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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)

**(1) VARIOUS CONTINUING CONNECTED TRANSACTIONS AND
RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS
(2) REVISION OF ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS
(3) PROPOSED VARIATION DEED**

**VARIOUS CONTINUING CONNECTED TRANSACTIONS AND RENEWAL OF VARIOUS
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Company's announcement dated 23 November 2009 and the Company's Circular dated 11 December 2009 regarding the renewal of various continuing connected transactions.

The Group has been conducting certain continuing connected transactions with the GWE Group and the Marubeni Group respectively in its ordinary and usual course of business pursuant to (i) the GW Master Supply (Renewal) Agreement, (ii) the GW Master Purchase (Renewal) Agreement, (iii) the MB Master Supply (Renewal) Agreement, (iv) the MB Master Purchase (Renewal) Agreement, (v) the GW Trademarks Licence (Renewal) Deed and (vi) the Toll-Milling Service Agreement. Among the foresaid agreements, all, except for the Toll-Milling Service Agreement which will expire on 31 December 2013, will expire on 31 December 2012.

For continuing connected transactions with the GWE Group and the Marubeni Group, the Company has on 6 November 2012 renewed (i) the GW Trademarks Licence (Renewal) Deed, (ii) the MB Master Supply (Renewal) Agreement (subject to the approval of the Independent Shareholders), and (iii) the MB Master Purchase (Renewal) Agreement (subject to the approval of the Independent Shareholders) for three years after their expiry on substantially the same terms as their previous ones.

For better management of the continuing connected transactions with the GWE Group, the Company and Great Wall Enterprise entered into (i) the GW Master Supply Agreement (2012) and (ii) the GW Master Purchase Agreement (2012) for a term of three years with effect from 1 January 2013. The GW Master Supply Agreement (2012) combines the previous transactions under the GW Master Supply (Renewal) Agreement and the Toll-Milling Service Agreement; while the GW Master Purchase Agreement (2012) combines the previous transactions under the GW Master Purchase (Renewal) Agreement and the Toll-Milling Service Agreement.

REVISION OF ANNUAL CAP FOR MB MASTER SUPPLY (RENEWAL) AGREEMENT

Among the existing continuing connected transactions, [with the continuously growing demand of food consumption products], the Company notes that the annual cap for the year ending 31 December 2012 will not be sufficient for the MB Master Supply (Renewal) Agreement, and therefore proposes that the annual cap for the year ending 31 December 2012 in relation to the transaction contemplated under the MB Master Supply (Renewal) Agreement be revised to USD[47,431,580*] (equivalent to RMB[300,000,000*]).

PROPOSED VARIATION DEED

Pursuant to the Non-Competition Deed, Great Wall Enterprise has undertaken to the Company not to, and procure its associates (other than the Group) not to, directly or indirectly, carry on or be engaged in, connected with or interested in the Restricted Business (i.e. the business carried out by the Group as at the date of the Non-Competition Deed) in the Restricted Territory. The parties entered into the First Variation Deed on 25 June 2010 under which the Aquafeed Business was excluded from the scope of Restricted Business.

In order to enable the Group to cooperate with Great Wall Enterprise in the Restricted Business in the Restricted Territory in the future, it is proposed that the Variation Deed be entered into between the Company and Great Wall Enterprise to supplement the Non-Competition Deed and the First Variation Deed.

IMPLICATIONS UNDER THE LISTING RULES

Great Wall Enterprise is the ultimate controlling shareholder of the Company. As at the date of this announcement, Great Wall Enterprise indirectly holds approximately [52.04*]% through two of its wholly owned subsidiaries, namely Waverley Star Limited as to approximately [*37.00]% and Asia Nutrition Technologies Corporation as to approximately [*15.05]%. Marubeni Corporation, the ultimate holding company of Marubeni PRC, is a substantial shareholder of a subsidiary of the Company. Therefore, each of Great Wall Enterprise, Marubeni Corporation and Marubeni PRC is a connected person of the Company under the Listing Rules.

Based on the proposed annual caps for the three years ending 31 December 2015 of the transactions to be involved, the transactions contemplated under the GW Trademarks Licence (Renewal 2012) Deed are subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules; and the transactions contemplated under the MB Master Supply (Renewal 2012) Agreement, the MB Master Purchase (Renewal 2012) Agreement, the GW Master Supply Agreement (2012) and the GW Master Purchase Agreement (2012) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps under the continuing connected transactions, the Company is required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios with reference to the Revised Annual Cap exceed 5%, the continuing connected transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the proposed Variation Deed, Great Wall Enterprise agrees to waive its rights to receive royalties under GW Trademarks Licence (Renewal) Deed and any of its subsequent renewal agreement. Based on the historical figures, the Company expects that it will save the cost for approximately RMB7 millions annually. Though, based on such annual amount, the proposed Variation Deed is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, the Company will seek the Independent Shareholders' approval for the entering into the Variation Deed at the EGM for good corporate governance.

