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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**

The Directors are pleased to announce that on 25 January 2008, NAC entered into the Co-operation Agreement with the PRC Party in relation to the Integrated Production Line Project. Pursuant to the Co-operation Agreement, NAC will establish feed and meat production facilities in Cangshan County, Shandong Province, the PRC.

Pursuant to the Co-operation Agreement, NAC is required to establish the Project Company to own and operate the aforesaid production facilities and the registered capital of the Project Company shall be approximately RMB30,000,000 (equivalent to approximately HK\$32,505,174). It is proposed that the total investment of the Project Company be approximately RMB260,000,000 (equivalent to approximately HK\$281,711,506), of which, fixed asset investment shall be approximately RMB208,000,000 (equivalent to approximately HK\$225,369,205).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the PRC Party is a third party independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

The entering into of the Co-operation Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing, among other matters, details of the transactions contemplated under the Co-operation Agreement will be despatched to the shareholders of the Company within 21 days after the date of this announcement.

The Directors are pleased to announce that on 25 January 2008, NAC entered into the Co-operation Agreement with the PRC Party in relation to the Integrated Production Line Project. Pursuant to the Co-operation Agreement, NAC will establish feed and meat production facilities in Cangshan County, Shandong Province, the PRC.

The Integrated Production Line Project contemplates the establishment by the Project Company of one feed mill (with an annual production capacity of 230,000 tonnes), one meat factory (with an annual production capacity of 60,000 tonnes and with future expansion to 130,000 tonnes), and the offering of assistance to the farmers in constructing standard chicken farms.

## **PRINCIPLE TERMS OF THE CO-OPERATION AGREEMENT**

Date: 25 January 2008

Parties:

1. NAC; and
2. the PRC Party, which to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

Responsibilities of the PRC Party:

1. To be responsible for the confiscation of land (the "**Relevant Land**") necessary for plant(s) to house the production facilities contemplated in the Integrated Production Line Project. It is expected that the confiscation shall be completed by no later than 31 January 2008.
2. To procure the execution of the land use right transfer agreement(s) by the relevant land department and NAC in relation to the Relevant Land and the issue of the land use right certificate(s) related to the Relevant Land, with land use right for not less than 50 years.
3. To provide the necessary assistance to NAC in the construction and design of the Integrated Production Line Project.
4. To provide support for the Integrated Production Line Project and other preferential treatments, and to offer guidance and coordination in administrative issues to the Project Company.

Responsibilities of  
NAC:

1. To establish the Project Company to develop the Integrated Production Line Project. The registered capital of the Project Company shall be approximately RMB30,000,000 (equivalent to approximately HK\$32,505,174). It is proposed that the total investment of the Project Company be approximately RMB260,000,000 (equivalent to approximately HK\$281,711,506), of which, fixed asset investment shall be approximately RMB208,000,000 (equivalent to approximately HK\$225,369,205), which is arrived at after taking into account the cost of design, construction and operation for the Integrated Production Line Project and arm's length negotiation with the PRC Party on normal commercial terms. Total investment of feed production plant shall be approximately RMB60,000,000 (equivalent to approximately HK\$65,010,348), of which, capital investment shall be approximately RMB30,000,000 (equivalent to approximately HK\$32,505,174). The fund of the construction of the meat production plant shall be provided by a newly established branch of the Group.
2. To be responsible for the construction and design of the Integrated Production Line Project.

Size of land to be  
occupied:

The Relevant Land shall have a total site area of approximately 260 square acres (approximately 173,334 square meters).

Tentative time table:

Construction works shall begin in January 2008 and is expected to be completed in two years.

