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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Chia Tai Enterprises International Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

(1) SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND (2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

BALLAS
C A P I T A L

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee and a letter from the Independent Financial Adviser, Ballas Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on pages 20 to 21 and pages 22 to 38 of this circular respectively.

A notice convening the special general meeting (“SGM”) of Chia Tai Enterprises International Limited (the “Company”) to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 4 September 2020 at 10:30 a.m. is set out on pages 43 to 46 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 10:30 a.m. (Hong Kong time) on 2 September 2020) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In line with the prevailing practices and guidelines on the prevention of COVID-19, the Company may, depending on the development with regard to COVID-19, implement additional precautionary measures at the SGM which may include without limitation:

- body temperature screening;
- mandatory use of surgical face masks at all times on company premises;
- mandatory health declaration – please be advised that anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the SGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the SGM;
- no refreshments will be provided to attendees; and
- other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding.

In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, the Company strongly encourages the Shareholders NOT attend the SGM in person, and in such case, advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person. The Shareholders are advised to read the leaflet attached to this circular for further detail and monitor the development of COVID-19. The Company may implement further changes and precautionary measures as appropriate.

20 August 2020

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DEFINITIONS

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

“2017 Master CPP Purchase Agreement”	the master agreement dated 30 October 2017 made between the Company as supplier and CPP as purchaser for the supply by the CTEI Group of the CTEI Products
“2017 HOEL Master Purchase Agreement”	the master agreement dated 30 October 2017 made between the Company as supplier and HOEL as purchaser for the supply by the CTEI Group of the CTEI Products
“2017 Master Purchase Agreements”	collectively, the 2017 Master CPP Purchase Agreement and the 2017 Master HOEL Purchase Agreement
“2020 CPP Master Purchase Agreement”	the master agreement dated 30 July 2020 made between the Company as supplier and CPP as purchaser for the supply by the CTEI Group of the Revised CTEI Products with a term of three years from 1 January 2021 until 31 December 2023
“2020 HOEL Master Purchase Agreement”	the master agreement dated 30 July 2020 made between the Company as supplier and HOEL as purchaser for the supply by the CTEI Group of the Revised CTEI Products with a term of three years from 1 January 2021 until 31 December 2023
“2020 Master Purchase Agreements”	collectively, the 2020 Master CPP Purchase Agreement and the 2020 Master HOEL Purchase Agreement
“2020 Supplemental CPP Purchase Agreement”	the supplemental agreement dated 30 July 2020 entered into between the Company and CPP to revise a term of the 2017 Master CPP Purchase Agreement
“2020 Supplemental HOEL Purchase Agreement”	the supplemental agreement dated 30 July 2020 entered into between the Company and HOEL to revise a term of the 2017 Master HOEL Purchase Agreement
“2020 Supplemental Purchase Agreements”	collectively, the 2020 Supplemental CPP Purchase Agreement and the 2020 Supplemental HOEL Purchase Agreement
“associates”	has the meaning ascribed to this term in the Listing Rules

DEFINITIONS

“Ballas Capital” “Independent Financial Adviser”	Ballas Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements)
“Board”	the board of Directors of the Company
“Company”	Chia Tai Enterprises International Limited, an exempted company incorporated in Bermuda whose Shares are listed and traded on the Main Board of the Stock Exchange under stock code 3839
“connected persons”	has the meaning ascribed to this term in the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements
“controlling shareholder”	has the meaning ascribed to this term in the Listing Rules
“CPF”	Charoen Pokphand Foods Public Company Limited, a company incorporated in the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand
“CPG”	Charoen Pokphand Group Company Limited, a company incorporated in the Kingdom of Thailand which has a diverse shareholding structure with more than 80 shareholders, the largest shareholder being a company holding not more than 13% of its shares and the ultimate beneficial owner of which is Mr. Sumet Jiaravanon
“CPP”	C.P. Pokphand Co. Ltd., an exempted company incorporated in Bermuda whose ordinary shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
“CPP Group”	CPP and its subsidiaries from time to time
“CTEI Group”	the Company and its subsidiaries from time to time
“CTEI Products”	various chlortetracycline products and such animal drugs (including any antibiotics) produced by the CTEI Group

DEFINITIONS

“Directors”	the directors of the Company
“HOEL”	High Orient Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“HOEL Group”	HOEL and other associates of CPG, but excluding the CPP Group and the CTEI Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, which comprises all the independent non-executive Directors, established to advise the Independent Shareholders in respect of supplementing the terms of and increasing the annual caps of existing continuing connected transactions and renewal of the continuing connected transactions
“Independent Shareholders”	Shareholders other than CPG, CPF and their respective associates
“Latest Practicable Date”	14 August 2020, 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
“Original CPP Annual Cap for 2020”	the annual cap for the total of the continuing connected transactions under the 2017 Master CPP Purchase Agreement for the financial year ending 31 December 2020 which was part of the annual caps approved at the special general meeting of the Company held on 8 December 2017
“Original HOEL Annual Cap for 2020”	the annual cap for the total of the continuing connected transactions under the 2017 Master HOEL Purchase Agreement for the financial year ending 31 December 2020 which was part of the annual caps approved at the special general meeting of the Company held on 8 December 2017
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Revised Annual Caps for 2020”	collectively, the Revised CPP Annual Cap for 2020 and the Revised HOEL Annual Cap for 2020

DEFINITIONS

“Revised CPP Annual Cap for 2020”	the proposed revised annual cap for the total amount of the continuing connected transactions under the 2017 Master CPP Purchase Agreement as supplemented by the 2020 Supplemental CPP Purchase agreement for the financial year ending 31 December 2020
“Revised CTEI Products”	various chlortetracycline products, animal drugs, animal health products and other related products produced and/or sold by the CTEI Group
“Revised HOEL Annual Cap for 2020”	the proposed revised annual cap for the total amount of the continuing connected transactions under the 2017 Master HOEL Purchase Agreement as supplemented by the 2020 Supplemental HOEL Purchase agreement for the financial year ending 31 December 2020
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the entry into the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements), or any adjournment thereof
“Shareholders”	holders of Shares from time to time
“Shares”	ordinary shares of US\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to this term in the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Note: For the purpose of this circular, the exchange rate for the conversion of US\$ into HK\$ for indication only is: US\$1.0 = HK\$7.8.

LETTER FROM THE BOARD



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

Chairman and Non-executive Director:

Mr. Soopakij Chearavanont

Executive Directors:

Mr. Thirayut Phityaisarakul

Mr. Thanakorn Seriburi

Mr. Nopadol Chiaravanont

Mr. Chawalit Na Muangtoun

Non-executive Director:

Mr. Yoichi Ikezoe

Independent Non-executive Directors:

Mr. Surasak Rounroengrom

Mr. Cheng Yuk Wo

Mr. Edward Ko Ming Tung

Registered office:

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

Principal place of business in

Hong Kong:

21st Floor

Far East Finance Centre

16 Harcourt Road

Hong Kong

20 August 2020

To the Shareholders

Dear Sir or Madam,

**(1) SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAPS OF
EXISTING CONTINUING CONNECTED TRANSACTIONS AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND
NOTICE OF SPECIAL GENERAL MEETING**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 30 July 2020 in relation to supplementing the terms and increasing the annual caps of existing continuing connected transactions and renewal of Continuing Connected Transactions. The transactions contemplated under the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements are treated as if they were continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to Independent Shareholders' approval at the SGM.

LETTER FROM THE BOARD

Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the resolutions regarding the entry into the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements). In the case of Mr. Cheng Yuk Wo, who is also an independent non-executive director of CPP, he has abstained from voting and taking part in any discussions at any Independent Board Committee meeting in relation to the 2020 Supplemental CPP Purchase Agreement, the 2020 Master CPP Purchase Agreement and the related proposed annual caps. However, Mr. Cheng has voted on and taken part on discussions in relation to the 2020 Supplemental HOEL Purchase Agreement, the 2020 Master HOEL Purchase Agreement and the related proposed annual caps.

Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) are fair and reasonable, on normal commercial terms, entered into in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with further information regarding supplementing the terms of and increasing the annual caps of existing continuing connected transactions and renewal of the continuing connected transactions, to set out the advice from Ballas Capital to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the entry into the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements), and to give notice of the SGM.