The Company will issue a circular to the Shareholders on or before 27 November 2012 to set out further details of the Non-Exempt Transactions and the annual caps thereof, the Revised Annual Cap and the proposed Variation Deed, a letter from an independent financial adviser containing its advice to the Independent Board Committee, recommendation from the Independent Board Committee to the Independent Shareholders and a notice to convene the EGM.

VARIOUS CONTINUING CONNECTED TRANSACTIONS AND RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 23 November 2009 and the Company's Circular dated 11 December 2009 regarding the renewal of various continuing connected transactions.

The Group has been conducting certain continuing connected transactions with the GWE Group and the Marubeni Group respectively in its ordinary and usual course of business pursuant to (i) the GW Master Supply (Renewal) Agreement, (ii) the GW Master Purchase (Renewal) Agreement, (iii) the MB Master Supply (Renewal) Agreement, (iv) the MB Master Purchase (Renewal) Agreement, (v) the GW Trademarks Licence (Renewal) Deed and (vi) the Toll-Milling Service Agreement. Among the foresaid agreements, all, except for the Toll-Milling Service Agreement which will expire on 31 December 2013, will expire on 31 December 2012; while some of which are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and some of which are also subject the Independent Shareholder's approval requirements under the said rules.

For continuing connected transactions with the GWE Group and the Marubeni Group, the Company has on 6 November 2012 renewed (i) the GW Trademarks Licence (Renewal) Deed, (ii) the MB Master Supply (Renewal) Agreement (subject to the approval of the Independent Shareholders), and (iii) the MB Master Purchase (Renewal) Agreement (subject to the approval of the Independent Shareholders) for three years after their expiry on substantially the same terms as their previous ones.

For better management of the continuing connected transactions with the GWE Group, the Company and Great Wall Enterprise has on 6 November 2012 entered into, subject to the approval of the Independent Shareholders, (i) the GW Master Supply Agreement (2012) and (ii) the GW Master Purchase Agreement (2012) for a term of three years with effect from 1 January 2013. The GW Master Supply Agreement (2012) combines the transactions previously contemplated under the GW Master Supply (Renewal) Agreement and the Toll-Milling Service Agreement; while the GW Master Purchase Agreement (2012) combines the transactions previously contemplated under the GW Master Purchase (Renewal) Agreement and the Toll-Milling Service Agreement.

1. Transaction exempt from Independent Shareholders' approval (i.e. Exempt Transaction)

Based on the proposed annual caps for the three years ending 31 December 2015, the transactions contemplated under the following agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

1.1 GW Trademarks Licence (Renewal 2012) Deed

The Group has been licensed to use certain trademarks owned by the GWE Group for the Group's business under the GW Trademarks Licence (Renewal) Deed dated 23 November 2009. The GW Trademarks Licence (Renewal) Deed will be substituted by the GW Trademarks Licence (Renewal 2012) Deed with effect from 1 January 2013 to extend the expiry date of the deed to 31 December 2015 with substantially the same terms.

14.60(1)

Date: 6 November 2012

Parties: (i) Great Wall Enterprise (as the licensor)
(ii) the Company (as the licensee)

Major Terms: Pursuant to the GW Trademarks Licence (Renewal 2012) Deed, Great Wall Enterprise shall grant to the Company (with a right to sublicense to any of its subsidiaries from time to time) an exclusive and non-transferable licence for use the Trademarks in connection with the Group's business.

The Company shall pay to Great Wall Enterprise royalties equal to 0.1% of the total annual net sales of the products of the Company attributable to the trademarks licensed under the deed. Such royalties shall be paid in annual installments in arrears, with each period ending on the last day of December.

Term: Three years from 1 January 2013 to 31 December 2015, and subject to compliance with applicable requirements of the Listing Rules regarding connected transactions, automatically renewable for three years thereafter.

2. Transactions requiring Independent Shareholders' approval (i.e. Non-Exempt Transactions)

Based on the proposed annual caps for the three years ending 31 December 2015, the transactions contemplated under the following agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

2.1 *GW Master Supply Agreement (2012)*

The Group has from time to time sold products, such as raw materials for manufacturing animal feeds, chicken meat products, processed animal feeds and aquafeed products to the GWE Group under the GW Master Supply (Renewal) Agreement dated 23 November 2009 and the Toll-Milling Service Agreement dated 1 March 2011. The GW Master Supply Agreement (2012) will substitute the GW Master Supply (Renewal) Agreement and the Toll-Milling Service Agreement with effect from 1 January 2013 (subject to the approval of the Independent Shareholders).

Date: 6 November 2012

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

Major terms: Pursuant to the GW Master Supply Agreement (2012), the Company shall sell and shall procure any and all members of the Group to sell and Great Wall Enterprise shall purchase and shall procure any and all members of the GWE Group to purchase the products of the relevant member of the Group and products manufactured by the relevant member of the Group in conformance with specifications and requirements specified by the relevant member of the GWE Group on a non-exclusive basis in accordance with any written quotation of the relevant member of the Group which is accepted by the relevant member of the GWE Group, or any written order of the relevant member of the GWE Group which is accepted by the relevant member of the Group. Unless otherwise agreed between the parties, the relevant members of the Group shall be entitled to invoice the relevant member of the GWE Group for the price of the products sold on or after the delivery date and the relevant member of the GWE Group shall make the payment within 60 days of the date of the invoice of the relevant member of the Group.

