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DACHAN FOOD (ASIA) LIMITED

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

INSIDE INFORMATION

TWO PROCESSED FOOD INVESTMENT PROJECTS IN MAINLAND CHINA

The board of directors of the Company is pleased to announce that the Group will launch the following two investment projects in Bengbu area, Anhui Province, China, so as to facilitate the development of the processed food business of the Group:

1. Investment in establishing a new processed food plant by Bengbu DaChan, an indirect wholly-owned subsidiary of the Company;
2. Investment in establishing a new processed food plant by Bengbu Taixu & DaChan, an indirect non-wholly-owned subsidiary of the Company.

This announcement is made pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)..

BACKGROUND

Faced with a continuously increasing demand in the mainland China market on the processed food of the Group (comprising the Company and its subsidiaries, hereinafter referred to as the “**Group**”), and given that the originally designed production capacity of the existing plants of the Group fails to meet the market demand, the Group intends to increase the current production capacity of the Group and adapt to market demand through the following two investment projects in Bengbu area, Anhui Province, China (collectively, the “**Investment Projects**”):

1. “Bengbu DaChan Project”: to establish a new processed food plant by Bengbu DaChan Food Co., Ltd.* (蚌埠大成食品有限公司), an indirect wholly-owned subsidiary of the Company (“Bengbu DaChan”); and

2. “Bengbu Taixu & DaChan Project”: to establish a new processed food plant by Taixu & DaChan Foods (Bengbu) Co., Limited* (台畜大成食品(蚌埠)有限公司), an indirect non-wholly-owned subsidiary of the Company (“Bengbu Taixu & DaChan”).

The total investment amount of the Bengbu DaChan Project is expected to be approximately RMB200 million (amounting to approximately HK\$224.52 million); while the total investment amount of the Bengbu Taixu & Dachan Project is expected to be approximately RMB100 million (amounting to approximately HK\$112.26 million).

SOURCES OF FUND

1. The entirety of the above investment amount of RMB200 million (amounting to approximately HK\$224.52 million) of the Bengbu DaChan Project will be self-financed by the Group through operational activities.
2. The above investment amount of RMB100 million (amounting to approximately HK\$112.26 million) of the Bengbu Taixu & DaChan Project includes approximately RMB20 million (amounting to approximately HK\$22.45 million) to be funded through capital increase by way of cash from other shareholders (i.e. those not being members of the Group) of Taixu & Dachan Foods Co., Limited, an intermediate holding company of Bengbu Taixu & Dachan, with the rest will be self-financed by the Group through operational activities.

REASONS FOR AND BENEFITS OF THE INVESTMENT PROJECTS

After completion of the Investment Projects, the Group will combine the advantages of the integrated supply chain of its meat products and produce and sell dependable and traceable processed food, and in turn the production capacity and sales of the processed food of the Group is expected to double. Hence, the Investment Projects are expected to assist the Group in utilizing the strengths of Bengbu area as a place for both the production and selling of the Group’s processed food, in order to place itself in a more competitive position in markets which have higher consumption power and larger market scales, such as the East China, Central China, South China and Southwest China markets.

Meanwhile, in accordance with the relevant investment promotion policies of the local government of Bengbu city and upon the implementation of the Investment Projects by the Group, the Group will have the qualification to apply to relevant government authorities for obtaining various preferential and industry support measures under relevant policies. Therefore, the Investment Projects will enable the Group to make sound use of its resources and to promote its operational development strategy.

In view of the above, the Investment Projects is expected to provide the Group with a good way of acquiring higher returns and bring positive effects to the Group’s consolidated financial results attributable to the shareholders.

Based on the abovementioned reasons, the directors of the Company (including independent non-executive directors) are of the view that the Investment Projects are in the interests of the Company and its shareholders as a whole.

The board of directors of the Company hereby emphasizes that, the Investment Projects are at a preparation stage and the implementation of the Investment Projects is subject to various conditions. Therefore, the Company may not fully implement the Investment Projects, and the investment amounts stated in this announcement are also subject to adjustment. In addition, whether the Group would be able to enjoy the preferential and industry support measures from the government as stated in this announcement depends on the determination of the relevant government departments, hence the Company may or may not enjoy such preferential and industry support measures. Shareholders of the Company and potential investors are hereby advised to exercise caution when dealing in the shares of the Company.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB 1.00 = HK\$1.1226 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.

By order of the Board

Han Jia-Hwan

Chairman

Hong Kong, 16 December 2016

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 and Mr. Chao Tien-Shin are the non-executive directors; and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning are the independent non-executive directors.

* *for identification purpose only*