## **SOURCE OF FUNDING**

Pursuant to the Co-operation Agreement, NAC is required to establish the Project Company and the registered capital of the Project Company shall be approximately RMB30,000,000 (equivalent to approximately HK\$32,505,174). It is proposed that the total investment of the Project Company be approximately RMB260,000,000 (equivalent to approximately HK\$281,711,506), of which, fixed asset investment shall be approximately RMB208,000,000 (equivalent to approximately HK\$225,369,205), which is arrived at after taking into account the cost of design,

construction and operation for the Integrated Production Line Project and arm's length negotiation with the PRC Party on normal commercial terms. The Directors confirm that the afore-mentioned total investment amount shall represent the total capital commitment of the Group in the Project Company (and indirectly, the Integrated Production Line Project) unless otherwise approved by the PRC regulatory authorities in accordance with applicable laws and regulations of the PRC. The Directors currently intends that such investment amount shall be funded by part of the proceeds raised from the New Issue (as defined in the Prospectus) earmarked for the purposes of expansion of the production capacity as more particularly disclosed in the section headed "Future plans and use of proceeds" of the Prospectus and where appropriate, also financed by the internal resources of the Group. The Directors confirm that there has not been any change in the proposed use of such proceeds raised from the New Issue.

## **REASONS FOR ENTERING INTO THE CO-OPERATION AGREEMENT**

The Group is principally engaged in the manufacturing of feeds, chicken meat production and supply of processed foods.

As disclosed in the Prospectus, the Group aims at expanding its feed chicken meat and processed food operations concurrently to satisfy the increasing market demands for the Group's products. To replicate the vertically integrated business model of the Group, it is expected that the Group will, among other things, build a total of 3 processed foods production facilities in the PRC by the end of 2010. The Directors are of the view that the Integrated Production Plan Project is a strategic step in the Group's implementing its business plan as, capitalizing on the background and support of the PRC Party, the Integrated Production Plan Project would help to further expand the Group's chicken meat and processed food processing and production operations.

The Directors are of the view that the procurement of Relevant Land by the PRC Party, the People's Government of Cangshan County, pursuant to the Co-operation Agreement is a beneficial treatment for attracting the Group to invest in the relevant county for the further development of the county. In view of such beneficial treatment and given the Group's entire interest in the Project Company, the Directors (including the independent non-executive Directors) consider that the Co-operation Agreement was entered into after arm's length negotiation and on normal commercial terms and the terms of the Co-operation Agreement are fair and reasonable so far as the shareholders of the Company are concerned and are in the interest of the Company and its shareholders as a whole.

## GENERAL

The entering into of the Co-operation Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing, among other matters, details of the transactions contemplated under the Co-operation Agreement will be despatched to the shareholders of the Company within 21 days after the date of this announcement.

As at the date of this announcement, the executive Directors are Mr. Han Jia-Hwan, Mr. Chang Tiew-Shen and Mr. Chen Fu-Shih, the non-executive Directors are Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas W. Rosa and Mr. Chao Tien-Shin, the independent non-executive Directors are Mr. Liu Fuchun and Dr. Chen Chih.

## DEFINITIONS

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

<b>“Board”</b>	the board of Directors
<b>“Company”</b>	DaChan Food (Asia) Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
<b>“Co-operation Agreement”</b>	the co-operation agreement dated 25 January 2008 entered into between NAC and the PRC Party in relation to the Integrated Production Line Project
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“NAC”</b>	Great Wall Northeast Asia Corporation, a company incorporated in the Cayman Islands with limited liability on 3 December 1996 and an wholly-owned subsidiary of the Company
<b>“Integrated Production Line Project”</b>	the project to establish integrated production facilities encompassing feed production and food processing in Cangshan County, Shandong Province, the PRC, pursuant to the Co-operation Agreement

<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Project Company”</b>	a wholly foreign owned enterprise to be established by NAC in the PRC to develop the Integrated Production Line Project
<b>“PRC Party”</b>	the People’s Government of Cangshan County, Shandong Province (山東省蒼山縣人民政府), which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Group and connected persons (as defined under the Listing Rules) of the Group
<b>“Prospectus”</b>	the prospectus dated 20 September 2007 issued by the Company in relation to the public offer of shares of the Company and listing of the shares of the Company on the Stock Exchange
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC

By order of the Board  
**Han Jia-Hwan**  
*Chairman*

Hong Kong, 25 January 2008