The pricing of the goods to be sold will be determined by reference to the actual cost of the goods sold by the Group and a reasonable profit margin determined by the relevant member of the Group taking into account the following:

- (a) any quoted price shall not be less than the price charged by the relevant member of the Group to an Independent Third Party when dealing on an arm's length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and
- (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; (ii) terms no less favourable to the relevant member of the Group than terms given by such relevant members of the Group to Independent Third Parties.

Term: Three years from 1 January 2013 to 31 December 2015 and subject to compliance with applicable requirements of the Listing Rules regarding connected transactions, automatically renewable for three years thereafter.

2.2 *GW Master Purchase Agreement (2012)*

The Group has from time to time purchased raw materials, which are mainly raw materials for production of chicken processed food from the GWE Group under the GW Master Purchase (Renewal) Agreement dated 23 November 2009. The GW Master Purchase Agreement (2012) will substitute the GW Master Purchase (Renewal) Agreement.

Date: 6 November 2012

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

Major terms: Pursuant to the GW Master Purchase Agreement (2012), the Company shall purchase and shall procure any and all members of the Group to purchase and Great Wall Enterprise shall sell and shall procure any and all members of the GWE Group to sell the products of the relevant member of the GWE Group and products manufactured by the relevant member of the GWE Group in conformance with specifications and requirements specified by the relevant member of the 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. Unless otherwise agreed between the parties, the relevant members of the GWE Group shall be entitled to invoice the relevant member of the Group for the price of the products sold on or after the delivery date and the relevant member of the Group shall make the payment within 60 days of the date of the invoice of the relevant member of the GWE Group.

The pricing of the goods to be purchased 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:

- (a) any quoted price shall not be more than the price charged by the relevant member of the GWE Group to an Independent Third Party when dealing on an arm's length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and
- (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 GWE Group and the Group; (ii) terms no less favourable to the relevant member of the Group than terms available from Independent Third Parties.

Term: Three years from 1 January 2013 to 31 December 2015 and subject to compliance with applicable requirements of the Listing Rules regarding connected transactions, automatically renewable for three years thereafter.

2.3 MB Master Supply (Renewal 2012) Agreement

The Group has from time to time sold products, such as processed foods, to Marubeni Corporation to satisfy its procurement needs under the MB Master Supply (Renewal) Agreement dated 23 November 2009. The MB Master Supply (Renewal) Agreement will be substituted by the MB Master Supply (Renewal 2012) Agreement with effect from 1 January 2013 to extend the expiry date of the agreement to 31 December 2015 with substantially the same terms (subject to the approval of the Independent Shareholders).

Date: 6 November 2012

Parties: (i) the Company (as the supplier)
(ii) Marubeni Corporation (as the purchaser)

Major Terms: Pursuant to the MB Master Supply (Renewal 2012) Agreement, the Company shall sell and shall procure any and all members of the Group to sell and Marubeni Corporation shall purchase the products of the Group in accordance with the purchase order placed by Marubeni Corporation which is accepted by the relevant member of the Group. Marubeni Corporation shall make payment for the products within the period and in the manner laid down in such purchase order.

The pricing of the goods to be purchased will be determined by reference to the cost of production for the goods involved and using the same price determination basis as that adopted by the relevant member of the Group from time to time for sale of the goods to its other customers who are Independent Third Parties. The Group shall not be obliged to accept any order from Marubeni Corporation for the goods on terms and conditions that are less favourable to the Group than those agreed between the Group and its other customers for the goods that are Independent Third Parties.

Term: Three years from 1 January 2013 to 31 December 2015. Either party may terminate the agreement by giving the other three months' prior written notice.

2.4 MB Master Purchase (Renewal 2012) Agreement

The Group has from time to time purchased raw materials, which mainly are soybean meal for chicken feed production from Marubeni PRC under the MB Master Purchase (Renewal) Agreement dated 23 November 2009. Such raw materials 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.

The MB Master Purchase (Renewal) Agreement will be substituted by the MB Master Purchase (Renewal 2012) Agreement with effect from 1 January 2013 to extend the expiry date of the agreement to 31 December 2015 with substantially the same terms (subject to the approval of the Independent Shareholders).

Date: 6 November 2012

Parties: (i) Marubeni PRC (as the supplier)
(ii) the Company (as the purchaser)

Major Terms: Pursuant to the MB Master Purchase (Renewal 2012) Agreement, the Company shall purchase and shall procure members of the Group to purchase and Marubeni PRC shall sell and shall procure members of the Marubeni Group to sell products on individual sale and purchase contracts to be entered into by the relevant member of the Marubeni Group and the relevant member of the Group provided that the terms offered by Marubeni Group to the Group should adhere to the fair market price ranges of products comparable to 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 Marubeni Group and the respective member of the Group. Subject to the guiding principles as aforesaid, relevant members of the Group and the Marubeni Group will negotiate on the terms of contracts and enter into individual sale contract for the sale and purchase of the products.