LETTER FROM THE BOARD

B. SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2017 and the circular of the Company dated 21 November 2017 relating to the 2017 Master CPP Purchase Agreement and the 2017 Master HOEL Purchase Agreement. The 2017 Master Purchase Agreements and the applicable annual caps thereunder were approved by the Independent Shareholders at a special general meeting of the Company held on 8 December 2017.

The CTEI Group is expanding its trading business and supplying a wider variety of products to its customers. Examples of these additional products include animal health products and other related products such as enzymes and acidifiers.

The Company understands from CPP and HOEL that the CPP Group and the HOEL Group both have business needs for some of such products and are interested to purchase them from the CTEI Group provided the commercial terms are acceptable. Accordingly, on 30 July 2020, the Company entered into the 2020 Supplemental CPP Purchase Agreement and the 2020 Supplemental HOEL Purchase Agreement with CPP and HOEL respectively, under which the parties agreed to revise the categories of products which the CTEI Group may supply from time to time to the CPP Group and the HOEL Group under the 2017 Master Purchase Agreements. As each of the expected amount of transactions for the Revised CTEI Products between the CTEI Group and the CPP Group and that between the CTEI Group and the HOEL Group may exceed the respective previously approved original annual caps with respect to the year ending 31 December 2020 for transactions under the 2017 Master Purchase Agreements, the Company also proposes to increase the respective annual caps for that year applicable to the 2017 Master Purchase Agreements (as supplemented by the 2020 Supplemental Master Purchase Agreements).

Key terms of the 2020 Supplemental Purchase Agreements and the proposed Revised Annual Caps for 2020 are set out below:

1. 2020 SUPPLEMENTAL CPP PURCHASE AGREEMENT

(a) Date

30 July 2020

(b) Parties

(i) the Company (as supplier)

(ii) CPP (as purchaser)

LETTER FROM THE BOARD

(c) **Subject matter**

The expansion of the categories of products which may be supplied by the CTEI Group under the 2017 Master CPP Purchase Agreement to the Revised CTEI Products. All other terms of the 2017 Master CPP Purchase Agreement will remain in effect.

(d) **Condition**

The expansion of the categories of products referred to above is subject to the approval of the Independent Shareholders.

Revised CPP Annual Caps for 2020

For the year ending 31 December 2020	
Original CPP Annual Cap	Revised CPP Annual Cap
US\$4.4 million (approximately HK\$34.3 million)	US\$5.5 million (approximately HK\$42.9 million)

The Revised CPP Annual Cap for 2020 is determined with reference to:

- (i) the actual sales amount transacted with the CPP Group under the 2017 Master CPP Purchase Agreement in the five months ended 31 May 2020 (further detailed in the section headed “Renewal of Continuing Connected Transactions” of this circular);
- (ii) the projected sales amount of the Revised CTEI Products to the CPP Group for the remaining part of the current financial year, taking into account the sales amount arising from:
 - the supply of certain Revised CTEI Products since June 2020 pursuant to transactions under the 2017 Master CPP Purchase Agreement already entered in by the CTEI Group, together with the projected sales amount with respect to the remaining four months of 2020; and
 - the sales of the additional categories of products included in the Revised CTEI Products which are expected to commence in the fourth quarter of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors; and
- (iv) an additional buffer of 5% above the projected sales amount of the Revised CTEI Products for the remaining part of the current financial year to take into account any unexpected increase in the demand for and/or the selling price of the Revised CTEI Products.

LETTER FROM THE BOARD

2. 2020 SUPPLEMENTAL HOEL PURCHASE AGREEMENT

(a) **Date**

30 July 2020

(b) **Parties**

- (i) the Company (as supplier)
- (ii) HOEL (as purchaser)

(c) **Subject matter**

The expansion of the categories of products which may be supplied by the CTEI Group under the 2017 Master HOEL Purchase Agreement to the Revised CTEI Products. All other terms of the 2017 Master HOEL Purchase Agreement will remain in effect.

(d) **Condition**

The expansion of the categories of products referred to above is subject to the approval of the Independent Shareholders.

Revised HOEL Annual Caps for 2020

For the year ending 31 December 2020	
Original HOEL Annual Cap	Revised HOEL Annual Cap
US\$3.8 million (approximately HK\$29.6 million)	US\$7.8 million (approximately HK\$60.8 million)

The Revised HOEL Annual Cap for 2020 is determined with reference to:

- (i) the actual sales amount transacted with the HOEL Group under the 2017 Master HOEL Purchase Agreement in the five months ended 31 May 2020 (further detailed in the section headed “Renewal of Continuing Connected Transactions” of this circular);
- (ii) the projected sales amount of the Revised CTEI Products to the HOEL Group for the remaining part of the current financial year, taking into account the sales amount arising from:
 - the expected increase in the supply of certain Revised CTEI Products to the HOEL Group under the 2017 Master HOEL Purchase Agreement due to stronger than previously anticipated demand, based on preliminary discussions earlier this year on business development and planning between the HOEL Group and the CTEI Group regarding the sales and supply of such products; and

LETTER FROM THE BOARD

- the sales of the additional categories of products included in the Revised CTEI Products which are expected to commence in the fourth quarter of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors; and
- (iv) an additional buffer of 5% above the projected sales amount of the Revised CTEI Products for the remaining part of the current financial year to take into account any unexpected increase in the demand for and/or the selling price of the Revised CTEI Products.

C. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The 2017 Master Purchase Agreements will expire on 31 December 2020. As the Company intends to continue the transactions contemplated thereunder, on 30 July 2020, the Company entered into the 2020 Master CPP Purchase Agreement and the 2020 Master HOEL Purchase Agreement with CPP and HOEL respectively based on substantially the same terms and conditions as the 2017 Master Purchase Agreements (as supplemented respectively by the 2020 Supplemental Purchase Agreements).

Key terms of the 2020 Master Purchase Agreements and the related proposed annual caps for the three years ended 31 December 2021, 2022 and 2023 respectively are set out below:

1. 2020 MASTER CPP PURCHASE AGREEMENT

(a) **Date**

30 July 2020

(b) **Parties**

(i) the Company (as supplier)

(ii) CPP (as purchaser)

(c) **Subject matter**

Sale and supply of the Revised CTEI Products to the CPP Group.

LETTER FROM THE BOARD

(d) Pricing policy

The pricing policy under the 2020 Master CPP Purchase Agreement is the same as that provided in the 2017 Master CPP Purchase Agreement. As a general principle, quantity and price of the Revised CTEI Products to be supplied to the CPP Group from time to time shall be determined through good faith negotiations between the CPP Group and the CTEI Group. Pricing of the Revised CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers as well as the CPP Group.

The above term of the 2020 Master CPP Purchase Agreement has been designed to ensure that the pricing terms are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and shall be no more favourable to the CPP Group than those offered to independent third party customers.

Prices of each category of the Revised CTEI Products set out in the price list are determined with reference to the cost of raw materials, procurement cost, other value added (for example, manufacturing and marketing), and profit margins which the CTEI Group considers appropriate for that category (taking into account market demand for that category of the Revised CTEI Products and prices offered by other suppliers for equivalent products). The price list for the Revised CTEI Products is approved by management of the CTEI Group through internal review meetings and is generally reviewed on a quarterly basis.

Any requests from sales personnel to deviate from the price list in relation to any specific order must comply with strict internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the CPP Group), and discounts, if within a certain threshold, must be approved by the regional head of the CTEI Group's biochemical business or, beyond that threshold, by the head of the CTEI Group's biochemical business. Discounts offered to the CPP Group shall be no higher than those offered to independent third party customers for orders of similar type and quantity of the Revised CTEI Products.

(e) Payment terms

The CTEI Group will generally offer to the CPP Group credit terms of up to 90 days from delivery but may consider accepting credit terms of a longer period taking into account generally accepted market practice from time to time. Interest will be charged by the CTEI Group for any overdue payment.

(f) Term

Subject to the approval of the Independent Shareholders, the 2020 Master CPP Purchase Agreement shall take effect from 1 January 2021 and continue until 31 December 2023.

