
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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DACHAN FOOD (ASIA) LIMITED

大成食品(亞洲)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

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

OSK Capital Hong Kong Limited

A letter from the Board is set out on pages 4 to 14 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from OSK Capital Hong Kong Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 25 of this circular.

A notice convening the EGM of DaChan Food (Asia) Limited to be held at 10:00 a.m. on 31 December 2009, Thursday at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Prince Hotel is set out on pages 32 to 34 of this circular.

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

11 December 2009

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 November 2009 relating to continuing connected transactions;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	DaChan Food (Asia) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3999);
“connected person(s)”	has the meaning 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 Non-Exempt Transactions and the proposed annual caps thereof;
“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 circular);
“GW Master Purchase Agreement”	the master purchase agreement dated 14 September 2007 entered into between Great Wall Enterprise and the Company as modified by the Modification Agreement;
“GW Master Purchase (Renewal) Agreement”	the master purchase (renewal) agreement dated 23 November 2009 entered into between Great Wall Enterprise and the Company in order to extend the GW Master Purchase Agreement on substantially the same terms;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and the proposed annual caps for the Non-Exempt Transactions;
“Independent Shareholders”	in respect of (a) the transactions under the GW Master Purchase (Renewal) Agreement, Shareholders other than Great Wall Enterprise and its associates; in respect of (b) the transactions under the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) 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;
“Latest Practicable Date”	7 December 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“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;
“Marubeni PRC Group”	Marubeni PRC and its subsidiaries;
“MB Master Purchase Agreement”	the master purchase agreement dated 5 June 2008 entered into between Marubeni PRC and the Company;
“MB Master Purchase (Renewal) Agreement”	the master purchase (renewal) agreement dated 23 November 2009 entered into between Marubeni PRC and the Company in order to extend the MB Master Purchase Agreement on substantially the same terms;
“MB Master Supply Agreement”	the master supply agreement dated 14 September 2007 entered into between the Company and Marubeni Corporation;

DEFINITIONS

“MB Master Supply (Renewal) Agreement”	the master supply (renewal) agreement dated 23 November 2009 entered into between the Company and Marubeni Corporation in order to extend the MB Master Supply Agreement on substantially the same terms;
“Modification Agreement”	the modification agreement dated 5 June 2008 entered into between Great Wall Enterprise and the Company to modify and extend the term of the GW Master Purchase Agreement to 31 December 2010;
“Non-Exempt Transactions”	the transactions under the GW Master Purchase (Renewal) Agreement, the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement;
“OSK”	OSK Capital Hong Kong Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Transactions;
“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 circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Shareholder(s)”	Holder(s) of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD”	United States dollars, the lawful currency of United States of America; and
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of USD1.00 = HKD7.78 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.

LETTER FROM THE BOARD



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)

Executive Directors:

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

Non-executive Directors:

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

Independent non-executive Directors:

CHEN Chih
LIU Fuchun
WAY Yung-Do

Registered office:

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

*Principal Place of Business
in Hong Kong*

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

11 December 2009

To the Shareholders

Dear Sir or Madam,

RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Company's Announcement dated 23 November 2009 in relation to renewal of various continuing connected transactions. The purpose of this circular is (i) to provide the Shareholders with further information regarding the details of the Non-Exempt Transactions and their relevant proposed annual caps; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iii) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

The Independent Board Committee, comprising three independent non-executive Directors namely Dr. Chen Chih, Mr. Liu Fuchun and Mr. Way Yung-Do and each of them does not have any material interest in the Non-Exempt Transactions, has been established to advise the Independent Shareholders as to whether the terms of the Non-Exempt

LETTER FROM THE BOARD

Transactions and their relevant proposed annual caps are fair and reasonable and whether the Non-Exempt Transactions are in the interests of the Company and the Independent Shareholders as a whole and to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions regarding the Non-Exempt Transactions. OSK has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BACKGROUND

Reference is made to the Company's prospectus dated 20 September 2007 and announcement dated 13 June 2008 regarding the entering into of various continuing connected transactions.

The Group has been conducting certain continuing connected transactions with GWE Group and Marubeni Group respectively in its ordinary and usual course of business. Among those continuing connected transactions, the MB Master Supply Agreement will expire on 31 December 2009 and the GW Master Purchase Agreement and the MB Master Purchase Agreement will however expire on 31 December 2010.

In view of the above and for better management of the Company's continuing connected transactions, the Company has on 23 November 2009 renewed the relevant agreements to have all the aforesaid agreements to expire on the same expiry date of 31 December 2012. The agreements as renewed are substantially on the same terms as their previous ones.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Based on the proposed annual caps for the three years ending 31 December 2012, the following transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

1.1 GW Master Purchase (Renewal) Agreement

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 Agreement dated 14 September 2007 which was modified and extended to 31 December 2010 by the Modification Agreement dated 5 June 2008. The GW Master Purchase Agreement will be substituted by the GW Master Purchase (Renewal) Agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012 with substantially the same terms (subject to the approval of the Independent Shareholders).