Term: Three years from 1 January 2013 to 31 December 2015. Subject to compliance with applicable requirements of the Listing Rules regarding connected transactions, after the expiration of the initial term, both parties may extend the agreement for one or more successive periods of three years by giving one month's prior written notice to the other party.

PRICING DETERMINATION MECHANISM FOR MASTER AGREEMENTS

The Group will take the following measures to determine the asking prices or quoted prices under the master agreements as disclosed above, where there are no comparable prices of the relevant products from Independent Third Parties are available:

- (a) compare the asking prices or quoted prices with the quotations from suppliers in the market for similar, relevant or substituting products;
- (b) the purchase order will 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) the asking prices or quoted prices shall then be determined by agreement between the parties based on (i) normal commercial terms of similar, relevant or substituting products that are considered to be fair and reasonable by the respective member of both parties; (ii) the impact of the asking prices or quoted prices of the relevant products on the cost of the production of the relevant parties; and (iii) a reasonable profit margin to be obtained by the relevant parties.

HISTORICAL VALUES

The following table sets out the respective historical amounts of the continuing connected transactions as described above for the two years ended 31 December 2011 and the 6 months ended 30 June 2012, the existing annual caps for the agreements under renewal for the three years ending 31 December 2012 and the utilization rate thereof.

Continuing Connected Transactions

		For the year ended 31 December 2010 (audited) ^{Note 1} USD '000 (RMB '000)	For the year ended 31 December 2011 (audited) ^{Note 2} USD '000 (RMB '000)	For the [6] months ended [30 June] 2012 (unaudited) ^{Note 3} USD '000 (RMB '000)
1. Exempt Transactions				
1.1 GW	Actual	959	1,205	574
Trademarks Licence (Renewal 2012) Deed		(6,352)	(7,596)	(3,628)
	Existing annual caps for GW Trademarks Licence (Renewal) Deed	1,714 (11,352)	2,057 (12,961)	*2,469 (15,616)
				*for the year ending 31 December 2012
	Utilization rate of the existing annual cap	56%	59%	23%
2. Non-Exempt Transactions				
2.1 GW Master Supply Agreement (2012)	Actual	515 (3,410)	#11,815 (74,448)	#6,532 (41,317)
	Existing annual caps for GW Master Supply (Renewal) Agreement	617 (4,086)	#23,660 (149,082)	*#34,244 (216,590)
				*for the year ending 31 December 2012
	Utilization rate of the existing annual cap	83%	#50%	#19%
				#including the figures for Toll-Milling Service Agreement
Toll-Milling Service Agreement	Actual	—	11,309 (71,258)	6,315 (39,939)

	Existing annual caps	–	22,931 (144,488)	*33,382 (211,138) *for the year ending 31 December 2012	
	Utilization rate of the existing annual cap	–	49%	19%	
2.2	<i>GW Master Purchase Agreement (2012)</i>	Actual	3,382 (22,398)	3,903 (24,592)	1,670 (10,562)
	Existing annual caps for GW Master Purchase (Renewal) Agreement	4,693 (31,082)	5,682 (35,802)	*7,126 (45,071) *for the year ending 31 December 2012	
	Utilization rate of the existing annual cap	72%	69%	23%	
2.3	<i>MB Master Supply Agreement (Renewal 2012)</i>	Actual	22,640 (149,945)	29,073 (183,187)	19,570 (123,777)
	Existing annual cap for MB Master Supply (Renewal) Agreement	24,948 (165,231)	30,125 (189,818)	*36,376 (230,075) *for the year ending 31 December 2012	
	Utilization rate of the existing annual cap	91%	[97%	54%	
2.4	<i>MB Master Purchase Agreement (Renewal 2012)</i>	Actual	3,919 (25,956)	4,365 (27,505)	2,014 (12,740)
	Existing annual cap for MB Master Purchase (Renewal) Agreement	13,584 (89,967)	19,917 (125,497)	*23,567 (149,059) *for the year ending 31 December 2012	

Utilization rate of the existing annual cap	29%	22%	9%
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Note:

1. The exchange rate of USD1.00 = RMB [6.623] has been used.
2. The exchange rate of USD1.00 = RMB [6.301] has been used.
3. The exchange rate of USD1.00 = RMB [6.325] has been used.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the agreements as described above for the three years ending 31 December 2015:

Continuing Connected Transactions

		For the year ending 31 December 2013 <i>RMB'000</i> <i>(USD'000)</i>	For the year ending 31 December 2014 <i>RMB'000</i> <i>(USD'000)</i>	For the ending 31 December 2015 <i>RMB'000</i> <i>(USD'000)</i>
1. Exempt Transactions				
1.1	<i>GW Trademarks Licence (Renewal 2012) Deed</i>	Proposed annual cap 12,000 (1,897)	15,000 (2,372)	20,000 (3,162)
2. Non-Exempt Transactions				
2.1	<i>GW Master Supply Agreement (2012)</i>	Proposed annual cap 250,000 (39,526)	300,000 (47,432)	360,000 (56,918)
2.2	<i>GW Master Purchase Agreement (2012)</i>	Proposed annual cap 50,000 (7,905)	60,000 (9,486)	70,000 (11,067)
2.3	<i>MB Master Supply Agreement (Renewal 2012)</i>	Proposed annual cap 350,000 (55,337)	400,000 (63,242)	450,000 (71,147)

2.4 MB Master	Proposed annual cap	60,000	60,000	60,000
Purchase		(9,486)	(9,486)	(9,486)
(Renewal 2012)				
Agreement				

REASONS FOR THE PROPOSED ANNUAL CAPS

The major bases and assumptions for determining the proposed annual caps for the various continuing connected transactions are set out below.

