the market price for the GW Products, arising from (i) the anticipated average inflation of approximately 5% a year; and (ii) the expected appreciation of RMB of approximately 5% a year against the US\$.

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Having considered the above factors, the increasing trend of the market demand for chicken meat products, the significant increase of turnover of the Group for the year ended 31 December 2007 and our further analyses after discussion with the Directors and/or management of the Group as set out below, we concur with the Directors' view that the Revised GW Caps are fair and reasonable:

- the volume of the major existing processed chicken production facilities of the Group in Shanghai (the "Existing Processed Food Plants") which purchase the GW Products from the GWE Group are anticipated to increase at an annual rate of approximately 119%, 13% and 6% for each of the three years ending 31 December 2010 after taking into account, among others, (i) the anticipated growth in demand for the Group's processed chicken products; (ii) the significant increases of the amounts of purchases of the GW Products from the GWE Group for the year ended 31 December 2007 and the four months ended 30 April 2008 amounting to approximately 112% and 56% respectively as shown in the paragraph headed "Information about the Group, the MB Group and the GWE Group as well as the GW Purchase Agreement" set out above; and (iii) the installation of new production facilities by the Existing Processed Food Plants in December 2007 which have increased their production capacity by approximately 26%;
- as advised by the Directors, similar to the determination of the average purchase prices of the MB Products as mentioned above, the average purchase prices of the GW Products in US\$ for the calculation of the GW Caps are mainly determined after taking into account the following:
 - (i) the average purchase prices of the GW Products in RMB for the year ending 31 December 2008 will approximate to the recent average purchase prices of the GW Products in RMB, and the average purchase prices of the GW Products in RMB for each of the two years ending 31 December 2010 will increase by approximately 5% as a result of inflation; and
 - (ii) the average appreciation of RMB against the US\$ will be approximately 5% per annum for each of the three years ending 31 December 2010; and
- in summary, in addition to the increase in prices in US\$ of the GW Products as a result of expected inflation and/or appreciation of RMB against US\$, (a) the significant increase in the amounts of estimated Revised GW Caps for the year ending 31 December 2008 is mainly due to (i) the increase in the amount of the GW Products expected to be purchased by the Existing Processed Food Plants; and (ii) the commencement of the operation of a new processed food production plant in the third quarter of 2008; (b) the significant increase in the amounts of estimated Revised GW Caps for the year ending 31 December 2009 is mainly due to (i) the full year operation of the new processed food production plant opened in 2008 ; and (ii) the commencement of the operation of another new processed food production plant in mid-2009; and (c) the significant increase in the amounts of estimated Revised GW Caps for the year ending 31 December 2010 is mainly due to the full year operation of the two new processed food production plants opened in 2008 and 2009 respectively.

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RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the MB Purchase Agreement and the Modification Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the MB Purchase Agreement and the Modification Agreement and transactions contemplated thereunder including the MB Caps and the Revised GW Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned and are in the interests of the Group and the Independent Shareholders as a whole. As such, we recommend the Independent Directors Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the MB Transaction and the GW Transaction.

Yours faithfully,

For and on behalf of

Taifook Capital Limited

Derek C. O. Chan

Managing Director

Kenneth Ng

Director

1. RESPONSIBILITY OF THE DIRECTORS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 72 of the Articles, at any general meeting of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (a) the chairman of the meeting; or
- (b) at least 2 Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) by any Director or Directors who, individually or collectively, hold proxies in respect of the Shares representing five percent (5%) or more of the total voting rights of all the Shareholders having the right to vote at the meeting.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of Director	Nature of interest	Interests in Shares held	% of Issued Capital
Chao Tien-Shin	Interests of controlled corporation (<i>Note</i>)	2,854,000(L)	0.28%

Note: Mr. Chao Tien-Shin is deemed to be interested in 2,854,000 Shares held by Hannibal International Limited, a subsidiary of CTS Capital Group Limited which is controlled by Mr. Chao and his spouse.

