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大昌行集團有限公司  
**DAH CHONG HONG HOLDINGS LIMITED**  
*(incorporated in Hong Kong with limited liability)*  
(Stock Code: 01828)

## **CONNECTED TRANSACTION**

### **ACQUISITION OF REMAINING INTEREST IN REGAL HEIGHTS LIMITED**

On 25 February 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor to acquire the remaining 40% interest in Regal Heights. Regal Heights currently holds 76.77% interest in Jiangnanfeng. By acquiring the remaining 40% interest in Regal Heights, the Group will have a total attributable interest of 76.77% in Jiangnanfeng. After completion of the Acquisition, the Group intends to develop the land site held by Jiangnanfeng in Shanghai and develop the business of Jiangnanfeng into an upstream FMCG / food processing base.

Under the Agreement, the Purchaser will purchase from the Vendor (i) the Sale Shares at a consideration of HK\$1 and (ii) the Shareholder's Loan at a consideration of US\$1,550,000 (approximately HK\$12,059,000). Upon completion of the Acquisition, Regal Heights will become a wholly-owned subsidiary of the Company.

As the Vendor is a substantial shareholder of Regal Heights, a non wholly-owned subsidiary of the Company, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 2.5%, such connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

## **THE AGREEMENT**

Date: 25 February 2010

### **Parties**

- (1) Vendor: Perdue Farms Incorporated
- (2) Purchaser: DCH Food Industries Limited, a wholly-owned subsidiary of the Company

### **Assets to be acquired**

The Purchaser shall acquire the Sale Shares and the Shareholder's Loan from the Vendor.

Regal Heights is an investment holding company incorporated in Hong Kong. As at the date of this announcement, the only asset of Regal Heights is its 76.77% interest in Jiangnanfeng.

Prior to the Acquisition, Regal Heights is owned as to 60% by the Purchaser and as to 40% by the Vendor. Upon completion of the Acquisition, Regal Heights will become a wholly-owned subsidiary of the Company.

The original investment amount of the Vendor in respect of the Sale Shares was HK\$4,000. The total amount of the shareholder's loans advanced by the Vendor to Regal Heights is HK\$50,668,301.

For the financial year ended 31 December 2008, the unaudited consolidated net losses (both before and after taxation and extraordinary items) of Regal Heights were approximately HK\$1,830,000. For the financial year ended 31 December 2009, the unaudited consolidated net losses (both before and after taxation and extraordinary items) of Regal Heights were approximately HK\$670,000.

### **Consideration and completion**

The consideration for the Sales Shares is HK\$1 and the consideration for the Shareholder's Loan is US\$1,550,000 (approximately HK\$12,059,000), making up a total consideration of approximately HK\$12,059,001. The total consideration shall be paid by the Purchaser to the Vendor on the Completion Date.

The total consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor and with reference to: (i) 40% of the consolidated net liabilities value of Regal Heights as at 31 December 2009 amounting to approximately HK\$37,547,000; and (ii) the amount of the shareholder's loans advanced by the Vendor to Regal Heights.

The consideration will be funded by internal resources of the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

It has been one of the Group's plans to develop a composite food processing and logistics centre in Shanghai, the PRC. Regal Heights currently holds 76.77% interest in Jiangnanfeng. By acquiring the remaining 40% interest in Regal Heights, the Group will have a total attributable interest of 76.77% in Jiangnanfeng. Jiangnanfeng was originally set up to engage in its registered business of raising poultry, processing meat products and other by-products; sales of self-manufactured products, etc. However, its business declined in recent years and currently, Jiangnanfeng has leased a portion of its land site to independent third parties. Nevertheless, with the business background of Jiangnanfeng together with the strategic location of the land site, after completion of the Acquisition, the Group intends to develop the land site held by Jiangnanfeng in Shanghai and revitalise the business of Jiangnanfeng into an upstream FMCG / food processing base.

Based on the unaudited consolidated accounts of Regal Heights as at 31 December 2009, it is estimated that a gain on acquisition of remaining interest of approximately HK\$2.3 million would be recorded as a result of the Acquisition, subject to the final amount being confirmed after completion of the Acquisition.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **GENERAL**

The Group is a diversified business conglomerate in motor vehicle sales, motor vehicle related business and services, sales of food and consumer products, as well as logistics services, supported by integrated distribution platforms and a well-established base and network in the PRC, Hong Kong and Macao.