Proposed annual caps for the GW Trademarks Licence (Renewal 2012) Deed

The proposed annual caps for the transactions under the GW Trademarks Licence (Renewal 2012) Deed are determined based on the historical sales volume of the products using the Trademarks in the past years with an expected growth in the next three years with reference to the expected growth in the sales of the products in the jurisdictions of which the Group operates its business as well as possible fluctuations of foreign exchange rates.

Proposed annual caps for the GW Master Supply Agreement (2012)

The proposed annual caps for the transactions under the GW Master Supply Agreement (2012) are determined after taking into account the following factors:

- (a) the historical sales and the anticipated growth in sales of the Group's products to the GWE Group; and
- (b) the possible increase in the price of the products, arising from a possible average inflation of the relevant years.

Proposed annual caps for the GW Master Purchase Agreement (2012)

The proposed annual caps for the transactions under the GW Master Purchase Agreement (2012) are determined after taking into account the following factors:

- (a) the historical procurement and the anticipated growth in procurement of the GWE Group's products;
- (b) the possible production needs of the Group based on the existing production facilities; and
- (c) the possible increase in the price of the raw materials, arising from a possible average inflation.

Proposed annual caps for the MB Master Supply (Renewal 2012) Agreement

The proposed annual caps for the transactions under the MB Master Supply (Renewal 2012) Agreement are determined after taking into account the following factors:

- (a) the historical sales and the anticipated growth in sales of the Group's products to Marubeni Corporation;
- (b) a possible demand for the Group's food products from Marubeni Corporation based on the production capacity of the Group in respect of the relevant food products; and
- (c) the possible increase in the price of the products, arising from a possible average inflation.

Proposed annual caps for the MB Master Purchase (Renewal 2012) Agreement

The proposed annual caps for the transactions under the MB Master Purchase (Renewal 2012) Agreement are determined after taking into account the following factors:

- (a) the historical procurement and the anticipated growth in procurement of Marubeni Corporation's products;
- (b) the possible production needs of the Group in respect of the Group's existing raw material production plants based on the existing production capacity of the Group and possible growth in production volume; and
- (c) the possible increase in the price of the raw materials, arising from a possible average inflation of the relevant years.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

GW Trademarks Licence (Renewal 2012) Deed

The GWE Group owns the Trademarks which are used by the Group in connection with its business. The Trademarks are considered to be crucial to the successful long-term operation of the Group as the Group's products have built up a brand name in its places of business. The GW Trademarks Licence (Renewal 2012) Deed allows the Group to secure the use of such trademarks over a reasonable period of time at attractive rates.

GW Master Supply Agreement (2012) and MB Master Supply (Renewal 2012) Agreement

The GWE Group and the Marubeni Group are major clients of the Group. It is beneficial to the Group to secure a closer and long term supplier-customer relationship with the GWE Group and the Marubeni Group by entering into the GW Master Supply Agreement (2012) and MB Master Supply (Renewal 2012) Agreement respectively. Transactions under the GW Master Supply Agreement (2012) and MB

Master Supply (Renewal 2012) Agreement will continue to represent a good-potential source of revenue of the Group's business.

GW Master Purchase Agreement (2012) and MB Master Purchase (Renewal 2012) Agreement

The GWE Group has been a very reliable supplier of high quality raw materials to the Group. By entering into the GW Master Purchase Agreement (2012), the Group has secured a longer term of supply of high quality raw materials and products which will be beneficial to the growth of the Group's business.

In respect of the MB Master Purchase (Renewal 2012) Agreement, the transactions thereunder will continue to facilitate the smooth operation of the Group's business by securing a stable and reliable source of high quality raw materials necessary for the Group's operation. 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.

REVISION OF THE ANNUAL CAP FOR MB MASTER SUPPLY (RENEWAL) AGREEMENT

Background

Reference is made to the Company's announcement dated 23 November 2009 and the Circular in relation to, amongst other things, the entering into the MB Master Supply (Renewal) Agreement.

The major terms of the MB Master Supply (Renewal) Agreement are the same as those of the MB Master Supply (Renewal 2012) Agreement and are set out in the section of "Transactions requiring Independent Shareholders' approval (i.e. Non-Exempt Transactions)" of this announcement.