Date: 23 November 2009

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

LETTER FROM THE BOARD

Major terms: Pursuant to the GW Master Purchase (Renewal) Agreement, 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 GWE Group on a non-exclusive basis in accordance with any written quotation of the relevant member of the GWE Group which is accepted by the relevant member of the Group, or any written order of the relevant member of the Group which is accepted by the relevant member of the GWE Group. The relevant member of the Group shall make payment in cash for the products 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 less than the price of the goods charged by the relevant member of the GWE Group to an Independent Third Party when dealing on an arms' length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and
- (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 of similar, relevant or substituting products.

Term: Three years from 1 January 2010 to 31 December 2012 (subject to the approval of the Independent Shareholders).

LETTER FROM THE BOARD

1.2 MB Master Supply (Renewal) 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 Agreement dated 14 September 2007. The MB Master Supply Agreement will be substituted by the MB Master Supply (Renewal) Agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012 with substantially the same terms (subject to the approval of the Independent Shareholders).

Date: 23 November 2009

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

Major terms: Pursuant to the MB Master Supply (Renewal) 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 in cash 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 2010 to 31 December 2012 (subject to the approval of the Independent Shareholders). Either party may terminate the agreement by giving the other three months' prior written notice.

1.3 MB Master Purchase (Renewal) 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 Agreement dated 5 June 2008. 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.

LETTER FROM THE BOARD

The MB Master Purchase Agreement will be substituted by the MB Master Purchase (Renewal) Agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012 with substantially the same terms (subject to the approval of the Independent Shareholders).

Date: 23 November 2009

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

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

Term: Three years from 1 January 2010 to 31 December 2012 (subject to the approval of the Independent Shareholders). 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.

LETTER FROM THE BOARD

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 2008 and the 9 months ended 30 September 2009:

			for the year ended 31 December 2007 (audited) USD'000 (HKD'000)	for the year ended 31 December 2008 (audited) USD'000 (HKD'000)	for the 9 months ended 30 September 2009 (unaudited) USD'000 (HKD'000)
Continuing Connected Transactions					
Non-Exempt Transactions					
1.1	GW Master Purchase (Renewal) Agreement	Actual	1,183 (9,204)	1,366 (10,627)	1,105 (8,597)
1.2	MB Master Supply (Renewal) Agreement	Actual	22,697 (176,583)	8,860 (68,931)	10,651 (82,865)
1.3	MB Master Purchase (Renewal) Agreement	Actual	– –	4,074 (31,696)	3,709 (28,856)

LETTER FROM THE BOARD

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 2012 and for agreements that are not due to expire, the original annual caps (if different from the proposed annual caps) are also included:

			for the year ending 31 December 2010	for the year ending 31 December 2011	for the year ending 31 December 2012
			<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
			<i>(HKD'000)</i>	<i>(HKD'000)</i>	<i>(HKD'000)</i>
Continuing Connected Transactions					
Non-Exempt Transactions					
1.1	GW Master Purchase (Renewal) Agreement	Proposed annual cap	4,693 (36,512)	5,682 (44,206)	7,126 (55,440)
		Original annual cap	8,734 (67,951)	– –	– –
1.2	MB Master Supply (Renewal) Agreement	Proposed annual cap	24,948 (194,095)	30,125 (234,373)	36,376 (283,005)
21.3	MB Master Purchase (Renewal) Agreement	Proposed annual cap	13,584 (105,684)	19,917 (154,954)	23,567 (183,351)
		Original annual cap	28,166 (219,132)	– –	– –

REASONS FOR THE PROPOSED ANNUAL CAPS

The operating environment for the Company in the first half of 2009 remained challenging as the global financial crisis that began last year continued to impact the Group's key markets. As a result of the Group's continued effort, the business of the Group has recorded continuous improvements amid such difficult situation.

Turnover of the Company for the three months ended 31 March 2009, 30 June 2009 and 30 September 2009 were approximately USD272.9 million, USD287.7 million and USD318.2 million respectively, showing a sign of growth.

In view of the recovery of the global economy and the development of the Group's business, it is expected that the business of the Group will continue to grow in the fourth quarter of 2009 and in 2010 and therefore the amounts to be involved in the above continuing connected transactions in the coming years are expected to be substantially higher than the actual amounts transacted in the first three quarters in 2009.

LETTER FROM THE BOARD

Moreover, at the end of 2008, certain PRC food related products imported to Japan were alleged to be contaminated. As a result, the Japanese government imposed certain restrictions on import of PRC food related products. This led to a drop in sales of products to Marubeni Corporation under the MB Master Supply Agreement and purchases of raw materials for production of goods sold to Marubeni Corporation. The Company believes that sales to and purchases from Marubeni Group will significantly increase given negative impact of the aforesaid incident starts to ease off.

