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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 TRANSACTION**

#### **DISPOSAL OF 30% EQUITY INTEREST IN JILIN CSD FOOD CO. LIMITED\***

The Board announces that on 7 June 2017, the Vendor, DaChan Zhong Xin Limited, an indirect wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.\* and the Target Company, Jilin CSD Food Co. Limited\* pursuant to which the Vendor has agreed to dispose of the Subject Equity Interest to the Purchaser at the consideration of RMB48,000,000 (approximately HK\$55,200,000).

Upon completion of the Disposal, the Company will cease to have any interest in the Target Company.

As one or more of the applicable percentage ratios for the Disposal is 5% or more but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **BACKGROUND**

On 7 June 2017, the Vendor (an indirect wholly owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser and the Target Company pursuant to which the Vendor shall sell and the Purchaser shall purchase the Subject Equity Interest at the consideration of RMB48,000,000 (approximately HK\$55,200,000).

The Target Company was registered and established mainly for the purpose of engaging in processing animal feeds and meat products. Apart from the Disposal, the Purchaser also intends to acquire a further 35% equity interest in the Target Company (the "35% Equity Transfer") from another existing shareholder which holds 40% equity interest in the Target Company. The said shareholder further intends

to transfer its remaining 5% equity interest in the Target Company (the “5% Equity Transfer”) to another purchaser (which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and its connected persons).

Upon completion of the Disposal, the Group will cease to have any interest in the Target Company. The details of the transactions contemplated under the Equity Transfer Agreement are set out below.

## **THE EQUITY TRANSFER AGREEMENT**

Date: 7 June 2017

### **Parties**

Vendor: DaChan Zhong Xin Limited. It is an investment holding company and principally invests in the Target Company.

Purchaser: Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.\*

Target Company: Jilin CSD Food Co. Limited\*

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons and the Target Company and its ultimate beneficial owner(s) (other than those holding interests in the Target Company through the Vendor) are third parties independent of the Company and its connected persons.

Subject Matter: The Subject Equity Interest

### **Consideration**

Pursuant to the Equity Transfer Agreement, the Purchaser shall pay RMB48,000,000 (approximately HK\$55,200,000) to the Vendor in 4 instalments as follows:

- (i) First instalment: RMB19,200,000 (approximately HK\$22,080,000), payable by the Purchaser within 5 working days after the entering into of the Equity Transfer Agreement;
- (ii) Second instalment: RMB9,600,000 (approximately HK\$11,040,000), payable by the Purchaser within 5 working days from the date on which (i) the Vendor shall have supplied all the documents needed for the transfer of the Subject Equity Interest and (ii) the Target Company shall have supplied all such documents to the relevant authorities administering foreign funded enterprises in PRC;
- (iii) Third instalment: RMB9,600,000 (approximately HK\$11,040,000), payable by the Purchaser within 5 working days from the date on which the Target Company shall have received relevant filing receipt(s) from the relevant authorities administering foreign funded enterprises in PRC; and

(iv) Fourth instalment: RMB9,600,000 (approximately HK\$11,040,000), payable by the Purchaser within 5 working days from the date on which the Target Company shall have completed the change of business registration relating to the Disposal, or 5 working days after the expiration of the period for the payment of the third instalment (whichever shall be the later).

The consideration was determined after arm's length negotiation between the parties to the Equity Transfer Agreement by reference to the value of the net assets of the Target Company as at 31 December 2016 (which is RMB129,331,684 (approximately HK\$148,731,436)) as shown in the audited financial statement of the Target Company for the year ended 31 December 2016.

### **Other Major Terms**

Both the Purchaser and the Vendor shall jointly authorise the Target Company to deal with the change of registration and filing procedures required for the transfer of the Subject Equity Interest which shall be completed within three months after the date of signing of the Equity Transfer Agreement, or a later date to be agreed by both parties.