LETTER FROM THE BOARD

(g) Historical amount of CTEI Products supplied to the CPP Group

	For the financial year ended		For the five months
	31 December		ended 31 May
	2018	2019	2020
Sales of the CTEI Products under the 2017 Master CPP Purchase Agreement	US\$2.3 million (approximately HK\$17.9 million)	US\$3.0 million (approximately HK\$23.4 million)	US\$0.7 million (approximately HK\$5.5 million)

(h) Proposed annual caps

	For the financial year ended 31 December		
	2021	2022	2023
Proposed annual caps for sales of the Revised CTEI Products under the 2020 Master CPP Purchase Agreement	US\$13.2 million (approximately HK\$103.0 million)	US\$14.2 million (approximately HK\$110.8 million)	US\$16.8 million (approximately HK\$131.0 million)

The above annual caps have been determined with reference to:

- (i) the amount of historical sales under the 2017 Master CPP Purchase Agreement to the CPP Group for each of the financial years ended 31 December 2018 and 31 December 2019 and the five months ended 31 May 2020;
- (ii) the projected sales of the Revised CTEI Products to the CPP Group for the remaining part of 2020, taking into account the annualised sales amount arising from the sales of the additional categories of products included in the Revised CTEI Products which are expected to commence in the fourth quarter of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors;
- (iv) overall increase in actual sales to the CPP Group under the 2017 Master CPP Purchase Agreement for the two completed years since 1 January 2018;
- (v) the projected increase in sales of the Revised CTEI Products to the CPP Group during the three-year term of the 2020 Master CPP Purchase Agreement based on expected growth in business and demand from the CPP Group; and
- (vi) an additional buffer of 5% above the projected sales amount of each of 2021 to 2023 to take into account any unexpected increase in the demand for and/or the selling price of the Revised CTEI Products.

LETTER FROM THE BOARD

2. 2020 MASTER HOEL PURCHASE AGREEMENT

(a) Date

30 July 2020

(b) Parties

(i) the Company (as supplier)

(ii) HOEL (as purchaser)

(c) Subject matter

Sale and supply of the Revised CTEI Products to the HOEL Group.

(d) Pricing policy

The pricing policy under the 2020 Master HOEL Purchase Agreement is the same as that provided in the 2017 Master HOEL Purchase Agreement. As a general principle, quantity and price of the Revised CTEI Products to be supplied to the HOEL Group from time to time shall be determined through good faith negotiation between the HOEL Group and the CTEI Group. Pricing of the Revised CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers as well as the HOEL Group.

The above term of the 2020 Master HOEL Purchase Agreement has been designed to ensure that the pricing terms are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and shall be no more favourable to the HOEL Group than those offered to independent third party customers.

Prices of each category of the Revised CTEI Products set out in the price list are determined with reference to the cost of raw materials, procurement cost, other value added (for example, manufacturing and marketing), and profit margins which the CTEI Group considers appropriate for that category (taking into account market demand for that category of the Revised CTEI Products and prices offered by other suppliers for equivalent products). The price list for the Revised CTEI Products is approved by management of the CTEI Group through internal review meetings and is generally reviewed on a quarterly basis.

LETTER FROM THE BOARD

Any requests from sales personnel to deviate from the price list in relation to any specific order must comply with strict internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the HOEL Group), and discounts, if within a certain threshold, must be approved by the regional head of the CTEI Group's biochemical business or, beyond that threshold, by the head of the CTEI Group's biochemical business. Discounts offered to the HOEL Group shall be no higher than those offered to the independent third party customers for orders of similar type and quantity of the Revised CTEI Products.

(e) Payment terms

The CTEI Group will generally offer to the HOEL Group credit terms of up to 90 days from delivery but may consider accepting credit terms of a longer period taking into account generally accepted market practice from time to time. Interest will be charged by the CTEI Group for any overdue payment.

(f) Term

Subject to the approval of the Independent Shareholders, the 2020 Master HOEL Purchase Agreement shall take effect from 1 January 2021 and continue until 31 December 2023.

(g) Historical amount of CTEI Products supplied to the HOEL Group

	For the financial year ended		For the five months
	31 December		ended 31 May
	2018	2019	2020
Sales of the CTEI Products	US\$2.4 million	US\$2.8 million	US\$1.5 million
under the 2017 Master	(approximately	(approximately	(approximately
HOEL Purchase Agreement	HK\$18.7 million)	HK\$21.8 million)	HK\$11.7 million)

LETTER FROM THE BOARD

(h) Proposed annual caps

	For the financial year ended 31 December		
	2021	2022	2023
Proposed annual caps for sales of the Revised CTEI Products under the 2020 Master HOEL Purchase Agreement	US\$15.4 million (approximately HK\$120.1 million)	US\$17.7 million (approximately HK\$138.1 million)	US\$21.0 million (approximately HK\$163.8 million)

The above annual caps have been determined with reference to:

- (i) the amount of historical sales under the 2017 Master HOEL Purchase Agreement to the HOEL Group for each of the financial years ended 31 December 2018 and 31 December 2019 and the five months ended 31 May 2020;
- (ii) the projected sales of the Revised CTEI Products to the HOEL Group for the remaining part of 2020, taking into account the annualised sales amount arising from:
 - the expected increase in the supply of certain Revised CTEI Products to the HOEL Group under the 2017 Master HOEL Purchase Agreement due to stronger than previously anticipated demand in the coming years, based on preliminary discussions earlier this year on business development and planning between the HOEL Group and the CTEI Group regarding the sales and supply of such products; and
 - the sales of the additional categories of products included in the Revised CTEI Products which are expected to commence in the fourth quarter of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors;
- (iv) overall increase in actual sales to the HOEL Group under the 2017 Master HOEL Purchase Agreement for the two completed years since 1 January 2018;
- (v) the projected increase in sales of the Revised CTEI Products to the HOEL Group during the three-year term of the 2020 Master HOEL Purchase Agreement based on expected growth in business and demand from the HOEL Group; and
- (vi) an additional buffer of 5% above the projected sales amount of each of 2021 to 2023 to take into account any unexpected increase in the demand for and/or the selling price of the Revised CTEI Products.

LETTER FROM THE BOARD

D. INTERNAL CONTROL MEASURES

Subject to the approval of the Independent Shareholders, the Company will continue the internal control system in place to ensure that the Continuing Connected Transactions will be contracted in accordance with the framework approved by the Independent Shareholders. The internal audit department of the Group will annually examine the terms and details of the Continuing Connected Transactions conducted to ensure compliance with the framework. The external auditor and independent non-executive Directors will review the Continuing Connected Transactions, also on an annual basis, following which the independent non-executive Directors will provide an annual confirmation as to whether the Continuing Connected Transactions are conducted in accordance with the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements, on normal commercial terms, in accordance with the pricing policies and not exceeding the approved annual caps.

E. INFORMATION ON THE PARTIES

The Company is an investment holding company. The CTEI Group and its joint venture and associate are principally involved in (i) manufacturing and/or sale of chlortetracycline and other related products; (ii) trading of machinery; and (iii) manufacturing and sale of automotive parts respectively.

CPP is an investment holding company and its subsidiaries are principally engaged, in the PRC and Vietnam, in (i) manufacture and sale of animal feed products, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) manufacture and sale of food products. The ordinary shares of CPP are listed and traded on the Main Board of the Stock Exchange. CPF, the controlling shareholder whose shares are listed and traded on the Stock Exchange of Thailand, is interested in approximately 49.7% of the total issued share capital of CPP, while CPG holds 48.4% of CPF's issued share capital.

HOEL is an investment holding company and is indirectly wholly-owned by CPG. The HOEL Group includes companies principally engaged in agri-food business.

CPG is a company with a diverse shareholding structure with more than 80 shareholders of which the largest shareholder being a company holding not more than 13% of its shares and the ultimate beneficial owner of which is Mr. Sumet Jiaravanon. None of the other shareholders of CPG is interested in 10% or more of CPG's shares. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, other than the Directors who have disclosed their shareholding interests in CPG, each of the other shareholders and the ultimate beneficial owners of CPG is independent third party of the Company.

