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DACHAN FOOD (ASIA) LIMITED

大成食品(亞洲)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

DISCLOSEABLE AND CONNECTED TRANSACTION POSSIBLE INVESTMENT IN 15-20% EQUITY INTEREST IN A JOINT VENTURE COMPANY IN PRC

On 6 November 2012, GWFT, DWT (an indirect wholly-owned subsidiary of the Company) and the Company signed the Letter of Intent. Subject to the compliance of the conditions set out therein, DWT will invest up to RMB 130,000,000 (equivalent to about HK\$159,900,000) for the Relevant Equity Interest either by way of Acquisition or Direct Investment.

As the applicable percentage ratios in respect of the Investment are more than 5% but less than 25%, the Investment contemplated under the Letter of Intent constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is thus subject to the announcement and reporting requirements.

Great Wall Enterprise is a connected person of the Company by virtue of its approximately 52.04% indirect shareholding in the Company. As an indirect subsidiary of Great Wall Enterprise, GWFT is an associate of Great Wall Enterprise pursuant to Rule 1.01.

Apart from the aforesaid, Mr. Han Jia-Hwan, Mr. Han Chia-Yin, Mr. Han Chia-Yau and Mr. Harn Jia-Chen are also connected persons of the Company by virtue of their roles as Directors. The above Directors jointly own 100% interest in Hansen Inc., which will be an Indirect Investor holding 5% of the Target Company. Since the above Directors are brothers, Hansen Inc. and HK Co, a wholly-owned subsidiary of Hansen Inc. as at the date of this announcement, are associates of the above Directors pursuant to Rule 14A.11(4).

Given (i) GWFT is an associate of Great Wall Enterprise and (ii) Hansen Inc. and HK Co are associates of the abovementioned Directors pursuant to Rule 1.01, GWFT, Hansen Inc. and HK Co are connected persons of the Company pursuant to Rule 14A.11(4). The signing of the Letter of Intent and the transaction contemplated thereunder (i.e. the Investment) therefore constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders and an independent financial advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Letter of Intent and the transaction contemplated thereunder.

A circular containing, among other things, (i) further details of the Letter of Intent and the transaction contemplated thereunder, (ii) a letter of advice from the independent financial advisor to the Independent Board Committee and the Independent Shareholders on the Letter of Intent and the transaction contemplated thereunder, (iii) a letter of recommendation from the Independent Board Committee, (iv) other information as required under the Listing Rules, together with (v) a notice convening the EGM will be dispatched to by the Company to the Shareholders in accordance with the Listing Rules on or before 27 November 2012.

Given the establishment of the Target Company requires approval from the relevant authority in the PRC and the Project Land may or may not be successfully bid by the Target Company, the Investment as contemplated under the Letter of Intent may or may not materialise. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the shares of the Company.

BACKGROUND

The Project was introduced by GWFT to the Company and Other Investors. GWFT is the current owner of the land use right of the Project Land and the wheat flour plant currently built thereon. To implement the Project, it is anticipated that the PRC government will resume the Project Land and demolish the wheat flour plant built thereon and pay to GWFT the Compensation.

After the Project Land is resumed by the PRC government, it is expected that the land use of the same piece of land will be changed from industrial use to commercial and residential uses and will be available for the Land Bid. The Investors intend to bid the Project Land through the Target Company for the implementation of the Project. GWFT and one of the Other Investors wish to invest directly into the Target Company (collectively the "Direct Investors"); whilst the remaining Other Investors (collectively the "Indirect Investors") wish to invest into the Target Company through the HK Co.

To successfully bid the Project Land, all Direct Investors and HK Co are required to pay the Deposit to Tianjin Land Exchange Center in proportion to their committed registered capital amount in the Target Company. After paying the Deposit, a pre-application approval notice will be issued to the Target Company. The Target Company will then obtain a temporary approval licence for a term of 1 year from the relevant PRC authority, such that the Target Company could become the acquiring party of the Project Land. If the Target Company successfully bids the Project Land, the Deposit will be converted into part of the acquisition consideration for the Project Land as well as the registered capital contributed by the related Direct Investors and HK Co. Otherwise, the Deposit paid by each Direct Investor and HK Co will be refunded by Tianjin Land Exchange Center.

The Company is interested in investing into the Project by holding the Relevant Equity Interest. However, given that (i) Investors are required to pay the Deposit before the Land Bid but that the Company is required to obtain the Approval before making any commitment in relation to the Project and (ii) the timing for completion of the Land Bid and the establishment of the Target Company cannot be ascertained, after commercial negotiations, the Company adopts a flexible approach to the Investment. Depending on whether the Investors have submitted the application for the formation of the Target Company by the time the Company obtains the Approval, DWT will invest in the Project either by way of the Acquisition or Direct Investment. Regardless of the mode of Investment to be adopted by DWT, DWT will eventually hold the Relevant Equity Interest.