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 Master Purchase (Renewal) Agreement

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

- (a) the expected production needs of the Group based on the existing production facilities expansion plan having considered the expected increasing production capacity from the two new processed food plants introduced in late 2008 and mid 2009 respectively; and
- (b) the expected increase in the price of the raw materials, arising from (i) a possible average inflation; and (ii) a possible appreciation of RMB against the USD of the relevant years.

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

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

- (a) the expected 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
- (b) the expected increase in the price of the products, arising from (i) a possible average inflation; and (ii) a possible appreciation of RMB against the USD of the relevant years.

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

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

- (a) the expected production needs of the Group arising from continuous increase in production capacity of existing production plants (especially taking into account of the plant newly implemented in 2008);

LETTER FROM THE BOARD

- (b) the plan to increase its purchase from Marubeni PRC (rather than other suppliers) in order to take advantage of bulk discount; and
- (c) the expected increase in the price of the raw materials, arising from (i) a possible average inflation of the relevant years; and (ii) a possible appreciation of RMB against the USD.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

MB Master Supply (Renewal) Agreement

Marubeni Group is major client of the Group. It is beneficial to the Group to secure a closer and long term supplier-customer relationship with Marubeni Group by entering into the MB Master Supply (Renewal) Agreement. Transactions under the MB Master Supply (Renewal) Agreement will continuously to be a source of revenue of the Group's business.

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

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

In respect of the MB Master Purchase (Renewal) 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.

LISTING RULES REQUIREMENT

Great Wall Enterprise is the ultimate controlling shareholder of the Company. As at the Latest Practicable Date, Great Wall Enterprise indirectly holds approximately 52.31% through two of its wholly owned subsidiaries, namely Waverley Star Limited as to approximately 37.18% and Asia Nutrition Technologies Corporation as to approximately 15.13%. Marubeni Corporation, the ultimate holding company of Marubeni PRC, is a substantial shareholder of a subsidiary of the Company holding 40% interests therein. Therefore, each of Great Wall Enterprise, Marubeni Corporation and Marubeni PRC is a connected person of the Company under the Listing Rules.

Great Wall Enterprise and its associates will abstain from voting for the resolutions in respect of the transactions under the GW Master Purchase (Renewal) Agreement and the relevant proposed annual caps to be put forward at the EGM, while Marubeni Corporation and its associates will abstain from voting for the resolutions in respect of the transactions under the MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal)

LETTER FROM THE BOARD

Agreement and the relevant proposed annual caps to be put forward at the EGM. The voting on the ordinary resolutions in respect of Non-Exempt Transactions will be conducted by way of poll in accordance with the requirements of the Listing Rules.

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

GENERAL INFORMATION ON THE PARTIES

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

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.

EGM

The EGM will be held at 10:00 a.m. on 31 December 2009, Thursday at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Prince Hotel, at which resolutions will be proposed for the purpose of considering and if thought fit, approving the Non-Exempt Transactions and their respective proposed annual caps. The notice of the EGM is set out on pages 32 and 34 of this circular.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 December 2009, Wednesday to 31 December 2009, Thursday (both dates inclusive), for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with

LETTER FROM THE BOARD

the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 29 December 2009, Tuesday.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Non-Exempt Transactions and their respective proposed annual caps for the three years ending 31 December 2012; (ii) the letter from OSK set out on pages 16 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Non-Exempt Transactions and their respective proposed annual caps for the three years ending 31 December 2012; and (iii) additional information set out in the appendix to this circular. You are strongly advised to read each of the above letters and the appendix before reaching a decision in respect of the resolutions to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of OSK, the independent financial adviser, considers that the Non-Exempt Transactions are in the interests of the Company and the Independent Shareholders as a whole and that the terms thereof and their respective proposed annual caps for the three years ending 31 December 2012 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Non-Exempt Transactions and their respective proposed annual caps for the three years ending 31 December 2012.

The Board considers that the Non-Exempt Transactions are (i) in the ordinary and usual course of business of the Group and (ii) on normal commercial terms after arm's length negotiations between the parties, and consider that the terms of the Non-Exempt Transactions and the proposed annual caps therefor are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



DACHAN FOOD (ASIA) LIMITED

大成食品(亞洲)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

11 December 2009

To: the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 11 December 2009 of the Company (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Non-Exempt Transactions and their respective proposed annual caps for the three years ending 31 December 2012, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from OSK set out on pages 4 to 14 and pages 16 to 25 of the Circular respectively.