F. REASONS FOR AND BENEFITS OF SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Directors are of the view that, upon approval by the Independent Shareholders:

- (a) the 2020 Supplemental Purchase Agreements will allow the CTEI Group to supply the Revised CTEI Products to the CPP Group and the HOEL Group, thereby extending the categories of products that the CTEI Group can supply under these agreements and generating increased sales for the CTEI Group during the financial year ended 31 December 2020; and

LETTER FROM THE BOARD

- (b) the 2020 Master Purchase Agreements will enable the CTEI Group to continue to supply the Revised CTEI Products to the CPP Group and the HOEL Group and thereby generate increased sales for the CTEI Group.

G. LISTING RULES IMPLICATIONS

CPF is interested in approximately 47.8% of the Shares in issue and is therefore the controlling shareholder of the Company. CPF is also interested in approximately 49.7% of the total issued share capital of CPP. Companies in the CPP Group are therefore associates of CPF and connected persons of the Company under the Listing Rules. Transactions between the CTEI Group and the CPP Group under the 2020 Supplemental CPP Purchase Agreement and the 2020 Master CPP Purchase Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Furthermore, approximately 48.4% of CPF's issued share capital is held by CPG. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company and its subsidiaries (including HOEL which is its indirect wholly-owned subsidiary) and their respective associates as connected persons of the Company within the meaning of the Listing Rules. Therefore, transactions between the CTEI Group and the HOEL Group under the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement are treated as if they are continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Annual Caps for 2020 under the 2020 Supplemental Purchase Agreements and those percentage ratios for the proposed annual caps under the 2020 Master Purchase Agreements in aggregate are in each case more than 5%, the entry into the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board considered that each of Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont, Mr. Yoichi Ikezoe and Mr. Cheng Yuk Wo had a material interest in the 2020 Supplemental CPP Purchase Agreement, the 2020 Master CPP Purchase Agreement and the transactions thereunder, because:

- (i) Mr. Soopakij Chearavanont (chairman and non-executive Director) is also chairman of the board and an executive director of CPP, Mr. Yoichi Ikezoe is also a non-executive director of CPP and Mr. Cheng Yuk Wo is also an independent non-executive director of CPP; and
- (ii) Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont (each an executive Director) are shareholders of CPG,

LETTER FROM THE BOARD

Accordingly, Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont, Mr. Yoichi Ikezoe and Mr. Cheng Yuk Wo, who attended the Board meeting held for considering these matters, had abstained from voting on the resolutions relating to the 2020 Supplemental CPP Purchase Agreement and the 2020 Master CPP Purchase Agreement.

The Board also considered that each of Mr. Soopakij Chearavanont (chairman and non-executive Director), Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont (each an executive Director), who attended the Board meeting held for considering the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement and the transactions thereunder, had a material interest in view of their respective shareholdings in CPG and accordingly they abstained from voting on the resolutions relating to the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement.

H. RECOMMENDATION

The Independent Board Committee has been established to consider the entry into the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) and Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) are fair and reasonable, on normal commercial terms, entered into in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the opinion of Ballas Capital, considers the terms of the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) to be fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

In light of the above, the Board considers that the terms of the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

I. SPECIAL GENERAL MEETING

The SGM will be convened at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 4 September 2020 at 10:30 a.m.. A notice convening the SGM at which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the entry into the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements), details of which are set out on pages 43 to 46 of this circular. CPG, CPF and their associates will abstain from voting at the SGM or any adjournment thereof in respect of each of the resolutions on these matters.

A proxy form for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 10:30 a.m. (Hong Kong time) on 2 September 2020) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the SGM if they so wish.

J. FURTHER INFORMATION

Your attention is drawn to the letter from Ballas Capital containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 38 of this circular and the letter from the Independent Board Committee to the Independent Shareholders set out on page 20 to 21 of this circular.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Thanakorn Seriburi
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

20 August 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAPS OF
EXISTING CONTINUING CONNECTED TRANSACTIONS AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 20 August 2020 issued to the Shareholders (the “**Circular**”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung as independent non-executive Directors have been appointed by the Board to advise you as to whether, in our opinion, the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements and the Continuing Connected Transactions (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements) are fair and reasonable so far as the Independent Shareholders are concerned.

However, as Mr. Cheng Yuk Wo is also an independent non-executive director of CPP, he has abstained from voting and taking part in any discussions at any Independent Board Committee meeting, and is not advising you, in relation to the 2020 Supplemental CPP Purchase Agreement, the 2020 Master CPP Purchase Agreement and the transactions thereunder (including the Revised CPP Annual Cap for 2020 and the proposed annual caps in relation to transactions under the 2020 Master CPP Purchase Agreement).

Ballas Capital has been appointed by the Company as the Independent Financial Adviser to advise us regarding the fairness and reasonableness of the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the proposed annual caps in relation to transactions under the 2020 Master Purchase Agreements). Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 22 to 38 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 19 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of and the principal factors and reasons considered by Ballas Capital as stated in its letter of advice:- (1) we consider that the terms of the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement and the transactions thereunder (including the Revised HOEL Annual Cap for 2020 and the proposed annual caps in relation to transactions under the 2020 Master HOEL Purchase Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions in relation to the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement and the transactions thereunder (including the Revised HOEL Annual Cap for 2020 and the proposed annual caps in relation to transactions under the 2020 Master HOEL Purchase Agreement) to be proposed at the SGM; and (2) Mr. Surasak Rounroengrom and Mr. Edward Ko Ming Tung consider that the terms of the 2020 Supplemental CPP Purchase Agreement and the 2020 Master CPP Purchase Agreement and the transactions thereunder (including the Revised CPP Annual Cap for 2020 and the proposed annual caps in relation to transactions under the 2020 Master CPP Purchase Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions in relation to the 2020 Supplemental CPP Purchase Agreement and the 2020 Master CPP Purchase Agreement and the transactions thereunder (including the Revised CPP Annual Cap for 2020 and the proposed annual caps in relation to transactions under the 2020 Master CPP Purchase Agreement) to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Surasak Rounroengrom
*Independent Non-executive
Director*

Mr. Cheng Yuk Wo
*Independent Non-executive
Director*

Mr. Edward Ko Ming Tung
*Independent Non-executive
Director*

LETTER FROM BALLAS CAPITAL LIMITED



Unit 1802, 18/F,
1 Duddell Street, Central
Hong Kong

20 August 2020

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**(I) SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL
CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of and the proposed annual caps in relation to the transactions contemplated under the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements (the “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 20 August 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 30 July 2020. On 30 July 2020, the Company entered into (i) the 2020 Supplemental CPP Purchase Agreement and the 2020 Supplemental HOEL Purchase Agreement, with CPP and HOEL respectively, to enable the CTEI Group to supply a wider variety of products, including certain animal health products and other related products such as enzymes and acidifiers (“**New CTEI Products**”) in addition to those currently supplied by the CTEI Group to the CPP Group and the HOEL Group pursuant to the 2017 Master Purchase Agreements, to the CPP Group and the HOEL Group from time to time and to increase the Original CPP Annual Cap for 2020 and the Original HOEL Annual Cap for 2020; and (ii) the 2020 Master CPP Purchase Agreement and the 2020 Master HOEL Purchase Agreement, with CPP and HOEL respectively, to renew the 2017 Master Purchase Agreements (as supplemented by the 2020 Supplemental Purchase Agreements) for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both dates inclusive) to enable the CTEI Group to continue the ongoing supply of products to the CPP Group and the HOEL Group.