Against this background, a binding Letter of Intent governing the Investment was executed by GWFT, DWT and the Company on 6 November 2012. The details of the Letter of Intent and the transaction contemplated thereunder are set out below.

THE INVESTMENT

Date of the Letter of Intent: 6 November 2012

Parties of the Letter of Intent: (1) GWFT
(2) DWT
(3) the Company

Subject matter: Relevant Equity Interest, the exact percentage of which will be determined by DWT, and (if any) the Deposit paid by GWFT in respect of the Relevant Equity Interest which has not been converted into part of the registered capital for such Equity Interest.

Mode of Investment: If the application for formation of the Target Company has been submitted by the time of obtaining the Approval, subject to the Agreement Conditions being fulfilled, DWT shall invest in the Target Company by way of Acquisition.

If the application for formation of the Target Company has not been submitted by the time of obtaining the Approval, GWFT shall invest in the Target Company by way of Direct Investment.

Regardless of the mode of Investment to be adopted by DWT, DWT will eventually hold the Relevant Equity Interest.

A) THE ACQUISITION

Documents to be executed by DWT for the Acquisition:

In regard to the Acquisition, DWT will execute, subject to the Agreement Conditions being fulfilled, the Acquisition Agreement, and on the Completion Date, the deed of adherence.

Although DWT will not be a party to any of the Project Agreements, by signing the deed of adherence, DWT will in effect be bound by the Project Agreements, the principal terms of which are set out below.

Principal terms of the Project Agreements:

The following principal terms for the Project should be embodied in Framework Agreement A or Joint Venture Agreement A:

(a) Payment of registered capital in relation to the Equity Interest held by GWFT

GWFT commits to pay 20% of the registered capital of the Target Company by instalments in cash in the same manner as the other Direct Investor(s) and the HK Co. Any registered capital to be paid by GWFT in cash before the Completion will be deemed to be the registered capital paid for the Relevant Equity Interest. If such amount exceeds the entire registered capital payable in respect of the Relevant Equity Interest, the excess amount shall be the registered capital for the remaining Equity Interest held by GWFT.

The rest of the registered capital due and payable and representing the Equity Interest owned by GWFT may, as the PRC law permits, be contributed by GWFT only after it receives from the PRC government the Compensation.

(b) Compensation Distribution

If the Compensation received by GWFT exceeds RMB5,000,000 (equivalent to about HK\$6,150,000) per mu, GWFT shall distribute the Compensation Distribution among all Direct Investors (including GWFT itself) and HK Co in proportion to the amount of registered capital in the Target Company to which each of them commits to contribute under the Joint Venture Agreement A.

(c) Non-Competition Undertaking

Each of the Investors and the HK Co undertake that, unless having obtained the written approval of others, during the period of its holding directly or indirectly the Equity Interest and the 12 months thereafter, it will not engage in any business in Hongqiao District of Tianjin, PRC in competition with the business engaged or proposed to be engaged by the Target Company when it holds directly or indirectly the Equity Interest.

(d) Allocation of amount contributed by GWFT for the Equity Interest held by it

GWFT shall be entitled to dispose of up to 20% Equity Interest held by it to the Company or its nominee without obtaining the prior approval of Other Investors and HK Co. Other Investors and HK Co shall have no right of pre-emption over the Relevant Equity Interest.

(e) Deposit as consideration of acquisition the Project Land and the registered capital of the Target Company

If the Target Company successfully bids the Project Land by 31 March 2013, the Deposit contributed by each Direct Investor and HK Co shall be converted into part of the consideration for acquiring the land use right of the Project Land as well as the amount of registered capital in the Target Company contributed by each of them.

(f) Failure to bid the Project Land

If the Target Company fails to bid the Project Land by 31 March 2013:

- (i) in the event that GWFT has paid the Compensation Distribution to all Direct Investors and HK Co, the recipient of such Compensation Distribution is not required to return the Compensation Distribution to GWFT; and
- (ii) each Direct Investor and HK Co are required to share the set-up expenses incurred by GWFT and in proportion to the amount of the registered capital in the Target Company to which each of them commits to contribute under the Joint Venture Agreement A.