Existing annual caps

As disclosed in the Circular, the MB Master Supply (Renewal) Agreement became effective on 1 January 2010 and the annual caps for the three years ending 31 December 2012 are set out below:

	For the year ended 31 December 2010^{Note 1} USD'000 (RMB'000)	For the year ended 31 December 2011^{Note 2} USD'000 (RMB'000)	For the year ended 31 December 2012^{Note 3} USD'000 (RMB'000)
Existing annual caps	24,948 (165,231*)	30,125 (189,818*)	36,376 (230,075*)

Note:

1. The exchange rate of USD1.00 = RMB [6.623] has been used.
2. The exchange rate of USD1.00 = RMB [6.301] has been used.
3. The exchange rate of USD1.00 = RMB [6.325] has been used.

Revision of annual cap for the year ending 31 December 2012

[With the continuous business growth and improving market condition], the Company noted that the annual cap for the year ending 31 December 2012 will not be sufficient for the MB Master Supply (Renewal) Agreement, and therefore proposes that the annual cap for the year ending 31 December 2012 in relation to the transactions contemplated under the MB Master Supply (Renewal) Agreement be revised to USD[47,431,580*] (equivalent to RMB[300,000,000*]).

Reasons for and benefits of the Revised Annual Cap

The Revised Annual Cap is determined on the Company's expectation of the continued growth of demand for food consumption products and improving market condition in the year 2012. The Company expects that as the demand for food consumption products in the PRC gradually increased, the sales of products to the Marubeni Group under the MB Master Supply (Renewal) Agreement would increase. During the period from January to August 2012, the actual sales amount pursuant to the MB Master Supply (Renewal) Agreement was USD[[26,829,151*] (equivalent to RMB[169,691,694*]).

PROPOSED VARIATION DEED

Background

- 1. Non-Competition Deed:** Pursuant to the Non-Competition Deed, Great Wall Enterprise has undertaken to the Company not to, and procure its associates (other than the Group) not to, directly or indirectly, carry on or be engaged in, connected with or interested in the Restricted Business (i.e. the business carried out by the Group as at the date of the Non-Competition Deed) in the Restricted Territory (i.e. in which the Group carried out the Restricted Business (other than the region of Taiwan) as at the date of the Non-Competition Deed, namely Japan, Malaysia, PRC and Vietnam. Further, the parties have undertaken, pursuant to the Non-Competition Deed, that any opportunity to invest or participate in any business or venture involved in any business which would or may directly or indirectly compete with the Restricted Business or any part thereof outside the Restricted Territory and the region of Taiwan arises to any member of the GWE Group or the Group, each party shall not, and shall procure that no member of its group shall, invest or participate in any such business unless and until the other party has been offered the opportunity to co-invest or co-participate in such business.
- 2. First Variation Deed:** The parties entered into the First Variation Deed on 25 June 2010 under which the Aquafeed Business was excluded from the scope of Restricted Business in the Non-Competition Deed.

In order to enable the Group to cooperate with Great Wall Enterprise in the Restricted Business in the Restricted Territory in the future, it is proposed that the Variation Deed be entered into between the Company and Great Wall Enterprise to supplement the Non-Competition Deed and the First Variation Deed.

Variation Deed

It is proposed that the Variation Deed to be entered into between the Company and Great Wall Enterprise to supplement the Non-Competition Deed and the First Variation Deed after the Independent Shareholders' approval for the entering into of the Variation Deed at the EGM.

Parties

- (i) the Company; and
- (ii) Great Wall Enterprise.

Major Terms

Under the Variation Deed, Great Wall Enterprise undertakes to the Company that any opportunity to invest or participate in any business or venture involved in any business which would or may directly or indirectly compete with the Restricted Business or any part thereof in the Restricted Territory arises to any member of the GWE Group, Great Wall Enterprise shall not, and Great Wall Enterprise shall procure that no member of the GWE Group shall, invest or participate in any such business unless and until the Company has been offered the opportunity to invest or participate in such business.

Upon receipt of the new business opportunity offered by Great Wall Enterprise, the Company shall seek opinions and decisions from the Independent Board Committee. The Independent Board Committee may appoint an independent financial adviser for advice if necessary. In considering whether to invest or participate in such new business opportunity, the Independent Board Committee will take into account (including but not limited to) the following factors:

- (i) whether such new business opportunity will enhance the Company's profitability and competitive advantages in the business of the Group;
- (ii) whether such new business opportunity will attain profit within a reasonable period;
- (iii) whether such new business opportunity will be in line with the strategic development of the Group from time to time;
- (iv) whether the Company's funding capability and/or capital expenditure projection would allow the investment and participation in such new business opportunity;
- (v) whether it will be in the best interest of the Shareholders as a whole; and
- (vi) any other factors that the Independent Board Committee thinks fit and appropriate.

If the Company elects to invest or participate in such new business opportunity made available to it, the Company shall have the right to invest or participate up to 50% (or any other percentage that the parties may agree otherwise) in the investment that being made available to the GWE Group.