Having taken into account of the advice of OSK, the independent financial adviser, we consider that the Non-Exempt Transactions are in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and their respective proposed annual caps for the three years ending 31 December 2012 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Non-Exempt Transactions and their respective proposed annual caps.

Yours faithfully,

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

LETTER FROM OSK

The following is the text of the letter of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into the circular.

OSK Capital Hong Kong Limited **僑豐融資有限公司**

Subsidiary of OSK Investment Bank Berhad, Malaysia

11/F., Hip Shing Hong Centre,
55 Des Voeux Road Central, Hong Kong

11 December 2009

The Independent Board Committee and the Independent Shareholders
DaChan Food (Asia) Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with (i) the GW Master Purchase (Renewal) Agreement, (ii) the MB Master Supply (Renewal) Agreement and (iii) the MB Master Purchase (Renewal) Agreement and the respective proposed annual caps for the three years ending 31 December 2012, details of which are set out in the circular of the Company dated 11 December 2009 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

We understand that Great Wall Enterprise is the ultimate controlling shareholder of the Company and Marubeni Corporation, the ultimate holding company of Marubeni PRC, is a substantial shareholder of a subsidiary of the Company. Accordingly, each of Great Wall Enterprise, Marubeni Corporation and Marubeni PRC is a connected person of the Company under the Listing Rules. Based on the respective proposed annual caps for the three years ending 31 December 2012, the transactions under each of (i) the GW Master Purchase (Renewal) Agreement, (ii) the MB Master Supply (Renewal) Agreement and (iii) MB Master Purchase (Renewal) Agreement are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Great Wall Enterprise and its associates are required to abstain from voting on the resolution at the EGM to approve the GW Master Purchase (Renewal) Agreement and the annual caps for the three years ending 31 December 2012; and Marubeni Corporation, Marubeni PRC and their respective associates (should they have any shares in the Company) are required to abstain from voting on the resolutions at the EGM to approve the MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement and the respective annual caps for the three years ending 31 December 2012.

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The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Way Yung-Do, Mr. Liu Fuchun and Dr. Chen Chih has been established to give advice and recommendation to the Independent Shareholders. OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of (i) the GW Master Purchase (Renewal) Agreement, (ii) the MB Master Supply (Renewal) Agreement and (iii) MB Master Purchase (Renewal) Agreement and the respective annual caps for the three years ending 31 December 2012 and the transactions contemplated thereunder are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned and whether the transactions under the above agreements will be carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 23 November 2009, the Circular and those supplied or made by the Directors and management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Marubeni Group and the GWE Group.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Non-Exempt Transactions, we have taken into consideration the following principal factors:

Background of and reasons for the transactions

The Group is one of the leading meat products and feed suppliers in the PRC with a particular focus on chicken meat products. The Group distributes its products through nationally and internationally food chain stores, distributors, super and hypermarkets as well as the Group's own retail outlets. According to the annual report of the Company for the year ended 31 December 2008, turnover of the Group amounted to approximately USD894.5 million and USD1,294.0 million for the two years ended 31 December 2007 and 2008, representing a growth of approximately 44.7% despite that during 2008, certain PRC food related products exported to Japan were alleged to be contaminated and thus to a certain extent adversely affected the Group's export, including the Group's sales to the Marubeni Group.

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According to the Company, the operating environment for the Group in the first half of 2009 remained challenging as the global financial crisis that began last year continued to impact the Group's key markets. As a result of the Group's continued effort, the business of the Group has recorded continuous improvements amid such difficult situation.

The Company considers that as the PRC government is implementing an extensive stimulus package across a wide range of industries, the Company believed such stimulus package would help sustain a modest growth in the economy. As a result, the Company expected domestic consumption in the PRC, the Group's key market, to grow but probably at a slower pace. The Company also expected that the PRC government's priorities to support a steady growth in rural income and to ensure a sufficient supply of protein foods to the public would also help sustain and shape market demand for chicken products in the long run, given that chicken meat is considered as one of the most economic sources of animal protein. Turnover of the Group for each of the three months ended 31 March 2009, 30 June 2009 and 30 September 2009 amounting approximately USD272.9 million, USD287.7 million and USD318.2 million respectively, continued to experience growth. The Company expects that the recovering global economy will benefit the development of the Group's business in the fourth quarter of 2009 and in 2010.

We understand that Great Wall Enterprise, the ultimate controlling shareholder of the Company, is a company incorporated in Taiwan whose shares are listed on Taiwan Stock Exchange and whose principal business is production of soybean products, feeds and chicken meat processing.

The GWE Group is a supplier of the Group. The Group has from time to time in its ordinary and usual course of business purchased raw materials such as flours, for production of chicken processed food from the GWE Group. In accordance with the Listing Rules, the GW Master Purchase Agreement was entered into between Great Wall Enterprise and the Company on 14 September 2007, as modified and extended to 31 December 2010 by the Modification Agreement dated 5 June 2008, set out the master principles and terms of the purchase transactions between the Group and the GWE Group.