Agreement Conditions and Execution Date of the Acquisition Agreement:

GWFT and DWT shall execute the Acquisition Agreement within 15 days (or such other later period as agreed by GWFT and DWT) after all of the following Agreement Conditions are fulfilled:-

- (1) the Company having obtained the Approval;
- (2) the Framework Agreement A and the Joint Venture Agreement A with terms agreeable to DWT and the Company having been entered into by GWFT and the related parties; and
- (3) GWFT having been approved by the relevant PRC authority as the registered holder of 45% or more Equity Interest.

If the Condition (1) above is not satisfied on or before 31 January 2013 (or such later period as agreed by GWFT and DWT), save for liabilities for any antecedent breach, all obligations of the Parties under the Letter of Intent will automatically cease. GWFT and DWT are no longer bound to execute the Acquisition Agreement.

Parties to the Acquisition Agreement:

- (1) GWFT (as vendor)
- (2) DWT (as purchaser)

Assets to be acquired:

Relevant Equity Interest held by GWFT and (if any) the Deposit paid by GWFT in respect of the Relevant Equity Interest which has not been converted into part of the registered capital for such Equity Interest

Consideration:

The Consideration for the Acquisition is equal to the amount of the Contribution, which must not exceed the Maximum Consideration.

The Consideration was determined on an arm's length basis which represents the actual amount of the paid-up registered capital contributed by GWFT to the Target Company in respect of the Relevant Equity Interest as at the Completion Date.

The exact amount of Consideration could only be fixed on the Completion Date. As agreed in the Letter of Intent, the registered capital of the Target Company shall be no more than RMB650,000,000 (equivalent to about HK\$799,500,000). Based on the above amount of registered capital and assuming DWT acquires 20% of the Equity Interest, the Maximum Consideration shall be RMB130,000,000 (equivalent to about HK\$159,900,000).

So long as the relevant PRC authority permits, in the event that GWFT has not yet contributed any registered capital to the Target Company with respect to the Relevant Equity Interest as at the Completion Date, it will transfer the Relevant Equity Interest at zero consideration.

Terms of Payment:

The Total Consideration is payable by DWT by 2 instalments.

DWT shall, on the date of the Acquisition Agreement, pay to GWFT the first instalment being the amount equivalent to the registered capital paid by GWFT in respect of the Relevant Equity Interest up to and including the execution date of the Acquisition Agreement.

DWT shall, within 5 Business Days after the Completion Date, pay to GWFT the second instalment being the amount equivalent to the registered capital paid by GWFT in respect of the Relevant Equity Interest during the period commencing from the next day of the execution date of the Acquisition Agreement and ending on the Completion Date (both days inclusive).

The Total Consideration will be funded by internal resources of the Group.

Completion Conditions:

The Completion is conditional upon the satisfaction of the Completion Conditions set out as follows:

- (1) the relevant PRC authority having approved the transfer of Relevant Equity Interest from GWFT to DWT; and
- (2) the relevant PRC authority having registered the transfer of the Relevant Equity Interest and issued a new business licence to the Target Company.

None of the above conditions can be waived by the parties to the Acquisition Agreement.

If any of the conditions precedent set out above has not been satisfied before the Long Stop Date, save for certain exceptions provided under the Acquisition Agreement, the Acquisition Agreement shall automatically cease. In such circumstances, the parties shall return any documents and fees (without interest) received from the other party within 14 days after the Long Stop Date. Save for any breaches of the terms of the Acquisition Agreement prior to the cessation of the Acquisition Agreement, none of the parties shall have any obligations and liabilities under the Acquisition Agreement.

Completion of the Acquisition:

The Completion shall take place on or before 5 p.m. of the Completion Date. On Completion, DWT shall execute a deed of adherence and thereafter it shall adhere to and be bound by all duties and obligations which are capable of applying to DWT under the Framework Agreement A and the Joint Venture Agreement A, including but not limited to the payment of the outstanding registered capital in respect of the Relevant Equity Interest (if any).

Other Major Terms of the Acquisition:

Distribution in respect of the Relevant Equity Interest before Completion

- (a) Subject to the consummation of the Acquisition pursuant to the Acquisition Agreement, if any dividend is declared or distributed or any other distribution is made by the Target Company before Completion in respect of the Relevant Equity Interest, GWFT shall pay to DWT such dividend or distribution declared to or received by GWFT within 21 Business Days after the Completion Date.

- (b) If any Compensation Distribution is made by GWFT before Completion, GWFT shall pay to DWT such portion of the Compensation Distribution in respect of the Relevant Equity Interest when the Compensation Distribution is paid to all Direct Investors and HK Co. Nevertheless, if DWT does not become the holder of the Relevant Equity Interest on or before 31 March 2013 (or such other later date as agreed in writing between GWFT and DWT), DWT shall return to GWFT the Compensation Distribution previously received by it.
- (c) If the Target Company fails to bid the Project Land by 31 March 2013, DWT shall share the set-up expenses incurred by GWFT in proportion to the Relevant Equity Interest and GWFT shall return the amount of the Deposit paid by DWT.