Under the Variation Deed, Great Wall Enterprise also undertakes to the Company that it shall, and shall procure all members of the GWE Group shall, grant to the Company:

- (i) a right to invest or participate in any business resulting from such new business opportunity that has been offered to, but has not been taken up by the Group and has been retained by the GWE Group, and in case that involves a transfer by the GWE Group to the Group of the GWE Group's interest in such business, the maximum extent of interest to be purchased by the Group shall be 50% (or any other percentage that the parties may agree otherwise) of that then owned by the GWE Group and the sale shall be on the basis of valuation conducted by an independent valuer jointly appointed by the Company and Great Wall Enterprise; and such right shall be valid for a period of two years after such business has been taken up by the GWE Group; and
- (ii) the pre-emptive rights to purchase the interests of the GWE Group in any business resulting from such new business opportunity that has been offered to, but has not been taken up by the Group and has been retained by the GWE Group, on terms no less favourable than those offered to third parties, if the GWE Group intends to transfer, sell, lease or license such interests to any third party, on the exercise of the pre-emptive rights by the Company, Great Wall Enterprise shall transfer such interests to the Company;

Upon receipt of the notice of such pre-emptive rights by Great Wall Enterprise, the Company shall seek opinions and decisions from the Independent Board Committee. The Independent Board Committee will take into account (including but not limited to) the factors as mentioned above.

If the Company decides not to invest or participate in such new business opportunity or not to exercise such pre-emptive rights, the Company will disclose details of such decision and basis thereof in the annual report of the Company for the relevant financial year.

In consideration of the Company agreeing to enter into the Variation Deed, Great Wall Enterprise agrees, with effect from the date of the Variation Deed, to waive its rights to receive royalties under GW Trademarks Licence (Renewal) Deed and any of its subsequent renewal agreement.

Date and condition of signing

The Variation Deed will only be entered into by the parties after the Independent Shareholders in the EGM approve, among other matters, the Variation Deed.

Reasons for the Variation Deed

[Great Wall Enterprise, as a controlling shareholder of the Company, has sufficient capital, technological and human resources whereas the Group has extensive marketing network and market information in the Restricted Territory. It will be beneficial to the Group if it can cooperate with the GWE Group in the future in the Restricted Business in the Restricted Territory and it may in turn facilitate the Company to explore more new business opportunity. The Variation Deed enables the Group to cooperate with Great Wall Enterprise, not only outside the Restricted Territory but also in the Restricted Territory. In addition, as Great Wall Enterprise agrees to waive its rights to receive royalties under GW Trademarks Licence (Renewal) Deed and any of its subsequent renewal agreement, based on the historical figures, the Company expects that it will save the cost for approximately RMB7 millions annually.]

The Company will seek the Independent Shareholders' approval for the entering into of the Variation Deed at the EGM.

LISTING RULES REQUIREMENTS

Great Wall Enterprise is the ultimate controlling shareholder of the Company. As at the date of this announcement, Great Wall Enterprise indirectly holds approximately [52.04]% through two of its wholly owned subsidiaries, namely Waverley Star Limited as to approximately [37.00]% and Asia Nutrition Technologies Corporation as to approximately [15.05]%. Marubeni Corporation, the ultimate holding company of Marubeni PRC, is a substantial shareholder of a subsidiary of the Company. Therefore, each of Great Wall Enterprise, Marubeni Corporation and Marubeni PRC is a connected person of the Company under the Listing Rules.

Based on the proposed annual caps for the three years ending 31 December 2015 of the transactions to be involved, the transactions contemplated under the GW Trademarks Licence (Renewal 2012) Deed are subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules; and the transactions under the MB Master Supply (Renewal 2012) Agreement, the MB Master Purchase (Renewal 2012) Agreement, the GW Master Supply Agreement (2012) and the GW Master Purchase Agreement (2012) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps under the continuing connected transactions, the Company is required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios with reference to the Revised Annual Cap exceed 5%, the continuing connected transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the Variation Deed, Great Wall Enterprise agrees to waive its rights to receive royalties under GW Trademarks Licence (Renewal) Deed and any of its subsequent renewal agreement. Based on the historical figures, the Company expects that it will save the cost for approximately RMB7 millions annually. Though, based on such annual amount, the proposed Variation Deed is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, the Company will seek the Independent Shareholders' approval for the entering into the Variation Deed at the EGM for good corporate governance.

[None of the Directors have material interest in the transactions contemplated under the Exempt Transactions, the Non-Exempt Transactions, the MB Master Supply (Renewal) Agreement and the proposed Variation Deed and thus none will abstain from voting on the board resolutions approving the entering into (i) GW Trademarks Licence (Renewal 2012) Deed, (ii) the GW Master Supply Agreement (2012), (iii) the GW Master Purchase Agreement (2012), (iv) the MB Master Supply (Renewal 2012) Agreement (v) the MB Master Purchase (Renewal 2012) Agreement, (vi) the proposed Variation Deed and the transactions contemplated thereunder; and approving the Revised Annual Cap.]

The Directors will convene an EGM to seek the approval of the Independent Shareholders on the Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed.

The Company will establish an Independent Board Committee to advise the Independent Shareholders as to whether the Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and 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 Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed, after taking into account the recommendations of the independent financial adviser.

In this connection, the Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed.

A circular containing, among others, (i) the details of the Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed; (iii) recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM will be despatched by the Company to the Shareholders in accordance with the Listing Rules on or before [27 November] 2012.