We understand that Marubeni Corporation, the ultimate holding company of Marubeni PRC and a substantial shareholder of a subsidiary of the Company, 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. Based on the website of Marubeni Corporation, part of the Marubeni Group's business comprises the sale of raw materials for the production of food products, such as soybeans and foods distribution. Marubeni PRC is a company incorporated in the PRC whose principal business is production of raw materials and trading.

The Marubeni Group is a supplier and a customer of the Group. The Group has from time to time in its ordinary and usual course of business (i) sold products, such as processed foods, to Marubeni Corporation; and (ii) purchased raw materials, which mainly include soybean meal for chicken feed production from Marubeni PRC. In accordance with the Listing Rules, the MB Master Supply Agreement was entered into between the Company and Marubeni Corporation on 14 September 2007 to set out the master principles and terms of

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the sale of products by the Group to Marubeni Corporation and the MB Master Purchase Agreement was entered into between Marubeni PRC and the Company on 5 June 2008 to set out the master principles and terms of the purchase of raw materials by the Group from the Marubeni Group.

The GW Master Purchase Agreement, the MB Master Supply Agreement and the MB Master Purchase Agreement will expire on 31 December 2010, 31 December 2009 and 31 December 2010 respectively. The purpose of the entering into of the GW Master Purchase (Renewal) Agreement, the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement is to extend the expiry date of the agreements to 31 December 2012 on substantially the same terms.

As stated above, the transactions under the GW Master Purchase Agreement, the MB Master Supply Agreement and the MB Master Purchase Agreement are carried as part of the principal businesses of the Group and are revenue transactions in nature. The Company considers that the GWE Group and the Marubeni Group have been reliable suppliers of quality raw materials to the Group. The sale of processed foods products to the Marubeni Group provides an additional income source to the Group. As the Non-Exempt Transactions shall be carried out in the ordinary and usual course of business of the Group, we agree with the Directors of the Group that the entering into of the GW Master Purchase (Renewal) Agreement, the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement are in accordance with the relevant requirements of the Listing Rules, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Terms of the agreements

Terms of the GW Master Purchase (Renewal) Agreement

Pursuant to the GW Master Purchase (Renewal) Agreement, 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 GWE Group on a non-exclusive basis in accordance with any written quotation of the relevant member of the GWE Group which is accepted by the relevant member of the Group, or any written order of the relevant member of the Group which is accepted by the relevant member of the GWE Group. The relevant member of the Group shall make payment in cash for the products purchased in a month within 30 days after the end of such month (therefore the credit period of a purchase may be up to 60 days from 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 less than the price of the goods charged by the relevant member of the GWE Group to an Independent Third Party when dealing on an arms' length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and

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- (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 of similar, relevant or substituting products.

Subject to the approval of the Independent Shareholders, the GW Master Purchase (Renewal) Agreement shall have a term of three years from 1 January 2010 to 31 December 2012.

Terms of the MB Master Supply (Renewal) Agreement

Pursuant to the MB Master Supply (Renewal) 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 in cash 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.

Subject to the approval of the Independent Shareholders, the MB Master Supply (Renewal) Agreement shall have a term of three years from 1 January 2010 to 31 December 2012. Either party may terminate the agreement by giving the other three months' prior written notice.

Terms of MB Master Purchase (Renewal) Agreement

Pursuant to the MB Master Purchase (Renewal) Agreement, the Company shall purchase and shall procure members of the Group to purchase and Marubeni PRC shall sell and shall procure members of Marubeni PRC Group to sell products on individual sale and purchase contracts to be entered into by the relevant member of the Marubeni PRC Group and the relevant member of the Group provided that the terms offered by Marubeni PRC 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 there is no comparable product from/to Independent Third Parties available for references, the terms (including the price and payment 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 PRC Group and the

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respective members of the Group. Subject to the guiding principles as aforesaid, relevant members of the Group and Marubeni PRC Group will negotiate on the terms of contracts (including the price and payment terms) and enter into individual sale contract for the sale and purchase of the products.

Subject to the approval of the Independent Shareholders, the MB Master Purchase (Renewal) Agreement shall have a term of three years from 1 January 2010 to 31 December 2012. 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.

As set out in the letter from the Board, 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 parties; (ii) the cost of the production of the relevant products; and (iii) a reasonable profit margin.

The pricing terms of the GW Master Purchase (Renewal) Agreement, the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement are the same as those of the GW Master Purchase Agreement, the MB Master Supply Agreement and the MB Master Purchase Agreement respectively. The pricing terms of the above agreements principally require the Non-Exempt Transactions to be priced with reference to market prices or prices of similar products between the Group and Independent Third Parties or prices of similar products between the GWE Group or the Marubeni Group and Independent Third Parties. We consider that the terms of three agreements are fair and reasonable so far as the interests of the Group and the Independent Shareholders are concerned.