(b) Long positions in shares of associated corporations of the Company:

Name of Directors	Name of associated corporation (<i>Note 1</i>)	Nature of interest	Interests in shares held	Approximate % of the relevant associated corporation's issued share capital
Han Chia-Yau	Great Wall Enterprise Co. Ltd.	Beneficial owner	33,506(L)	0.008%
Ham Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	35,988(L)	0.009%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (<i>Note 2</i>)	3,516,555(L)	0.834%

Note 1: Great Wall Enterprise Co. Ltd., a company incorporated in Taiwan and listed on Taiwan Stock Exchange Corporation, is the controlling shareholder of the Company.

Note 2: Mr. Chao Tien-Shin is deemed to be interested in 3,516,555 Shares held by Qiao Tai Xing Investment Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

(a) Long positions in shares of the Company:

Name	Nature of interests	Number of shares	Approximate %
Waverley Star Limited	Beneficial interests	375,899,946(L)	37.19%
Asia Nutrition Technologies Corporation	Beneficial interests	152,294,906(L)	15.13%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.32%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.32%
Prowell ventures Pte. Ltd.	Beneficial interests	59,400,059(L)	5.88%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
GIC Special Investment Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
Government of Singapore Investment Corp. Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
Minister of Finance (Incorporated)	Interests of controlled corporation	59,400,059(L)	5.88%

Name	Nature of interests	Number of shares	Approximate %
Continental Enterprises Ltd.	Beneficial interests	59,700,029(L)	5.91%
ContiGroup Companies Inc.	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Grandchildren Family L.P.	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Enterprises, LLC	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Charles Arthur	Trustee	59,700,029(L)	5.91%
Sosland Morton Irvin	Trustee	59,700,029(L)	5.91%
Fribourg Paul Jules	Trustee	59,700,029(L)	5.91%

Save as disclosed above, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

5. MATERIAL ADVERSE CHANGES

Save for the information regarding the results and performance of the Group as set out in the Company's announcement dated 25 April 2008 in respect of the Group's unaudited consolidated results for the three months ended 31 March 2008, the Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2007 of the Group were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

8. EXPERT AND CONSENT

Name	Qualifications
Taifook	A licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity

Taifook has given and has not withdrawn their written consent to issue of this circular with the inclusion of its letter dated 30 June 2008 and references to its name, in the form and context in which it appears. As at the Latest Practicable Date, Taifook did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MISCELLANEOUS

- (a) Save as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

- (b) As at the Latest Practicable Date, none of the Directors nor Taifook was interested, directly or indirectly, in any assets which had since 31 December 2007 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 1805-06, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon for a period of 14 days from the date of this circular:

- (a) the MB Purchase Agreement;
- (b) the GW Purchase Agreement;
- (c) the Modification Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from Taifook, the text of which is set out in this circular;
- (f) the written consent from Taifook referred to in the paragraph headed “Expert And Consent” in the Appendix;
- (g) the Memorandum and Articles of Association of the Company; and
- (h) the Company’s announcement dated 25 April 2008 in respect of the Group’s unaudited consolidated results for the three months ended 31 March 2008.

NOTICE OF EGM



DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of DaChan Food (Asia) Limited (the “Company”) will be held at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Marco Polo Prince Hotel on 18 July 2008, Friday at 2:30 p.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “THAT

- (a) (i) the MB Purchase Agreement (as defined in the circular of the “Company” dated 30 June 2008 (the “Circular”)), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purposes of identification) be and are hereby approved, confirmed and ratified; and (ii) the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2010 as set out in the Circular (a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the MB Purchase Agreement or the transactions contemplated thereby.”