LETTER FROM BALLAS CAPITAL LIMITED

As set out in the Letter from the Board, as at the Latest Practicable Date, CPF was interested in approximately 47.8% of the Shares in issue and is therefore the controlling shareholder of the Company. CPF is also interested in approximately 49.7% of the total issued share capital of CPP. Companies in the CPP Group are therefore associates of CPF and connected persons of the Company under the Listing Rules. Transactions between the CTEI Group and the CPP Group under the 2020 Supplemental CPP Purchase Agreement and the 2020 CPP Master Purchase Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, approximately 48.4% of CPF's issued share capital is held by CPG. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company and its subsidiaries (including HOEL which is its indirect wholly owned subsidiary) and their respective associates as connected persons of the Company within the meaning of the Listing Rules. Therefore, transactions between the CTEI Group and the HOEL Group under the 2020 Supplemental HOEL Purchase Agreement and the 2020 HOEL Master Purchase Agreement are treated as if they were continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Annual Caps for 2020 under the 2020 Supplemental Purchase Agreements and those percentage ratios for the proposed annual caps under the 2020 Master Purchase Agreements (the “**Annual Caps for 2021-2023**”) in aggregate are in each case more than 5%, the entering into of the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the Revised Annual Caps for 2020 and the Annual Caps for 2021-2023) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, each an independent non-executive Director, has been established to advise and make recommendation to the Independent Shareholders in relation to entering into of the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the corresponding Revised Annual Caps for 2020 and the Annual Caps for 2021-2023). In the case of Mr. Cheng Yuk Wo, who is also an independent non-executive director of CPP, apart from having abstained from voting on the relevant resolutions relating to the 2020 Supplemental CPP Purchase Agreement, the 2020 Master CPP Purchase Agreement and the related proposed annual caps, he will also abstain from voting and taking part in any discussions in relation to the same matters at any Independent Board Committee meeting. However, Mr. Cheng will vote on and take part on discussions in relation to the 2020 Supplemental HOEL Purchase Agreement, the 2020 Master HOEL Purchase Agreement and the related proposed annual caps.

LETTER FROM BALLAS CAPITAL LIMITED

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of each of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser by CPP in relation to the 2019 Master HOEL Agreements as disclosed in the circular of CPP dated 2 December 2019, and (ii) this appointment as the independent financial adviser in relation to the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements, we did not have any other relationship with or interests in the Company, the counterparties of each of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements or their respective core connected persons or associates. Accordingly, we consider we are eligible to give independent advice on the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements and the transactions thereunder.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the CPP Group and the HOEL Group or any of their respective subsidiaries or associates.

LETTER FROM BALLAS CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

A. Background information of the Company, CPP and HOEL

The Company

The Company is an investment holding company. The CTEI Group and its joint venture and associate are principally involved in (i) manufacturing and/or sale of chlortetracycline and other related products; (ii) trading of machinery; and (iii) manufacturing and sale of automotive parts respectively.

CPP

CPP is an investment holding company whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 43). The CPP Group is principally engaged, in the PRC and Vietnam, in (i) manufacture and sale of animal feed products, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) manufacture and sale of food products.

HOEL

HOEL is an investment holding company and is indirectly wholly-owned by CPG. The HOEL Group includes companies principally engaged in agri-food business.

B. Reasons for and benefits of entering into the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements

According to the latest financial reports of the Company, the CTEI Group has two major operating segments, being (i) the biochemical segment which is mainly engaged in the manufacture and sale of chlortetracycline products, and (ii) the industrial segment which is engaged in trading of machinery and the manufacture and sale of automotive parts, through the CTEI Group's joint venture and associate. For each of the years ended 31 December 2017, 2018 and 2019, the CTEI Group generated all of its revenue from the biochemical segment. As discussed with the management of the Company, we understand that the CPP Group and the HOEL Group have been long time customers for the CTEI Group's sale of the CTEI Products. Based on the annual report of the Company for the year ended 31 December 2019 (the "2019 Annual Report"), the sales of the CTEI Products supplied by the CTEI Group to the CPP Group and the HOEL Group in aggregate accounted for approximately 5.6% of the CTEI Group's total revenue for the financial year ended 31 December 2019.

LETTER FROM BALLAS CAPITAL LIMITED

As stated in the 2019 Annual Report, effective on 1 January 2020, the Ministry of Agriculture and Rural Affairs of the PRC has banned the use of certain CTEI Products (the “**Restricted CTEI Products**”) as growth promoters for animals in China. We have discussed with the management of the Company and understand that, in view of the aforesaid restriction, the CTEI Group is expanding its trading business and supplying a wider variety of products, including animal health products and other related products, to its customers.

As stated in the Letter from the Board, the Company understands from CPP and HOEL that the CPP Group and the HOEL Group both have business needs for some of the new products supplied by the CTEI Group to its customers and are interested to purchase them from the CTEI Group provided the commercial terms are acceptable. The Company entered into the 2020 Supplemental Purchase Agreements with CPP and HOEL, pursuant to which (i) the CTEI Group is able to supply the New CTEI Products in addition to the CTEI Products to the CPP Group and the HOEL Group and thereby generating increased sales for the CTEI Group; and (ii) the Original CPP Annual Cap for 2020 and the Original HOEL Annual Cap is increased to facilitate the expected increase in sales from the CTEI Group to the CPP Group and the HOEL Group.

Pursuant to the 2017 Master Purchase Agreements, for the two years ended 31 December 2019 and the five months ended 31 May 2020, the CTEI Group has from time to time supplied the CTEI Products to the CPP Group and the HOEL Group. The Directors are of the view that the supply of the CTEI Products to the CPP Group and the HOEL Group are in the ordinary course of business and would generate turnover for the CTEI Group.

The Company entered into the 2020 CPP Master Purchase Agreement with CPP and entered into the 2020 HOEL Master Purchase Agreement with HOEL to renew the 2017 CPP Master Purchase Agreement (as supplemented by the 2020 Supplemental CPP Purchase Agreement) and the 2017 HOEL Master Purchase Agreement (as supplemented by the 2020 Supplemental HOEL Purchase Agreement), respectively, which will expire on 31 December 2020. Pursuant to the 2020 Master Purchase Agreements, subject to the approval of the Independent Shareholders, the CTEI Group is not contractually bound to supply and there is no minimum supply amount, to the CPP Group and the HOEL Group for any of the Revised CTEI Products. Provided that the CTEI Group is able to negotiate with the CPP Group and the HOEL Group on an arm’s length basis, and transact on terms and pricing that are on normal commercial terms and are no more favourable than the terms offered to other independent third parties, the 2020 Master Purchase Agreements allows the CTEI Group to continue to have the flexibility to sell its products to its long-term and trusted business partners, being the CPP Group and the HOEL Group.

LETTER FROM BALLAS CAPITAL LIMITED

Taking into account the above, in particular, (i) the 2020 Supplemental Purchase Agreements will enable the CTEI Group to provide a wider spectrum of products to the CPP Group and the HOEL Group; (ii) the nature of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements falls within the scope of the biochemical business of the CTEI Group; (iii) given the right terms and pricing, the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements allow the CTEI Group to have the flexibility to sell its products to its long-term and trusted business partners; and (iv) our analysis and view on the major terms of the 2020 Master Purchase Agreements (as explained below), we consider the entering into of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements is within the ordinary and usual course of business of the CTEI Group and in the interests of the Company and the Shareholders as a whole.

C. Principal terms of the 2020 Master Purchase Agreements

Major terms

(i) 2020 CPP Master Purchase Agreement

Date: 30 July 2020

Parties: The Company (as supplier) and CPP (as purchaser)

Term: 1 January 2021 to 31 December 2023 (both dates inclusive)

Subject matter: Sale and supply of the Revised CTEI Products to the CPP Group

Early termination: Any time by either the Company or CPP with a written notice of no less than thirty days

(ii) 2020 HOEL Master Purchase Agreement

Date: 30 July 2020

Parties: The Company (as supplier) and HOEL (as purchaser)

Term: 1 January 2021 to 31 December 2023 (both dates inclusive)

Subject matter: Sale and supply of the Revised CTEI Products to the HOEL Group

Early termination: Any time by either the Company or HOEL with a written notice of no less than thirty days

LETTER FROM BALLAS CAPITAL LIMITED

General principle

Pursuant to the 2020 Master Purchase Agreements, subject to the approval of the Independent Shareholders, the CTEI Group shall have the right to sell to the CPP Group or the HOEL Group and the CPP Group and the HOEL Group shall have the right to buy from the CTEI Group the Revised CTEI Products. The 2020 Master Purchase Agreements shall not restrict the right of the CTEI Group to sell, the CPP Group and the HOEL Group to buy, the Revised CTEI Products of the same or similar kinds to or from any other party in any manner whatsoever nor impose any obligation on them to supply or purchase any Revised CTEI Products or any other products.