The Disposal, the 35% Equity Transfer and the 5% Equity Transfer are jointly considered as an integral whole and the filing and registration procedures needed for transfer of equity interest in respect of the Disposal, the 35% Equity Transfer and the 5% Equity Transfer shall be carried out together. If the Disposal, the 35% Equity Transfer or the 5% Equity Transfer could not complete due to reason otherwise than caused by the Vendor or the Purchaser, the Equity Transfer Agreement will automatically be terminated or cancelled. In such case, the Purchaser shall transfer the Subject Equity Interest back to the Vendor and the Vendor shall refund the consideration that the Purchaser shall have paid, and neither of them shall pursue a claim against the other.

### **INFORMATION ON THE GROUP AND THE COUNTERPARTY**

The Group is one of the leading fully integrated animal protein product producer whose products range from feeds, poultry and advanced nutritional formulas for aquatic animals to processed foods. For more information on the Group, please visit its official website at [www.dfa3999.com](http://www.dfa3999.com) (any information appearing in this website does not form part of this announcement).

The Purchaser is principally engaged in the business of investment, management and services in respect of the breeding and cultivation industry.

The following table shows the net loss and assets value of the Target Company attributable to the Subject Equity Interest as shown in the audited financial statement of the Target Company for the relevant financial years:

	<b>2015</b> <b>(audited)</b> <i>RMB '000</i> <i>(HK\$ '000)</i>	<b>2016</b> <b>(audited)</b> <i>RMB '000</i> <i>(HK\$ '000)</i>
Net loss before tax attributable to the Subject Equity Interest	1,227 (1,411)	916 (1,054)
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Total assets value attributable to the Subject Equity Interest	42,018 (48,321)	41,874 (48,155)
Net assets value attributable to the Subject Equity Interest	39,716 (45,673)	38,800 (44,619)

#### **GAIN FROM THE DISPOSAL**

If the Vendor receives the consideration in full, the Company expects to record a gain from the Disposal of approximately RMB9,200,495 (approximately HK\$10,580,569), which was calculated based on the difference between the consideration for the Subject Equity Interest of RMB48,000,000 (approximately HK\$55,200,000) and the carrying amount of the Subject Equity Interest of RMB38,799,505 (approximately HK\$44,619,431).

#### **REASONS FOR AND BENEFIT OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

Due to the changes in operational development strategies of the Target Company, the Target Company has not commenced its business. In order to optimize the investment structure, the Company decided to dispose its equity interest in the Target Company. The Disposal is in accordance with the future development strategy of the Group to make use of its resources and promote its major businesses.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms, the terms of the Equity Transfer Agreement are fair and reasonable, and the entering into of the Equity Transfer Agreement is in the interests of the Company and its shareholders as a whole.

## IMPLICATION OF THE LISTING RULES

As one or more of the applicable percentage ratios for the Disposal is 5% or more but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“%”	per cent
“35% Equity Transfer”	the transfer to the Purchaser of 35% equity interest in the Target Company held by an existing shareholder which holds 40% equity interest in the Target Company
“5% Equity Transfer”	the transfer to another purchaser of 5% equity interest in the Target Company held by an existing shareholder which holds 40% equity interest in the Target Company
“Board”	the board of directors of the Company
“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)
“Directors”	directors of the Company
“Disposal”	the disposal of the Subject Equity Interest pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the Equity Transfer Agreement dated 7 June 2017 and entered into between the Vendor and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China (for the purpose of the announcement, excluding Hong Kong, the Macau Special Administrative Region of PRC and Taiwan)
“Purchaser”	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.* (正大畜牧投資(北京)有限公司), a company registered and established in accordance with the laws of PRC
“RMB”	Renminbi, the lawful currency of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Equity Interest”	30% equity interest in the Target Company and rights related thereto owned by the Vendor
“Target Company”	Jilin CSD Food Co. Limited* (吉林中新成食品有限公司), a sino-foreign equity joint-venture company registered and established in accordance with the laws of PRC with limited liability
“Vendor”	DaChan Zhong Xin Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.15 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.*

\* For identification purpose only

On behalf of the Board  
**Han Jia-Hwan**  
*Chairman*

Hong Kong, 7 June 2017

*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.*