The Company has confirmed that the relevant transactions have been carried out in accordance with the terms of the GW Master Purchase Agreement, the MB Master Supply Agreement and the MB Master Purchase Agreement. We also note from the annual report of the Company for the year ended 31 December 2008 that the auditors and the independent non-executive directors of the Company have reviewed the Group's connected transactions and have confirmed that, among other things, the relevant transactions carried out in the

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year ended 31 December 2008 were carried out in the accordance with the terms of the GW Master Purchase Agreement, the MB Master Supply Agreement and the MB Master Purchase Agreement.

We have also reviewed certain information provided to us by the management of the Company, including some invoices, pricing information and payment terms of some actual transactions under the GW Master Purchase Agreement, the MB Master Supply Agreement and the MB Master Purchase Agreement carried out in 2009 and those of some comparable or similar transactions. Based on the above information and our discussions and understanding from the Company in respect of the particular circumstances of the pricing and other considerations of the selected transactions, we agree with the Company that those selected transactions were carried out based on the terms of the relevant master agreements and the terms of which are reasonably comparable to the comparable or similar transactions with Independent Third Parties and are fair and reasonable.

In view of the above, we concur with the view of the Directors that the terms of the GW Master Purchase (Renewal) Agreement, the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement and the Non-Exempt Transactions which may be carried out pursuant to the terms of the GW Master Purchase (Renewal) Agreement, the MB Master Supply (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement will be on normal commercial terms.

The caps under the GW Master Purchase (Renewal) Agreement, MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement

As set out in the Circular, for each of the two years ended 31 December 2008 and for the 9 months ended 30 September 2009, the historical transaction values under (i) the GW Master Purchase Agreement (as modified by the Modification Agreement) are approximately USD1,183,000, USD1,366,000 and USD1,105,000 respectively and (ii) the MB Master Supply Agreement are approximately USD22,697,000, USD8,860,000 and USD10,651,000 respectively. For the year ended 31 December 2008 and the 9 months ended 30 September 2009, the historical transaction values under the MB Master Purchase Agreement are approximately USD4,074,000 and USD3,709,000 respectively.

Set out below are the proposed annual caps for the Non-Exempt Transactions for the three years ending 31 December 2012:

	For the years ending 31 December		
	2010	2011	2012
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Proposed annual caps under the GW Master Purchase (Renewal) Agreement	4,693	5,682	7,126
Proposed annual caps under the MB Master Supply (Renewal) Agreement	24,948	30,125	36,376
Proposed annual caps under the MB Master Purchase (Renewal) Agreement	13,584	19,917	23,567

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We understand from the Company that the proposed annual caps for the transactions under the GW Master Purchase (Renewal) Agreement are determined after taking into account the following factors:

- (a) the expected production needs of the Group based on the existing production facilities expansion plan having considered the expected increasing production capacity from the two new processed food plants introduced in late 2008 and mid 2009 respectively; and
- (b) the expected increase in the price of the raw materials, arising from (i) a possible average inflation and (ii) a possible appreciation of RMB against the USD of the relevant years.

We understand from the Company that the proposed annual caps for the transactions under the MB Master Supply (Renewal) Agreement are determined after taking into account the following factors:

- (a) the expected 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
- (b) the expected increase in the price of the products, arising from (i) a possible average inflation; and (ii) a possible appreciation of RMB against the USD of the relevant years.

We understand from the Company that the proposed annual caps for the transactions under the MB Master Purchase (Renewal) Agreement are determined after taking into account the following factors:

- (a) the expected production needs of the Group arising from continuous increase in production capacity of existing production plants (especially taking into account of the plant newly implemented in 2008); and
- (b) the plan to increase its purchase from Marubeni PRC (rather than other suppliers) in order to take advantage of bulk discount; and
- (c) the expected increase in the price of the raw materials, arising from (i) a possible average inflation of the relevant years; and (ii) a possible appreciation of RMB against the USD.

We note that the Company has decided to revise downward the proposed respective annual caps in respect of the transactions under the GW Master Purchase (Renewal) Agreement and the MB Master Purchase (Renewal) Agreement for the year ending 31 December 2010 as compared with the existing annual caps due to slow down in the business environment and production expansion plan of the Group.