B) THE DIRECT INVESTMENT

Documents to be executed by DWT for the Direct Investment:

In regard to the Direct Investment, GWFT shall execute, subject to the Approval being obtained by the Company, and shall procure Other Investors and HK Co to execute, the Revised Project Agreements in replacement of the Project Agreements (if so executed) with DWT. The principal terms of the Revised Project Agreements are set out below.

Principal terms of the Revised Project Agreements:

- (a) *Payment of the registered capital in relation to the Equity Interest held by GWFT*

The registered capital due and payable and representing the Equity Interest owned by GWFT may, as the PRC law permits, be contributed by GWFT only after it receives from the PRC government the Compensation.

- (b) *Payment of the registered capital in relation to the Relevant Equity Interest*

DWT will contribute the registered capital representing the Relevant Equity Interest due and payable after the Joint Venture Agreement B is executed in the same manner as the other Direct Investor(s).

(c) Compensation Distribution

If the Compensation received by GWFT exceeds RMB5,000,000 (equivalent to about HK\$6,150,000) per mu, GWFT shall distribute the Compensation Distribution among all Direct Investors (including GWFT itself), DWT and HK Co in proportion to the amount of registered capital in the Target Company to which each of them commits to contribute under the Joint Venture Agreement B.

(d) Non-Competition Undertaking

Each of the Investors, DWT and the HK Co undertake that, unless having obtained the written approval of others, it will not, during the period of its holding directly or indirectly the Equity Interest and the 12 months thereafter, engage in any business in Hongqiao District of Tianjin, PRC in competition with the business engaged or proposed to be engaged by the Target Company when it holds directly or indirectly the Equity Interest.

(e) Deposit as consideration of acquisition the Project Land and the registered capital of the Target Company

If the Target Company successfully bids the Project Land by 31 March 2013, the Deposit contributed by each Direct Investor, DWT and HK Co shall be converted into part of the consideration for acquiring the land use rights of the Project Land as well as the amount of registered capital in the Target Company contributed by each of them.

(f) Failure to bid the Project Land

If the Target Company fails to bid the Project Land by 31 March 2013:

- (i) in the event that GWFT has paid the Compensation Distribution to all Direct Investors, DWT and HK Co, the recipient of such Compensation Distribution is not required to return the Compensation Distribution to GWFT; and

- (ii) each Direct Investor, DWT and HK Co shall share the set-up expenses incurred by GWFT and in proportion to the amount of the registered capital in the Target Company to which each of them commits to contribute under the Joint Venture Agreement B.

Execution Date of the Revised Project Agreements:	within 15 days after the Company obtains the Approval (or such other later period as agreed by GWFT and DWT)
Parties to Framework Agreement B:	(1) All Investors (including GWFT) (2) DWT (3) HK Co
Parties to Joint Venture Agreement B:	(1) All Direct Investors (including GWFT) (2) DWT (3) HK Co
Subject Matter:	Relevant Equity Interest and (if any) the Deposit paid by GWFT in respect of the Relevant Equity Interest which has not been converted into part of the registered capital for such Equity Interest
Amount of registered capital:	As agreed in the Letter of Intent, the registered capital the Target Company shall be no more than RMB650,000,000 (equivalent to about HK\$799,500,000). Based on the above amount of registered capital and assuming DWT holds 20% of the Equity Interest, the maximum amount of registered capital payable by DWT shall be RMB130,000,000 (equivalent to about HK\$159,900,000).
Terms of Payment of the Registered Capital:	Unless GWFT has made any Contribution according to the Project Agreements, the registered capital of the Relevant Equity Interest are payable in the same manner as other Direct Investors (excluding GWFT) and HK Co. Assuming (i) DWT eventually holds 20% of the Equity Interest, (ii) GWFT has not made any Contribution according to the Project Agreements and (iii) the terms in respect of registered capital contribution in the Revised Project Agreements remain unchanged since the date of this announcement, the details of registered capital contribution in respect of the Relevant Equity Interest are as follows:

Date of issue of payment notice by GWFT	Maximum Amount Payable in RMB	Approximate equivalent in HK\$	Proportion of registered capital to be paid in respect of the Relevant Equity Interest
1st instalment: within 3 Business Days after the date of Joint Venture Agreement B	32,500,000	39,975,000	25%
2nd instalment: after the preparation work of subjecting the Project Land for the Land Bid is accomplished	39,000,000	47,970,000	30%
3rd instalment: within 30 days after the contract for acquisition of the Project Land is signed	32,500,000	39,975,000	25%
4th instalment: within 90 days after the contract for acquisition of the Project Land is signed	26,000,000	31,980,000	20%

If the Project Agreements have been executed before the Company obtains the Approval and GWFT has made any Contribution accordingly, DWT shall deposit the same amount of money into its own Designated Account within 7 days after the execution of the Revised Project Agreements, whilst GWFT may withdraw such amount from its own Designated Account.