Pricing policy

As disclosed in the Letter from the Board, the pricing policies under the 2020 Master Purchase Agreements are the same as that provided in the 2017 Master Purchase Agreements. As a general principle, quantity and price of the Revised CTEI Products to be supplied to the CPP Group and the HOEL Group from time to time shall be determined through good faith negotiation between the CTEI Group and the CPP Group, and between the CTEI Group and the HOEL Group, respectively. Pricing of the Revised CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers and the CPP Group and the HOEL Group.

The above term of the 2020 Master Purchase Agreements has been designed to ensure that the pricing terms are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and shall be no more favourable to the CPP Group and the HOEL Group than those offered to independent third party customers.

Prices of each category of the Revised CTEI Products set out in the price list are determined with reference to the cost of raw materials, procurement cost, other value added (for example, manufacturing and marketing), and profit margins which the CTEI Group considers appropriate for that category (taking into account market demand for that category of the Revised CTEI Products and prices offered by other suppliers for equivalent products). The price list for the Revised CTEI Products is approved by management of the CTEI Group through internal review meetings and is generally reviewed on a quarterly basis.

LETTER FROM BALLAS CAPITAL LIMITED

Any requests from sales personnel to deviate from the price list in relation to any specific order must comply with strict internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the CPP Group or the HOEL Group), and discounts, if within a certain threshold, must be approved by the regional head of the CTEI Group's biochemical business or, beyond that threshold, by the head of the CTEI Group's biochemical business. Discounts offered to the CPP Group or the HOEL Group shall be no higher than those offered to the independent third party customers for orders of similar type and quantity of the Revised CTEI Products.

Payment terms

As disclosed in the Letter from the Board, the CTEI Group will generally offer to the CPP Group and the HOEL Group credit terms of up to 90 days from delivery to customers but may consider accepting credit terms of a longer period taking into account the generally accepted market practice from time to time. Interest will be charged by the CTEI Group for any overdue payment.

Our work done

We have obtained and reviewed, on a sample basis, historical price lists of the CTEI Products and the relevant transaction contracts and invoices on historical transactions between (i) the CTEI Group and the CPP Group; (ii) the CTEI Group and the HOEL Group; and (iii) the CTEI Group and its independent third party customers, respectively. From our review, we noted that the prices charged by the CTEI Group to the CPP Group and the HOEL Group and to its independent third party customers were both in line with the price lists at the material time and the terms offered by the CTEI Group to the CPP Group and the HOEL Group, including the prices and payment terms, were generally in line and were no more favourable than those offered by the CTEI Group to its independent third party customers.

Our view

Based on the above, we concur with the view of the Directors that the terms of each of the 2020 CPP Master Purchase Agreement and the 2020 HOEL Master Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM BALLAS CAPITAL LIMITED

D. The proposed annual caps

The following tables set out (i) the historical transaction amounts of the supply of the CTEI Products by the CTEI Group to the CPP Group and the HOEL Group pursuant to the 2017 Master Purchase Agreements for the two years ended 31 December 2019 and the five months ended 31 May 2020; and (ii) the proposed Revised Annual Caps for 2020 and the Annual Caps for 2021-2023:

Historical transaction amounts of the supply of the CTEI Products

	For the year ended		For the
	31 December		5 months
	2018	2019	ended 31 May
	US\$'000	US\$'000	2020
			US\$'000
The CPP Group			
Historical transaction amount	2,306	3,006	741
Historical annual caps	3,700	4,100	4,400 ⁽¹⁾
Utilisation of the historical annual caps (%)	62.3%	73.3%	40.4% ⁽¹⁾
The HOEL Group			
Historical transaction amount	2,362	2,829	1,518
Historical annual caps	3,200	3,500	3,800 ⁽²⁾
Utilisation of the historical annual caps (%)	73.8%	80.8%	95.9% ⁽²⁾

Notes:

- (1) Represents the Original CPP Annual Cap for 2020 and its utilisation based on the annualised amount of CTEI Products supplied to the CPP Group for the five months ended 31 May 2020.
- (2) Represents the Original HOEL Annual Cap for 2020 and its utilisation based on the annualised amount of CTEI Products supplied to the HOEL Group for the five months ended 31 May 2020.

LETTER FROM BALLAS CAPITAL LIMITED

Proposed annual caps

	Revised Annual Caps for 2020	Proposed Annual Caps for 2021-2023		
	<i>US\$'000</i>	2021	2022	2023
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Proposed annual caps				
The CPP Group	5,500	13,200	14,200	16,800
The HOEL Group	7,800	15,400	17,700	21,000

As stated in the Letter from the Board, the Revised Annual Caps for 2020 are determined with reference to:

- (i) the respective actual sales amount transacted with the CPP Group and the HOEL Group under the 2017 Master Purchase Agreements in the five months ended 31 May 2020;
- (ii) the respective projected sales amount of the Revised CTEI Products to the CPP Group and the HOEL Group for the remaining part of the current financial year, taking into account the sales amount arising from:
 - the supply of certain Revised CTEI Products to the CPP Group since June 2020 pursuant to transactions under the 2017 Master CPP Purchase Agreement already entered into by the CTEI Group, together with the projected sales amount with respect to the remaining four months of 2020;
 - the expected increase in the supply of certain Revised CTEI Products to the HOEL Group under the 2017 Master HOEL Purchase Agreement due to stronger than previously anticipated demand, based on preliminary discussions earlier this year on business development and planning between the HOEL Group and the CTEI Group regarding the sales and supply of such products; and
 - the sales of the additional categories of products included in the Revised CTEI Products which are expected to commence in the fourth quarter of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors; and
- (iv) an additional buffer of 5% above the projected sales amount of the Revised CTEI Products for the remaining part of the current financial year to take into account any unexpected increase in demand for and/or the selling price of the Revised CTEI Products.

LETTER FROM BALLAS CAPITAL LIMITED

As stated in the Letter from the Board, the proposed Annual Caps for 2021-2023 have been determined based on:

- (i) the respective amount of historical sales under the 2017 Master Purchase Agreements to the CPP Group and the HOEL Group for each of the financial years ended 31 December 2018 and 31 December 2019 and the five months ended 31 May 2020;
- (ii) the respective projected sales of the Revised CTEI Products to the CPP Group and the HOEL Group for the remaining part of 2020, taking into account the annualised sales amount arising from:
 - the expected increase in the supply of certain Revised CTEI Products to the HOEL Group under the 2017 Master HOEL Purchase Agreement due to stronger than previously anticipated demand in the coming years, based on preliminary discussions earlier this year on business development and planning between the HOEL Group and the CTEI Group regarding the sales and supply of such products; and
 - the sales of the additional categories of products included in the Revised CTEI Products which are expected to commence in the fourth quarter of 2020;
- (iii) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors;
- (iv) the respective overall increase in actual sales to the CPP Group and the HOEL Group under the 2017 Master Purchase Agreements for the two completed years since 1 January 2018;
- (v) the respective projected increase in sales of the Revised CTEI Products to the CPP Group and the HOEL Group during the three-year term of the 2020 Master Purchase Agreements based on expected growth in business and demand from the CPP Group and the HOEL Group; and
- (vi) an additional buffer of 5% above the projected sales amount of each of 2021 to 2023 to take into account any unexpected increase in the demand for and/or the selling price of the Revised CTEI Products.

Our work done

In assessing the fairness and reasonableness of the Revised Annual Caps for 2020 and the Annual Caps for 2021-2023, we have reviewed and discussed with management of the Company on the underlying calculation, including the basis and assumptions, in formulating the same. From the review and discussion, we understand that the Company has projected the respective sales of the Revised CTEI Products to the CPP Group and the HOEL Group for the year ending 31 December 2020 based on (i) the actual sales amount of the CTEI Products to the CPP Group and the HOEL Group, respectively, for the five months ended 31 May 2020; and (ii) the respective

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projected sales amount of the Revised CTEI Products to the CPP Group and the HOEL Group for the seven months ending 31 December 2020 (including the existing CTEI Products and the New CTEI Products). The Company then further projected the potential transaction values of the CTEI Group's sales of the Revised CTEI Products to the CPP Group and the HOEL Group for each of the three years ending 31 December 2021, 2022 and 2023 based on the projected sales amount for the year ending 31 December 2020. The Company forecasted the unit selling price of each type of the Revised CTEI Products to be in line with the latest unit selling price, where applicable, for the year ending 31 December 2020 and to remain stable for the three years ending 31 December 2023. Each of the major assumptions underlying the calculation of the proposed annual caps is elaborated below.