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 HYPERLINK “<http://www.dfa3999.com>” www.dfa3999.com (The information that appears in this website does not form part of this announcement).]

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

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













[Marubeni PRC is a company incorporated in the PRC whose principal business is production of raw materials and trading.]

DEFINITIONS

“Aquafeed Business”	means the development, production and sales of aquafeed products;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Circular”	the circular of the Company dated 11 December 2009;
“Company”	DaChan Food (Asia) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3999);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider the Revised Annual Cap and the Non-Exempt Transactions and the proposed annual caps therefor;
“Exempt Transactions”	the transactions under the GW Trademarks Licence (Renewal 2012) Deed;
“First Variation Deed”	the variation deed executed by the Company and Great Wall Enterprise to supplement the Non-Competition Deed on 25 June 2010;
“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;
“GWE Group”	Great Wall Enterprise and its subsidiaries (excluding members comprising the Group for the purpose of this announcement);
“GW Master Purchase (Renewal) Agreement”	the master purchase (renewal) agreement dated 23 November 2009 entered into between Great Wall Enterprise and the Company;

“GW Master Purchase Agreement (2012)”	the master purchase agreement dated 6 November 2012 entered into between Great Wall Enterprise and the Company;
“GW Master Supply (Renewal) Agreement”	the master supply (renewal) agreement dated 23 November 2009 entered into between the Company and Great Wall Enterprise;
“GW Master Supply Agreement (2012)”	the master supply agreement dated 6 November 2012 entered into between the Company and Great Wall Enterprise;
“GW Trademarks Licence (Renewal) Deed “	the trademarks licence (renewal) deed dated 23 November 2009 entered into between Great Wall Enterprise and the Company;
“GW Trademarks Licence (Renewal) Deed (2012)”	the trademarks licence (renewal) deed dated 6 November 2012 entered into between Great Wall Enterprise and the Company in order to extend the GW Trademarks Licence (Renewal) Deed on substantially the same terms;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Non-Exempt Transactions and the proposed annual caps thereof, the Revised Annual Cap and the proposed Variation Deed;
“Independent Shareholders”	in respect of (a) the transactions under the GW Trademarks Licence (Renewal 2012) Deed, the GW Master Supply Agreement (2012) and the GW Master Purchase Agreement (2012), Shareholders other than Great Wall Enterprise and its associates; in respect of (b) the transactions under the MB Master Supply (Renewal 2012) Agreement and the MB Master Purchase (Renewal 2012) Agreement, Shareholders other than Marubeni Corporation 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Marubeni Corporation”	Marubeni Corporation, a company incorporated in Japan with limited liability whose shares are listed on Tokyo Stock Exchange Group, Inc.;
“Marubeni Group”	Marubeni Corporation and its subsidiaries;
“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 Master Purchase (Renewal) Agreement”	the master purchase (renewal) agreement dated 23 November 2009 entered into between Marubeni PRC and the Company;
“MB Master Purchase (Renewal 2012) Agreement”	the master purchase (renewal) agreement dated 6 November 2012 entered into between Marubeni PRC and the Company in order to extend the MB Master Purchase (Renewal) Agreement on substantially the same terms;
“MB Master Supply (Renewal) Agreement”	the master supply (renewal) agreement dated 23 November 2009 entered into between the Company and Marubeni Corporation;
“MB Master Supply (Renewal 2012) Agreement”	the master supply agreement dated 6 November 2012 entered into between the Company and Marubeni Corporation in order to extend the MB Master Supply (Renewal) Agreement on substantially the same terms;
“Non-Competition Deed”	the deed of non-competition executed by Great Wall Enterprise and the Company 14 September 2007;
“Non-Exempt Transactions”	the transactions under the GW Master Supply Agreement (2012), GW Master Purchase Agreement (2012), the MB Master Supply (Renewal 2012) Agreement and the MB Master Purchase (Renewal 2012) Agreement;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Restricted Business”	means any business carried by the Group as at the date of the Non-Competition Deed;
“Restricted Territory”	means any part of the world (other than the region of Taiwan) in which the Group carries out the Restricted Business as at the date of the Non-Competition Deed;
“Revised Annual Cap”	the revised annual cap for the year ending 31 December 2012 for the transactions contemplated under the MB Master Supply (Renewal) Agreement USD[47,431,580*] (equivalent to RMB[300,000,000*]);
“Shareholders”	holders of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Toll-Milling Service Agreement”	the toll-milling service agreement entered into between the Group and the GWE Group on 1 March 2011;
“Trademarks”	The trademarks of  , 大成,  ,  ,  ,  ,  ,  ,  ,  ,  ,  ,  owned by the GWE Group;
“%”	per cent;
“USD”	United States dollars, the lawful currency of United States of America;
“Variation Deed”	the variation deed to be executed by the Company and Great Wall Enterprise to supplement the Non-Competition Deed and the First Variation Deed.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of USD1.00 = RMB[6.325] has been used, where applicable, for 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.

By order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 6 November 2012

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman) and 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. Liu Fuchun, Dr. Chen Chih and Mr. Way Yung-Do are the independent non-executive Directors.