The exact amount of registered capital contribution by DWT could only be fixed on the date of Revised Project Agreements. However, the Maximum Contribution shall not exceed RMB130,000,000 (equivalent to about HK\$159,900,000), which is equal to the maximum amount of registered capital payable by GWFT in relation to 20% of Equity Interest.

The registered capital contribution by DWT is funded by the internal resources of the Group.

Other Major Terms:

If the Project Agreements have been executed before the Company obtains the Approval and:

- (a) If any dividend is declared or distributed or any other distribution is made by the Target Company before the execution of the Revised Project Agreements in respect of the Relevant Equity Interest, GWFT shall pay to DWT such dividend or distribution declared to or received by GWFT within 21 Business Days after the execution date of the Revised Project Agreements.
- (b) If any Compensation Distribution is made by GWFT before the execution of the Revised Project Agreements, GWFT shall pay to DWT such portion of the Compensation Distribution the Relevant Equity Interest when the Compensation Distribution is paid to all Direct Investors and HK Co. Nevertheless, if the Revised Project Agreements have not been entered into on or before 31 March 2013 (or such other later date as agreed in writing between GWFT and DWT), DWT shall return to GWFT the Compensation Distribution previously received by it.

INFORMATION OF THE TARGET COMPANY AND THE PROJECT

The Target Company to be established in Tianjin the PRC will be a sino-foreign joint venture company with limited liability. The total investment amount of the Target Company is expected to be RMB1,200,000,000 (equivalent to about HK\$ 1,476,000,000), whilst the maximum amount of registered capital of the Target Company is expected to be not exceeding RMB650,000,000 (equivalent to about HK\$799,500,000). The exact amount of the total investment and registered capital of the Target Company are subject to approval by the relevant authorities in the PRC. No commitment is made by DWT and the prospective shareholders of the Target Company to provide any shareholders' loan for the Target Company. The shortfall between the total amount of investment and the registered capital of the Target Company may be funded by external financing or shareholders' loan (if so agreed by all the investors of the Target Company).

The Target Company is to be engaged in the development of the Project on the Project Land and the construction and sale of residential and commercial premises (including office, shops and hotel) on the above Project Land. It is expected that the Project will occupy approximately 24,300 square metres and have the gross floor area of about 100,000 square metres, around 55% of which will be for the residential premises whereas the other 45% will be for the commercial premises. The exact Project area and construction area for residential and commercial premises may vary depending on the town planning policy of the PRC government and the final development plan of the Target Company.

Formation of the Target Company

The formation of the Target Company remains incomplete when the Target Company obtains the temporary approval licence as described in the section headed “**BACKGROUND**” above. It is expected that the formation could only be completed after the Project Land is successfully bid by the Target Company by 31 March 2013 (or such later date as all parties to the Project Agreements or Revised Project Agreements agree).

