

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DACHAN FOOD (ASIA) LIMITED

大成食品(亞洲)有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

**CONNECTED TRANSACTION
ACQUISITION OF INTELLECTUAL PROPERTY RIGHTS**

THE ACQUISITION

The Board hereby announces that on 16 November 2023, the Vendor and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Target Assets at a consideration of RMB10 million (equivalent to approximately HK\$10.7 million).

Upon completion of the Acquisition, the Vendor shall cease to hold any interest in the Target Assets.

LISTING RULES IMPLICATION

As at the date of this announcement, the Vendor is a 30% controlled company (within the meaning of the Listing Rules) of Mr. Han, a Director of the Company, and is considered an associate of Mr. Han and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 0.1% but are less than 5%, the connected transaction contemplated under the Acquisition Agreement is therefore subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A.76 of the Listing Rules.

Introduction

The Board hereby announces that on 16 November 2023, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Target Assets at a consideration of RMB10 million (equivalent to approximately HK\$10.7 million). Upon completion of the Acquisition, the Vendor shall cease to hold any interest in the Target Assets.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date: 16 November 2023

Parties: (i) Purchaser: Bengbu Dachan Food Co., Ltd.
(ii) Vendor: Beijing Better Me Food Technology Co., Ltd.

Target Assets: The “better me” brand series trademarks, patents, copyright and proprietary technologies and associated interests held by the Vendor.

The Acquisition: Pursuant to the terms and conditions of the Acquisition Agreement, the Purchaser agreed to acquire from the Vendor, and the Vendor agreed to sell to the Purchaser, the Target Assets. The Vendor shall also deliver to the Purchaser with the relevant sales channels and customer relations of the business operations relating to the Target Assets.

Consideration and Payment: The consideration is RMB10 million (equivalent to approximately HK\$10.7 million), payable by the Purchaser to the Vendor by cash after the fulfilment of the conditions precedent. The consideration will be financed by internal resources of the Group, bank facilities or a combination of both.

In the event that the Vendor fails to perform its obligations to complete, deliver and register the change of ownership of the Target Assets and the relevant business sales channels and customer relations in accordance with the provisions of the Acquisition Agreement, the Acquisition Agreement shall be immediately terminated and the Vendor shall forthwith refund to the Purchaser all consideration received and compensate the Purchaser for its losses.

Conditions precedent: The Vendor shall have obtained approval from its shareholders at general meeting, and the Purchaser shall have obtained approval from the Board of the Company in respect of the Acquisition.

BASIS OF CONSIDERATION

The consideration of RMB10 million (equivalent to approximately HK\$10.7 million) was determined between the Purchaser and the Vendor after arm's length negotiations with reference to the valuation of the Target Assets of RMB10,119,300 (equivalent to approximately HK\$10,827,651) as at 21 October 2023 prepared by an independent valuer and the consideration is at a slight discount compared with such valuation. The independent valuer has adopted the income approach to appraise the valuation of the Target Assets. In determining the value, the valuer has taken into account figures such as the assumed revenue growth rate of the Target Assets from 2024 to 2030 which was referenced to the revenue growth rate of the commercial trading industry, the assumed growth rate for gross profit margin in the future years which was based on the gross profit margin of the Target Assets in the previous six months and has applied the weighted average rate of return of 10.8% as the discount rate. The Board, including the independent non-executive Directors, considers that the calculation of the above valuation and the determination of the consideration are fair and reasonable as far as the Company is concerned.

INFORMATION ON THE GROUP AND THE COUNTERPARTY

The Group is a leading fully integrated animal protein product provider whose products range from feeds, poultry, and advanced nutritional formulae for aquatic animals, to processed foods. For more information about the Group, please visit the Group's official website at www.dfa3999.com (any information contained on the website does not form part of this announcement).

The Vendor is a company established under the laws of the PRC with limited liability and is mainly engaged in the sales and operation of healthy chicken meat and other food products. According to the information available to the Company, the Vendor has more than 15 ultimate beneficial owners, of which Mr. Han beneficially owns 34.68% interests in the Vendor and is the largest ultimate beneficial owner of the Vendor, while none of the remaining ultimate beneficial owners holds more than one-third of the Vendor's interest.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT

The Company strategically review the operation of the Group from time to time to actively seek new business opportunities for enhancing long-term growth and shareholder value. The Target Assets include patents/technologies for producing healthy chicken products such as water-fried chicken cutlets and low-calorie instant noodles. These products cater to the growing demand for healthy light meals in the prevailing market and align with the Group's development strategy in developing its food processing business to be the leading sector in its vertically integrated business.

The Company believes that the acquisition of the Target Assets will complement and expand the Group's existing portfolio of product brands and product categories, open up new food market segments, and create more high-end products that command higher prices for our processed foods business to meet the needs of our customers. On the other hand, leveraging the Group's strengths in production capacity, supply chain, and sales channel of chicken meat products, the value of the relevant products could be uplifted by the Group after the Acquisition. Further, it is expected that the Acquisition could strengthen the Group's ability to generate income from the relevant businesses.

Based on the above, the Directors, including the independent non-executive Directors, are of the view that the transaction contemplated under the Acquisition Agreement is on normal commercial terms and that the terms of the Acquisition Agreement are fair and reasonable, and the entering into of the Acquisition Agreement is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is a 30% controlled company (within the meaning of the Listing Rules) of Mr. Han, a Director of the Company, and is considered an associate of Mr. Han and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 0.1% but are less than 5%, the connected transaction contemplated under the Acquisition Agreement is therefore subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A.76 of the Listing Rules.

As Mr. Han indirectly holds equity interest in the Vendor, Mr. Han is deemed to have a material interest in the Acquisition and therefore Mr. Han has abstained from voting on the Board resolution approving the Acquisition.

Mr. Han Chia-Yin, Mr. Han Chia-Yau and Mr. Harn Jia-Chen are brothers of Mr. Han and are associates of Mr. Han. They are required under the articles of association of the Company to abstain, and did abstain, from voting on the Board resolution approving the Acquisition.

Save as disclosed above, none of the Directors has a material interest in the connected transaction contemplated under the Acquisition which required them to abstain from voting on the Board resolution approving the same.

DEFINITION

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

“Acquisition”	acquisition of the Target Assets by the Purchaser from the Vendor in accordance with the Acquisition Agreement;
“Acquisition Agreement”	the Asset Transfer Agreement dated 16 November 2023 entered into between the Vendor and the Purchaser in relation to the Acquisition;
“associate(s)”	has the meanings ascribed to it under the Listing Rules;

“Board”	the board of Directors of the Company;
“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: 03999);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time;
“Mr. Han”	Mr. Han Jia-Hwan, one of the non-executive Directors of the Company;
“Purchaser”	Bengbu Dachan Food Co., Ltd.* (蚌埠大成食品有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Target Assets”	the “better me” brand series trademarks, patents, copyright and proprietary technologies and associated interests held by the Vendor;

“Vendor” Beijing Better Me Food Technology Co., Ltd*(北京倍米食品科技有限公司), a company established under the laws of the PRC with limited liability;

“%” per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 =HK\$1.07 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

By order of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 16 November 2023

As at the date of this announcement, Mr. James Chun-Hsien Wei (Chairman) and Mr. Han Chia-Yin are the executive Directors of the Company, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive Directors of the Company, and Mr. Ting Yu-Shan, Mr. Hsia, Li-Yan, Ms. Lee Tsai, Yu-Ling and Mr. Kao, Koong-Lian are the independent non-executive Directors of the Company.

The English transliteration of the Chinese name(s) in this announcement, where indicated with, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*