2. “THAT

- (a) (i) the Modification Agreement of the GW Purchase Agreement (both as defined in the Circular), the terms and the transactions under the GW Purchase Agreement as modified (a copy of the two agreements have been produced to the meeting and marked “C” and “D” respectively and initialed by the chairman of the meeting for the purposes of identification) be and are hereby approved, confirmed and ratified; and (ii) the relevant proposed revised annual caps in relation to such transactions for the three financial years ending 31 December 2010 as set out in the Circular (a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved; and

NOTICE OF EGM

- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the GW Purchase Agreement as modified or the transactions contemplated thereby.”

By order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 30 June 2008

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the EGM is entitled to appoint more than one proxy or a duly authorized corporate representative to attend and vote on his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM and any adjournment thereof should you so wish. In such event, his form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed with the Company's circular dated 30 June 2008. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road Central, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. The Hong Kong branch register of members of the Company will be closed on 18 July 2008, for the purposes of determining the entitlements of the members of the Company to attend and vote at the EGM. No transfers of Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 17 July 2008.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above resolutions will be voted on by way of poll; Great Wall Enterprise and its associates are required to abstain from voting in respect of the aforesaid ordinary resolution no. 2 above.

As at the date of this notice, the board of Directors comprises Mr. Han Jia-Hwan (Chairman), Mr. Chang Tsee-Shen (Chief Executive Officer) and Mr. Chen Fu-Shih, being the executive Directors, Mr. Chao Tien-Shin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Nicholas William Rosa, being the non-executive Directors, and Dr. Chen Chih, Mr. Liu Fuchun and Mr. Way Yung-Do, being the independent non-executive Directors.



DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

(the "Company")

PROXY FORM for the Extraordinary General Meeting of 18 July 2008

I/We ⁽¹⁾ _____
of _____
being the registered holder(s) of ⁽²⁾ _____ shares of HK\$0.10 each in the
capital of the Company hereby appoint the Chairman of the Meeting, or ⁽³⁾ _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company (and at any adjournment thereof) to be held at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Marco Polo Prince Hotel on 18 July 2008 at 2:30p.m. and to vote in respect of the following resolutions as indicated:

	ORDINARY RESOLUTIONS	FOR ⁽⁴⁾	AGAINST ⁽⁴⁾
1.	To approve the Ordinary Resolution No. 1 set out in the circular of the Company dated 30 June 2008.		
2.	To approve the Ordinary Resolution No. 2 set out in the circular of the Company dated 30 June 2008.		

Dated _____ Signature⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ _____

Notes:-

1. Full name(s) and address(es) to be inserted in block capitals.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
3. If you wish to appoint a proxy other than the Chairman of the Meeting, please strike out "the Chairman of the Meeting" and insert the name and address of the person you wish to appoint in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.** A proxy need not be a member of the Company.
4. **IMPORTANT:** If you wish to vote for any resolution, please indicate with a "√" in the appropriate space marked "For" beside the resolution. If you wish to vote against any resolution, please indicate with a "×" in the appropriate space marked "Against" beside the resolution. In the absence of any such indication, the proxy will vote for or against the resolution or will abstain at his/her discretion. On a show of hands, a member is entitled to one vote. On a poll, a member is entitled to one vote for every Share held and a member entitled to more than one vote needs not use all his votes in the same way. A tick in the relevant box indicates that the votes attached to all the Shares stated above as held by you will be casted accordingly and a number in the relevant box indicates that the votes attached to the number of Shares referred to in the box will be casted accordingly. The total number of Shares referred to in the two boxes for the same resolution cannot exceed the number of Shares stated above as held by you. Where numbers are referred to in both boxes for the same resolution, the voting proxy will vote on a show of hands according to the box with the larger number or, in case of an equal number for both boxes, the voting proxy will cast his vote at his discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Extraordinary General Meeting other than those referred to in the Notice convening the Extraordinary General Meeting.
5. In the case of joint shareholders, the vote of the senior who renders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
6. The form of proxy must be signed by you or your attorney duly authorised in writing. In the case of a corporation, this form must be executed under seal or under the hand of an officer or attorney duly authorised.
7. To be valid, this form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's Branch Share Registrar in Hong Kong at Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof.
8. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.