Capital Structure

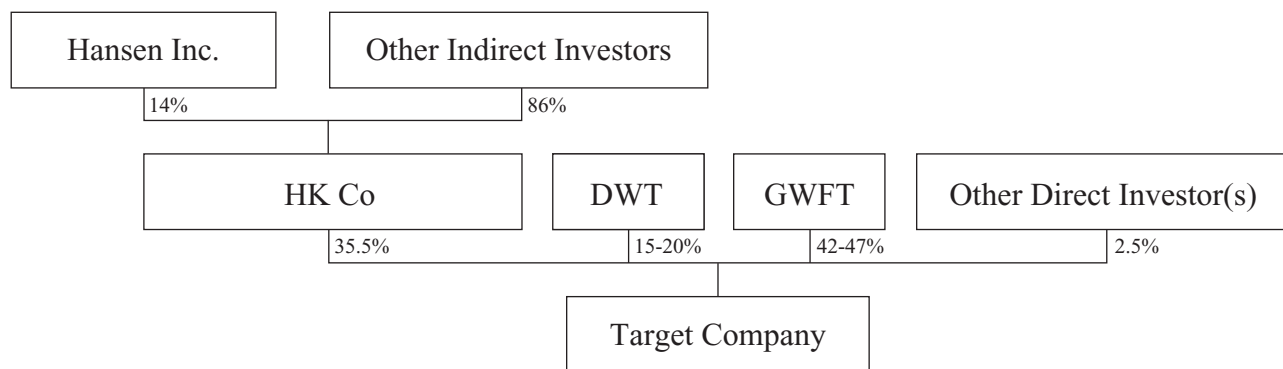
As at the date of announcement, the Project Agreements have not been entered into. The percentage shareholding of GWFT, the other Direct Investor(s) and HK Co are subject to possible changes after further negotiations. Pursuant to the Letter of Intent, it has been agreed that, subject to the fulfilment of the conditions as set out in the Letter of Intent, DWT will at least hold 15% and at most hold 20% of the Equity Interest. Assuming (i) the Project Agreements have been entered into, (ii) the respective percentage shareholding of each prospective shareholder remains the same as that known to the Company as at the date of the announcement; (iii) no new investors indicates their interest in the Project and (iv) the registered capital of the Target Company is at the maximum amount as agreed under the Letter of Intent (i.e. RMB650,000,000 (equivalent to approximately HK\$799,500,000)), the investment and the percentage shareholding of each shareholder of the Target Company immediately after the completion of the Investment are as follows:

Investors	Investment in the registered capital of the Target Company		Percentage shareholding
	(RMB)	(HK\$)	
GWFT	273,000,000	335,790,000	42-47%^
– Equity Interest GWFT intends to take up at the moment	195,000,000	239,850,000	30%
– Extra proportion of Equity Interest might be taken up by GWFT	78,000,000-110,500,000	95,940,000-135,915,000	12-17%
DWT	97,500,000-130,000,000	119,925,000-159,900,000	15-20%
Direct Investor (excluding GWFT and DWT)	16,250,000	19,987,500	2.5%
HK Co*	217,750,000	267,832,500	35.5%
Total	<u>650,000,000</u>	<u>799,500,000</u>	<u>100%</u>

* Note: the interests of the Indirect Investors in the Target Company are represented by the shareholding of the HK Co.

^ Note: at the moment, GWFT intends to take up 30% Equity Interest (exclusive of the Relevant Equity Interest); if however, the remaining 12-17% of the Equity Interest is not taken up by Other Investors, GWFT will take up such Equity Interest. The exact percentage shareholding of GWFT may vary depending on the percentage shareholding of Other Investors and the percentage shareholding acquired or committed by DWT

The shareholding structure of the Target Company immediately after the completion of the Investment is depicted as below:



REASONS FOR AND BENEFIT OF THE INVESTMENT

The Project aims to develop the Project Land into a residential and business complex in the city centre of Tianjin. Given the large scale of the Project and the prime location of the Project Land in Tianjin, the Directors (excluding the independent non-executive Directors who have no direct or indirect interest in the Investment, whose view will be formed after taking into account the advice of independent financial adviser) are of the view that the Investment presents a potentially good investment with high return in the real estate sector. In view of the rapid economic growth in Tianjin, the Directors (excluding the independent non-executive Directors who have no direct or indirect interest in the Investment, whose view will be formed after taking into account the advice of independent financial adviser) are of the view that the Investment enables the Group to derive a new source of revenue and that the Investment will have positive impact on the Group's consolidated financial results attributable to the Shareholders. Since Tianjin is an important base of the Group's operation, it is expected that the Project will enhance the Group's reputation in Tianjin area and the business relationship with the local government, thus strengthen the Group's business presence in Tianjin.

The Directors (excluding the independent non-executive Directors who have no direct or indirect interest in the Investment, whose view will be formed after taking into account the advice of independent financial adviser) believe that the terms of the Letter of Intent and the transactions contemplated thereunder are (i) on normal commercial terms and (ii) fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios in respect of the Investment are more than 5% but less than 25%, the Investment constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is thus subject to the announcement and reporting requirements.

Great Wall Enterprise is a connected person of the Company by virtue of its approximately 52.04% indirect shareholding in the Company. As an indirect subsidiary of Great Wall Enterprise, GWFT is an associate of Great Wall Enterprise pursuant to Rule 1.01.

Apart from the aforesaid, Mr. Han Jia-Hwan, Mr. Han Chia-Yin, Mr. Han Chia-Yau and Mr. Harn Jia-Chen are also connected persons of the Company by virtue of their roles as Directors. The above Directors jointly own 100% interest in Hansen Inc., which will be an Indirect Investor holding 5% of the Target Company. Since the above Directors are brothers, Hansen Inc. and HK Co, a wholly-owned subsidiary of Hansen Inc. as at the date of this announcement, are associates of the above Directors pursuant to Rule 14A.11(4).