The Vendor is a privately owned company incorporated in the United States of America. It offers poultry and agricultural products and services in the Eastern United States and converts surplus poultry litter into organic pelleted and granular fertilizer products for the agricultural and horticultural customers. The Vendor also offers chicken, turkey, and eggs, as well as processed grain, edible oils, lecithin, soy, protein, and oilseed products and sells its products through grocery, club, and warehouse stores. It also serves restaurant chains, the United States military, distributors, and food manufacturers.

## **LISTING RULES IMPLICATIONS**

As the Vendor is a substantial shareholder of Regal Heights, a non wholly-owned subsidiary of the Company, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 2.5%, such connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

## DEFINITIONS

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

“ <b>Acquisition</b> ”	the acquisition of the Sales Shares and the Shareholder's Loan by the Purchaser pursuant to the terms of the Agreement;
“ <b>Agreement</b> ”	the agreement dated 25 February 2010 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“ <b>Board</b> ”	the board of Directors;
“ <b>Company</b> ”	Dah Chong Hong Holdings Limited 大昌行集團有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited;
“ <b>Completion Date</b> ”	the date of completion of the Acquisition pursuant to the terms of the Agreement;
“ <b>connected person</b> ”	has the meaning ascribed to it by the Listing Rules;
“ <b>Directors</b> ”	the directors of the Company;
“ <b>FMCG</b> ”	fast moving consumer goods;
“ <b>Group</b> ”	the Company and its subsidiaries;
“ <b>HK\$</b> ”	Hong Kong dollars, the lawful currency of Hong Kong;
“ <b>Hong Kong</b> ”	the Hong Kong Special Administrative Region of the PRC;
“ <b>Jiangnanfeng</b> ”	上海大昌江南鳳有限公司 (Shanghai DCH Jiangnanfeng Co., Ltd.), a Shanghai-Hong Kong equity joint venture duly organised and existing under the laws of the PRC and owned as to 76.77% by Regal Heights;
“ <b>Listing Rules</b> ”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“ <b>Macao</b> ”	the Macao Special Administrative Region of the PRC;
“ <b>percentage ratio</b> ”	has the meaning ascribed to it by the Listing Rules;
“ <b>PRC</b> ”	the People's Republic of China;
“ <b>Purchaser</b> ”	DCH Food Industries Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;

<b>“Regal Heights”</b>	Regal Heights Limited, a company incorporated in Hong Kong with limited liability and a non wholly-owned subsidiary of the Company;
<b>“Sale Shares”</b>	4,000 shares of par value HK\$1 each in Regal Heights, representing 40% of the entire issued share capital of Regal Heights owned by the Vendor;
<b>“Shareholder's Loan”</b>	all the interest-free shareholder's loans in the total amount of HK\$50,668,301 advanced by the Vendor to Regal Heights as at the Completion Date;
<b>“subsidiary”</b>	has the meaning ascribed to it by the Listing Rules;
<b>“substantial shareholder”</b>	has the meaning ascribed to it by the Listing Rules;
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America;
<b>“Vendor”</b>	Perdue Farms Incorporated, a company incorporated under the laws of the United States of America; and
<b>“%”</b>	per cent.

*For illustration purpose in this announcement, the conversion rate of US\$1 = HK\$7.78 was adopted.*

By order of the Board  
**Dah Chong Hong Holdings Limited**  
**Tso Mun Wai**  
*Company Secretary*

Hong Kong, 25 February 2010

*As at the date of this announcement, the Directors are:*

*Executive directors: Hui Ying Bun (Chairman), Chu Hon Fai, Yip Moon Tong, Mak Kwing Tim, Lau Sei Keung, Tsoi Tai Kwan, Arthur, Glenn Robert Sturrock Smith and Wai King Fai, Francis*

*Non-executive directors: Kwok Man Leung, Yin Ke and Fei Yiping*

*Independent non-executive directors: Cheung Kin Piu, Valiant, Hsu Hsung, Adolf and Yeung Yue Man*