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We have discussed with the management of the Company and reviewed the basis of and computation of the proposed annual caps for each class of the Non-Exempt Transactions under the GW Master Purchase (Renewal) Agreement, MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement. We note that when determining the proposed annual caps, the Company and the Directors have considered the estimated possible amount of the Non-Exempt Transactions based on:

- (a) the growing trend of the Group's sales;
- (b) the target sales of the Group for the three years ending 31 December 2012 based on the Company's business plans, the relevant annual growth rates falls below the historical growth rate of the Group's turnover in 2008;
- (c) the expected possible gradually recovery of the global economy and the food export market to Japan which may increase the demand for the Group's products and thus the Group's demands for raw materials;
- (d) the existing production level and the estimated production level estimated based on the target sales of the Group;
- (e) the estimated possible needs of the relevant raw materials from the GWE Group and the Marubeni Group with reference to the actual raw material input requirements for production of the Group's products; and
- (f) the present price level of the relevant raw materials and products and the possible future price level after having taken into account a possible increase in product prices as affected by factors including inflation and appreciation of the exchange rate of RMB against USD.

The Directors consider the above factors and bases as a whole fair and reasonable in determining the proposed annual caps for the Non-Exempt Transactions. In addition to our discussions with the management of the Company, we have also reviewed the information provided by the Company in respect of (i) invoices and other summaries showing the historical and current actual level of production and prices of the Group's relevant products and those of the relevant raw materials; (ii) the Group's plan to increase its production capacity in the coming years and the expectations of the Group in respect of the market as disclosed in the Company's annual reports as summarized in the paragraph headed "Background of and reasons for the transactions" above; (iii) the calculations for estimating the production needs of the Group based on the actual historical production ratios; (iv) historical fluctuations of inflation rates in the PRC and exchange rates of RMB against USD; and (v) information on historical growth and estimated growth of the China economy. Based on our discussions and review, we agree with the Directors that the projections of the proposed annual caps based on the principal factors and bases as summarized above are fair and reasonable.

We also note that the Company has built in a general buffer of 5% into the proposed annual caps to cope with any unexpected fluctuations in demand for the Group's relevant products and further increase in prices. We agree with the Company that it is in its interests

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and fair and reasonable to build in the buffer in the proposed annual caps given that (a) all the Non-Exempt Transactions are revenue transactions to be carried out in connection with the production and sales of the Group's products in its ordinary and course of business, (b) the terms of the respective master agreements governing the Non-Exempt Transactions are fair and reasonable and (c) the Non-Exempt Transactions will be reviewed annually by the independent non-executive directors and auditors of the Company, so that the Group will maintain some degree of flexibility in carrying out its normal business activities without the need of incurring additional compliance cost.

Having taken into account of the basis and computations of the proposed annual caps for the Non-Exempt Transactions for the three years ending 31 December 2010, 2011 and 2012, the historical growth in the sales of the Group, the prospects and outlook of the Group as stated in the Company latest annual report for the year ended 31 December 2008, the Non-Exempt Transactions are in the ordinary and usual business of the Group and incidental to the sales of the Group, and that the GW Master Purchase (Renewal) Agreement, MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement requires the Non-Exempt Transactions to be priced on normal commercial terms, we consider the basis of determining the proposed annual caps fair and reasonable.

CONCLUSION

Having considered the principal reasons and factors, we are of the view that the terms of the GW Master Purchase (Renewal) Agreement, MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement and the proposed respective annual caps for the transactions which shall be carried out thereunder are fair and reasonable so far as the Shareholders are concerned and that the GW Master Purchase (Renewal) Agreement, MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement are, and the transactions which shall be carried out under such agreements will be, entered into on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the GW Master Purchase (Renewal) Agreement, MB Master Supply (Renewal) Agreement and MB Master Purchase (Renewal) Agreement and the respective annual caps for the three years ending 31 December 2012 and the transactions which may be carried out thereunder.

Yours faithfully,
For and on behalf of
OSK Capital Hong Kong Limited
Allen Tze
Director

1. RESPONSIBILITY OF THE DIRECTORS

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

2. DIRECTORS' INTERESTS

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

(a) Long positions in shares of the Company

Name of Director	Nature of interest	Interests in Shares held	Approximate % of issued share capital of the Company
Chao Tien-Shin	Interests of controlled corporation (<i>Note</i>)	3,534,000	0.350%

Note: Mr. Chao Tien-Shin is deemed to be interested in 3,534,000 Shares held by Hannibal International Limited, a subsidiary of CTS Capital Group Limited which is controlled by Mr. Chao and his spouse.