Given (i) GWFT is an associate of Great Wall Enterprise and (ii) Hansen Inc. and HK Co are associates of the abovementioned Directors pursuant to Rule 1.01, GWFT, Hansen Inc. and HK Co are connected persons of the Company pursuant to Rule 14A.11(4). The signing of the Letter of Intent and the transaction contemplated thereunder (i.e. the Investment) constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements.

The execution of the Transaction Agreements is subject to the obtaining by the Company of necessary approval from the Independent Shareholders under the Listing Rules. The Directors will convene an EGM to seek the approval of the Independent Shareholders on the entering into of the Transaction Agreements and the transaction contemplated thereunder.

The Company will establish an Independent Board Committee to consider the terms of the Letter of Intent and the transaction contemplated thereunder and to advise the Independent Shareholders in connection with the Investment as to whether, in their opinion, its terms are (i) on normal commercial terms and (ii) fair and reasonable so far as the Independent Shareholders are concerned and whether the Investment is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM on the resolutions in respect of the Investment.

An independent financial advisor has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Letter of Intent and the transaction contemplated thereunder.

A circular containing, among other things, (i) further details of the Letter of Intent and the transaction contemplated thereunder, (ii) a letter of advice from the independent financial advisor to the Independent Board Committee and the Independent Shareholders on the Letter of Intent and the transaction contemplated thereunder, (iii) a letter of recommendation from the Independent Board Committee, (iv) other information as required under the Listing Rules, together with (v) a notice convening the EGM will be dispatched to by the Company to the Shareholders in accordance with the Listing Rules on or before 27 November 2012.

Given the establishment of the Target Company requires approval from the relevant authority in the PRC and the Project Land may or may not be successfully bid by the Target Company, the Investment as contemplated under the Letter of Intent may or may not materialise. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the shares of the Company.

GENERAL INFORMATION

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 announcement).

GWFT is a company established in the PRC whose principal business is the production of wheat flour.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the meanings set out below:

“Acquisition Agreement”	the equity interest transfer agreement to be entered between GWFT and DWT in relation to the Acquisition after the Agreement Conditions are fulfilled
“Acquisition”	the acquisition of the Relevant Equity Interest by DWT from GWFT pursuant to the Letter of Intent and the Acquisition Agreement
“Agreement Conditions”	conditions precedent to the execution of the Acquisition Agreement as set out in the Letter of Intent, details of which are set out in the item “ Agreement Conditions and Execution Date of the Acquisition Agreement ” headed “ THE ACQUISITION ” above
“Approval”	the necessary approval of Independent Shareholders as required by the Listing Rules in relation to the Investment
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holiday) on which commercial banks in the PRC are generally open for business
“Company”	Dachan Food (Asia) Limited (大成食品(亞洲)有限公司), 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)
“Compensation”	the amount to be received by GWFT from the PRC government for the resumption of the Project Land and the demolition of the wheat flour plant thereon. The exact amount is not yet confirmed as at the date of this announcement

“Compensation Distribution”	the balance of Compensation in excess of RMB5,000,000 (equivalent to about HK\$6,150,000) per mu after deducting the set-up expenses for the Target Company incurred by GWFT and other amount as set out in the Letter of Intent, which said balance will be distributed among all Direct Investors, DWT and HK Co
“Completion”	the completion of the Acquisition Agreement
“Completion Conditions”	the conditions precedent to Completion as set out in the Acquisition Agreement, details of which are set out in the item “Completion Conditions” headed “ THE ACQUISITION ” above
“Completion Date”	the fifth Business Day after all condition precedents under the Acquisition Agreement are fulfilled
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Consideration”	the amount of registered capital of the Target Company contributed by GWFT on or before the Completion Date in respect of the Relevant Equity Interest
“Contribution”	the sum contributed by GWFT as the registered capital in respect of the Relevant Equity Interest and the Deposit paid by GWFT in respect of the Relevant Equity Interest which has not been converted into the registered capital of such Equity Interest
“Deposit”	the deposit payable by Direct Investors, HK Co and (as applicable) DWT to Tianjin Land Exchange Center in accordance with the Joint Venture Agreement A or Joint Venture Agreement B
“Designated Account(s)”	the designated account(s) to be opened by each of GWFT and DWT separately in the PRC, with a person nominated by GWFT as the sole authorised signatory and for the exclusive purposes of holding the Deposit and the contribution paid by them in relation to the Equity Interest held by each of them respectively
“Direct Investment”	the direct investment by DWT to the Target Company as the initial investor of the Relevant Equity Interest
“Direct Investor(s)”	investor(s) who directly invest in the Target Company (including GWFT but excluding DWT and HK Co)
“Director(s)”	the director(s) of the Company