(a) *The projected sales of the Restricted CTEI Products*

We have discussed with the management and reviewed the calculation of the projected sales and the historical transaction amounts of the Restricted CTEI Products that the CTEI Group has been supplying to the CPP Group and the HOEL Group pursuant to the 2017 Master Purchase Agreements. As the Restricted CTEI Products are banned for being used as growth promoters for animals in China, the Company assumed that (i) the sales of certain Restricted CTEI Products to the CPP Group and the HOEL Group in China will be reduced; and (ii) the CTEI Group will continue to supply certain Restricted CTEI Products to the CPP Group and the HOEL Group for other usage in China and to other jurisdictions, subject to rules and regulations.

From our review, we noted that the projected sales for each of the Restricted CTEI Products to the CPP Group and the HOEL Group for the year ending 31 December 2020 is in line with either (i) the sales already made during the five months ended 31 May 2020; or (ii) the projected sales to be made with reference to contracts already entered into by the CTEI Group; or (iii) the annualised transaction amounts of the CTEI Products for the five months ended 31 May 2020.

The Company further projected the sales of certain Restricted CTEI Products that the CTEI Group expects to continue to supply to the CPP Group and the HOEL Group, if any, to grow at 10% annually to cater for the potential business growth of the CPP Group and the HOEL Group.

Having considered the above, in particular (i) the actual transaction amount of the Restricted CTEI Products with the CPP Group and the HOEL Group for the five months ended 31 May 2020; (ii) the contracts already entered into by the CTEI Group, and (iii) the historical fluctuations in the volume and price of the Restricted CTEI Products supplied to the CPP Group and the HOEL Group, we considered the projected sales amount of the Restricted CTEI Products for the year ending 31 December 2020 and the estimated annual increase for the three years ending 31 December 2021, 2022 and 2023 is fair and reasonable.

LETTER FROM BALLAS CAPITAL LIMITED

(b) The projects sales of the existing CTEI Products (other than the Restricted CTEI Products)

We have discussed with the management and reviewed the calculation of the projected sales and the historical transaction amounts of the CTEI Products that the CTEI Group has been supplying to the CPP Group and the HOEL Group pursuant to the 2017 Master Purchase Agreements. As discussed with the management of the Company, as a sizeable portion of the CTEI Products supplied to the CPP Group and the HOEL Group comprised of the Restricted CTEI Products, the CTEI Group intended to increase the supply of other CTEI Products which are required by the CPP Group and the HOEL Group in view of the expected decrease in demand for the Restricted CTEI Products.

From our review, we noted that the expected sales of the existing CTEI Products that the CTEI Group expects to continue to supply to the CPP Group and the HOEL Group for the year ending 31 December 2020 is projected taking into account (i) highest annual transaction amount of such CTEI Products during the term of the 2017 Master Purchase Agreements; (ii) the historical transaction amounts of the CTEI Products for the five months ended 31 May 2020; and (iii) the expected increase in the proportion supplied by the CTEI Group of certain CTEI Products to the CPP Group and the HOEL Group based on the estimated demands of the CPP Group and the HOEL Group.

The Company further projected the sales of the CTEI Products (other than the Restricted CTEI Products) that the CTEI Group expects to continue to supply to the CPP Group and the HOEL Group to grow at 10% to 22% annually based on the expected growth in business and demand of the CPP Group and the HOEL Group.

Having considered the above, in particular (i) the actual historical transaction amount of the CTEI Products with the CPP Group and the HOEL Group during the term of the 2017 Master Purchase Agreements; and (ii) the historical fluctuations in the volume and price of the CTEI Products supplied to the CPP Group and the HOEL Group, we considered the projected sales amount of the CTEI Products for the year ending 31 December 2020 and the estimated annual increase for the three years ending 31 December 2021, 2022 and 2023 is fair and reasonable.

(c) The projected sales amount of the New CTEI Products

As stated in the Letter from the Board, the CTEI Group is expanding its trading business and supplying a wider variety of products to its customers. The Company understands from CPP and HOEL that the CPP Group and the HOEL Group both have business needs for some of such products and are interested to purchase them from the CTEI Group provided the commercial terms are acceptable. As such, the CTEI Group expected to supply certain New CTEI Products, which the CPP Group and the HOEL Group has been sourcing from other independent suppliers from the market, to the CPP Group and the HOEL Group. In view of the change in demand, the Company expected that a substantial amount of the Revised CTEI Products to be supplied to the CPP Group and the HOEL Group pursuant to the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements would be New CTEI Products.

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As the sales of the New CTEI Products to the CPP Group and the HOEL Group are expected to commence in the fourth quarter of 2020, the Company expected that (i) the Original CPP Annual Cap for 2020 and the Original HOEL Annual Cap for 2020 will be exceeded taking into account the additional sales from the New CTEI Products in the fourth quarter of 2020; and (ii) the transaction amount of the Revised CTEI Products to the CPP Group and the HOEL Group for the year ending 31 December 2021 will be significantly higher than that for the year ending 31 December 2020 taking into account the annualised effect of the forecasted sales of the New CTEI Products for the year ending 31 December 2020 to the CPP Group and the HOEL Group.

We have discussed with the management and reviewed the calculation of the projected sales for the New CTEI Products that the CTEI Group intends to supply to the CPP Group and the HOEL Group pursuant to the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements. From our discussion and review, we understand that the projected sales amount of the New CTEI Products to the CPP Group and the HOEL Group was based on the estimated demand of the CPP Group and the HOEL Group on the New CTEI Products. As advised by the Company, the Company estimated the demands of the CPP Group and the HOEL Group for the New CTEI Products based on their understanding on the CPP Group and the HOEL Group's scale of operations given the years of business relationship and assumed that the CTEI Group would supply certain portion of such demands provided that the CTEI Group is able to negotiate with the CPP Group and the HOEL Group on an arm's length basis, and transact on terms and pricing that are on normal commercial terms and are no more favourable than the terms offered by the CTEI Group to other independent third parties.

The Company projected the demand of the CPP Group and the HOEL Group on the New CTEI Products for the year ending 31 December 2020 based on the estimated consumption of the New CTEI Products of the CPP Group and the HOEL Group for the year ended 31 December 2019 and assumed such demand to grow steadily for the three years ending 31 December 2023. According to the Organisation for Economic Co-operation and Development, in term of pork consumption per capita, the PRC, where the major operations of the CPP Group and the HOEL Group were based, ranked third in the world in 2019. Furthermore, the pork and poultry meat consumption in the PRC is expected to grow steadily at a compounded annual growth rate ("CAGR") of approximately 1.5% from 2019 to 2023. Such demand and growth is expected to benefit the business of the CPP Group and the HOEL Group during the term of the 2020 Master Purchase Agreements. Furthermore, we have reviewed the latest published annual reports of CPP and noted that the revenue of CPP from its agri-food operations in the PRC has been growing at a CAGR of approximately 11.3% from 2016 to 2019.

In view of the expected sales of the New CTEI Products to the CPP Group and the HOEL Group, we have also obtained the expected production capacity of the CTEI Group for each of the New CTEI Products and noted that the CTEI Group will still have capacity to supply the New CTEI Products to other independent customers after satisfying the expected demands from the CPP Group and the HOEL Group.

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Having considered the above, in particular (i) the fact that the CPP Group and the HOEL Group has been sourcing the New CTEI Products from other independent suppliers in the market; (ii) the New CTEI Products are expected to be sold by the CTEI Group to the CPP Group and the HOEL Group in the fourth quarter of 2020; (iii) estimated demand and potential business growth of the CPP Group and the HOEL Group on the New CTEI Products; and (iv) the expected production capacity of the CTEI Group for the New CTEI Products, we considered the projected sales amount of the New CTEI Products for the years ending 31 December 2020, 2021, 2022 and 2023 is fair and reasonable.