(b) Long positions in underlying shares of the Company – share options

Name of Directors	Type of interest	No. of Share options	Approximate % of issued share capital of the Company
Han Jia-Hwan	Beneficial owner	850,000	0.084%
Chang Tiew-Shen	Beneficial owner	300,000	0.030%
Chen Fu-Shih	Beneficial owner	500,000	0.049%
Han Chia-Yau	Beneficial owner	650,000	0.064%
Harn Jia-Chen	Beneficial owner	500,000	0.049%
Chao Tien-Shin	Beneficial owner	300,000	0.030%
Chen Chih	Beneficial owner	300,000	0.030%
Liu Fuchun	Beneficial owner	300,000	0.030%
Way Yung-Do	Beneficial owner	300,000	0.030%

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

Name of Directors	Name of associated corporation (Note 1)	Nature of interest	Interests in shares held	Approximate % of the relevant associated corporation's issued share capital
Han Chia-Yau	Great Wall Enterprise Co., Ltd.	Beneficial owner	36,916	0.008%
Harn Jia-Chen	Great Wall Enterprise Co., Ltd.	Beneficial owner	39,651	0.008%
Chao Tien-Shin	Great Wall Enterprise Co., Ltd.	Interest of controlled corporation (Note 2)	4,548,190	0.965%

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

Note 2: Mr. Chao Tien-Shin is deemed to be interested in 4,548,190 Shares held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or

(ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or
 (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10 % or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long positions in shares of the Company:

Name	Nature of interests	Number of shares	Approximate % of issued share capital of the Company
Waverley Star Limited	Beneficial interests	375,899,946	37.182%
Asia Nutrition Technologies Corporation	Beneficial interests	152,924,906	15.127%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852	52.309%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852	52.309%
GMT Capital Corp.	Beneficial interests	81,794,400	8.091%
Continental Enterprises Ltd.	Beneficial interests	59,700,029	5.905%
ContiGroup Companies Inc.	Interests of controlled corporation	59,700,029	5.905%
Fribourg Grandchildren Family L.P.	Interests of controlled corporation	59,700,029	5.905%
Fribourg Enterprises, LLC	Interests of controlled corporation	59,700,029	5.905%

Name	Nature of interests	Number of shares	Approximate % of issued share capital of the Company
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of controlled corporation	59,700,029	5.905%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of controlled corporation	59,700,029	5.905%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of controlled corporation	59,700,029	5.905%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of controlled corporation	59,700,029	5.905%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of controlled corporation	59,700,029	5.905%
Fribourg Charles Arthur	Trustee	59,700,029	5.905%
Sosland Morton Irvin	Trustee	59,700,029	5.905%
Fribourg Paul Jules	Trustee	59,700,029	5.905%

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

4. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2008, being the date of the latest audited consolidated financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

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

6. COMPETING INTERESTS

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

7. EXPERT AND CONSENT

The following is the qualifications of the expert who has given advice, which is contained or referred to in this circular:

Name	Qualifications
OSK Capital Hong Kong Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities.

OSK has given and has not withdrawn its written consent to issue of this circular with the inclusion of its letter dated 11 December 2009 and references to its name in the form and context in which it appears. As at the Latest Practicable Date, OSK did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

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

- (b) As at the Latest Practicable Date, none of the Directors nor OSK was interested, directly or indirectly, in any assets which had since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 1806, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the GW Master Purchase Agreement and the GW Master Purchase (Renewal) Agreement;
- (b) the MB Master Supply Agreement and the MB Master Supply (Renewal) Agreement;
- (c) the MB Master Purchase Agreement and the MB Master Purchase (Renewal) Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from OSK, the text of which is set out in this circular; and
- (f) the written consent from OSK referred to in the paragraph headed “Expert And Consent” in the Appendix.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of DaChan Food (Asia) Limited (the “Company”) will be held at 10:00 a.m. on 31 December 2009, Thursday at 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong, Prince Hotel, to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “THAT

- (a) the GW Master Purchase (Renewal) Agreement (as defined in the circular of the Company dated 11 December 2009 (the “Circular”, a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification)), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2012 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the GW Master Purchase (Renewal) Agreement or the transactions contemplated thereby.”

2. “THAT

- (a) the MB Master Supply (Renewal) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “C” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2012 as set out in the Circular be and are hereby approved, confirmed and ratified; and

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

3. **“THAT**

(a) the MB Master Purchase (Renewal) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “D” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2012 as set out in the Circular be and are hereby approved, confirmed and ratified; and

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

By order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 11 December 2009

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the EGM is entitled to appoint more than one proxy or a duly authorized corporate representative to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM and any adjournment thereof should you so wish. In such event, his form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed with the Company’s circular dated 11 December 2009. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s branch share registrars in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road Central, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. The Hong Kong branch register of members of the Company will be closed from 30 December 2009, Wednesday to 31 December 2009, Thursday (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the EGM. No transfers of Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 29 December 2009, Tuesday.

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4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be voted on by way of poll; Great Wall Enterprise and its associates are required to abstain from voting in respect of the aforesaid ordinary resolution no. 1 above and Marubeni Corporation and its associates are required to abstain from voting in respect of the aforesaid ordinary resolutions nos. 2 to 3 above.

As at the date of this notice, Mr. Han Jia-Hwan (Chairman), Mr. Chang Tsee-Shen (Chief Executive Officer) and Mr. Chen Fu-Shih 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.