“DWT”	大成萬達(天津)有限公司(Dachan Wanda (Tianjin) Company Limited#), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, the entering into of the Transaction Agreements and the Investment
“Equity Interest”	all rights (including but not limited to the right to receive dividend and other distribution, participate in major decisions and select management as being entitled under the PRC law) of the registered owners of the Target Company against the Target Company in the entire paid-up and unpaid registered capital of the Target Company and all obligations incidental thereto
“Framework Agreement A”	the framework agreement to be entered into among all Investors and HK Co in relation to the Project before the Company obtains the Approval
“Framework Agreement B”	the framework agreement to be entered into among all Investors, DWT and HK Co in relation to the Project after the Company obtains the Approval
“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, whose shares are listed on the Taiwan Stock Exchange (Stock Code: 1210)
“Group”	the Company and its subsidiaries
“GWFT”	大成食品(天津)有限公司(Great Wall Food (Tianjin) Company Limited#), a limited liability company established in the PRC and owned as to 72.4% indirectly by Great Wall Enterprise
“Hansen Inc.”	Hansen Inc., a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HK Co”	a company incorporated in Hong Kong with limited liability as an investment vehicle of Indirect Investors in relation to the Project but is owned by Hansen Inc. as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of reviewing the Transaction Agreements and the Investment
“Independent Shareholders”	Shareholders other than Great Wall Enterprise, Mr. Han Jia-Hwan, Mr. Han Chia-Yin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and their respective associates;
“Indirect Investors”	investors who indirectly invest in the Target Company through the HK Co
“Investment”	the Acquisition or the Direct Investment by DWT
“Investor(s)”	Direct Investor(s) and/or Indirect Investor(s)
“Joint Venture Agreement A”	the joint venture agreement to be entered into among the Direct Investors and the HK Co in relation to the Target Company before the Company obtains the Approval
“Joint Venture Agreement B”	the joint venture agreement to be entered into among the Direct Investors, DWT and the HK Co in relation to the Target Company after the Company obtains the Approval
“Land Bid”	the bid for the Project Land arranged by Tianjin Land Exchange Center
“Letter of Intent”	the letter of intent dated 6 November 2012 entered into by GWFT, DWT and the Company in relation to the Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2013 (or a later date as agreed by the parties in writing)
“Maximum Consideration”	RMB130,000,000 (equivalent to about HK\$159,900,000), being the maximum amount of Consideration under the Acquisition Agreement
“Maximum Contribution”	RMB130,000,000 (equivalent to about HK\$ 159,900,000), being the maximum amount of registered capital contribution of DWT under the Letter of Intent
“mu”	a measurement for the area of land which is equivalent to approximately 667 square metres

“Other Investors”	all Direct Investors (excluding GWFT) and Indirect Investors
“Other Indirect Investors”	Indirect Investors other than Hansen Inc.
“Parties”	parties to the Letter of Intent, i.e. GWFT, DWT and the Company
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Project Agreements”	Framework Agreement A and Joint Venture Agreement A
“Project”	an investment project in Tianjin of the PRC tentatively named as “Taiwanese Merchant Headquarter Base and Taiwanese Club” for the development and construction of residential and business premises on the Project Land occupying approximately 24,300 square metres and having the gross floor area of about 100,000 square metres
“Project Land”	a piece of land located in 8 Xiangtan Road, Hongqiao District, Tianjin, the PRC, the land use right of which is currently owned by GWFT
“Relevant Equity Interest”	at least 15% and at most 20% of the Equity Interest as chosen by DWT. In case of Acquisition, the said equity interest will be acquired from GWFT; whilst in case of Direct Investment, the said equity interest will be acquired directly from the Target Company
“Revised Project Agreements”	Framework Agreement B and Joint Venture Agreement B
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a limited liability company to be established in the PRC pursuant to the Joint Venture Agreement A or Joint Venture Agreement B, tentatively named as 天津達成興業房地產開發有限公司 (Tianjin Dacheng Property Development Company Limited#)

“Transaction Agreements” in the case of Acquisition, the Letter of Intent and the Acquisition Agreement; and in the case of Direct Investment, the Letter of Intent and the Revised Project Agreements

“%” per cent.

On behalf of the Board
Dachan Food (Asia) Limited
Han Jia-Hwan
Chairman

Hong Kong, [6] November 2012

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB 1.00 = HK\$ 1.23 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “#” is for identification purpose only.

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Han Chia-Yin 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.