Our view

Based on the various factors described above and our review of the underlying calculations from the Company, we concur with the view of the management of the Company that the Revised Annual Caps for 2020 and the Annual Caps for 2021-2023 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, as the annual caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2023, we express no opinion as to how closely the supply of the Revised CTEI Products pursuant to the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements shall correspond to the annual caps.

E. Requirements by the Listing Rules regarding the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that they have been entered into:
 - in the ordinary and usual course of business of the CTEI Group;
 - on normal commercial terms or better; and
 - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (b) each year the auditors of the Company must report on the Continuing Connected Transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the CTEI Group if the Continuing Connected Transactions involve the provision of goods or services by the CTEI Group;

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- were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) governing the Continuing Connected Transactions; and
 - have exceeded the annual caps.
- (c) the Company must allow, and ensure that the relevant counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively.

As set out in the Letter from the Board, the Company will continue to adhere to the internal control policies in place to ensure the Continuing Connected Transactions are conducted in accordance with the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements, on normal commercial terms, in accordance with the pricing policies and not exceeding the approved annual caps.

In light of the reporting requirements relating to the Continuing Connected Transactions, in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the aforesaid principal factors and reasons referred to above, we are of the opinion that (i) the 2020 Supplemental Purchase Agreements (including the Revised Annual Caps for 2020 and the basis for arriving the same); and (ii) the 2020 Master Purchase Agreements (including the Annual Caps for 2021-2023 and the basis for arriving at the same) and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the CTEI Group and in the interests of the Company and the Shareholders as a whole, and the terms thereof as well as the respective annual caps are fair and reasonable.

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Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the entering into of the 2020 Supplemental Purchase Agreements, the 2020 Master Purchase Agreements and the transactions thereunder (including the respective proposed annual caps).

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng **Carmen Lin**
Managing Director *Vice President*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Carmen Lin of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the CTEI Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Directors' interests in shares of the Company

Name of Director	Capacity	Number of ordinary shares held <i>(Note)</i>	Approximate percentage of the issued ordinary share capital of the Company
Mr. Thirayut Phityaisarakul	Beneficial owner	410,000 (L)	0.17%
Mr. Thanakorn Seriburi	Beneficial owner	625,848 (L)	0.26%

Note: The letter "L" denotes a long position.

(b) Directors' interests in shares of associated corporation of the Company**C. P. Pokphand Co. Ltd.**

Name of Director	Capacity	Number of shares held (Note)	Approximate percentage of the issued share capital of the associated corporation
Mr. Thirayut Phityaisarakul	Beneficial owner	41,000,000 (L)	0.17%
Mr. Thanakorn Seriburi	Beneficial owner	37,584,807 (L)	0.16%

Note: The letter "L" denotes a long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, save for the fact that each of Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont was a director or employee of CPG; and Mr. Yoichi Ikezoe was a director or employee of ITOCHU Corporation, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors or his associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the CTEI Group which falls to be disclosed under the Listing Rules.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company or any other member of the CTEI Group, save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading positions of the CTEI Group since 31 December 2019 (the date to which the latest published audited consolidated accounts of the CTEI Group were made up).

6. INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the expert referred to in paragraph 7 “Qualification and Consent of Expert” below has any direct or indirect interest in any assets of material importance to the Company which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the CTEI Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the CTEI Group were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the CTEI Group taken as a whole.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the inclusion in expert who has given its opinion or advice for this circular:

Name	Qualification	Nature of opinion or advice	Date of opinion
Ballas Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO	Letter to the Independent Board Committee and the Independent Shareholders	20 August 2020

Ballas Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Ballas Capital did not have any shareholding in the Company or any other member of the CTEI Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the CTEI Group.

8. MISCELLANEOUS

- (a) The Company's registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Ng Mei Wah. She is an associate member of the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including 4 September 2020:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (b) the letter from Ballas Capital, the text of which is set out on pages 22 to 38 of this circular;
- (c) the written consent from Ballas Capital referred to in the paragraph headed "Qualification and Consent of Expert" in this appendix;
- (d) the 2017 Master CPP Purchase Agreement;
- (e) the 2017 Master HOEL Purchase Agreement;
- (f) the 2020 Supplemental CPP Purchase Agreement;
- (g) the 2020 Supplemental HOEL Purchase Agreement;
- (h) the 2020 Master CPP Purchase Agreement;
- (i) the 2020 Master HOEL Purchase Agreement; and
- (j) this circular.

NOTICE OF SPECIAL GENERAL MEETING



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of Chia Tai Enterprises International Limited (the “**Company**”) will be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 4 September 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

- (1) **“THAT:**
 - (i) the 2020 CPP Supplemental Purchase Agreement (as defined in the circular of the Company dated 20 August 2020 (the “**Circular**”) and a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose) entered into between the Company and CPP (as defined in the Circular) in relation to the supply of the Revised CTEI Products (as defined in the Circular) and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
 - (ii) the proposed annual cap in relation to the transactions under the 2020 CPP Supplemental Purchase Agreement for the financial year ending 31 December 2020 as set out in more details in the Circular, be and are hereby approved; and
 - (iii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated in the 2020 CPP Supplemental Purchase Agreement.”

NOTICE OF SPECIAL GENERAL MEETING

(2) **“THAT:**

- (i) the 2020 HOEL Supplemental Purchase Agreement (as defined in the Circular and a copy of which is produced to the meeting marked “B” and initialed by the chairman of the meeting for identification purpose) entered into between the Company and HOEL (as defined in the Circular) in relation to the supply of the Revised CTEI Products (as defined in the Circular) and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (ii) the proposed annual cap in relation to the transactions under the 2020 HOEL Supplemental Purchase Agreement for the financial year ending 31 December 2020 as set out in more details in the Circular, be and are hereby approved; and
- (iii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated in the 2020 HOEL Supplemental Purchase Agreement.”

(3) **“THAT:**

- (i) the 2020 CPP Master Purchase Agreement (as defined in the Circular and a copy of which is produced to the meeting marked “C” and initialed by the chairman of the meeting for identification purpose) entered into between the Company and CPP (as defined in the Circular) in relation to the supply of the Revised CTEI Products (as defined in the Circular) and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (ii) the proposed annual caps in relation to the transactions under the 2020 CPP Master Purchase Agreement for the financial years ending 31 December 2021, 2022 and 2023 as set out in more details in the Circular, be and are hereby approved; and
- (iii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated in the 2020 CPP Master Purchase Agreement.”

NOTICE OF SPECIAL GENERAL MEETING

(4) “**THAT:**

- (i) the 2020 HOEL Master Purchase Agreement (as defined in the Circular and a copy of which is produced to the meeting marked “D” and initialed by the chairman of the meeting for identification purpose) entered into between the Company and HOEL (as defined in the Circular) in relation to the supply of the Revised CTEI Products (as defined in the Circular) and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (ii) the proposed annual caps in relation to the transactions under the 2020 HOEL Master Purchase Agreement for the financial years ending 31 December 2021, 2022 and 2023 as set out in more details in the Circular, be and are hereby approved; and
- (iii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated in the 2020 HOEL Master Purchase Agreement.”

By order of the Board
Thanakorn Seriburi
Director

Hong Kong, 20 August 2020

As at the date of this notice, the Board comprises Mr. Soopakij Chearavanont (chairman and non-executive director), Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont, Mr. Chawalit Na Muangtoun (executive directors), Mr. Yoichi Ikezoe (non-executive director), Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung (independent non-executive directors).

Notes:

1. A form of proxy for use at the SGM is being dispatched to the shareholders of the Company together with a copy of this notice.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the SGM convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from 1 September 2020 to 4 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration before 4:30 p.m. on 31 August 2020.

NOTICE OF SPECIAL GENERAL MEETING

5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's Registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 10:30 a.m. (Hong Kong time) on 2 September 2020) or any adjournment thereof (as the case may be).
6. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the SGM, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
8. The votes to be taken at the SGM will be by way of a poll.
9. **In line with the prevailing practices and guidelines on the prevention of COVID-19, the Company may, depending on the development of COVID-19, implement additional precautionary measures at the SGM which may include without limitation:**
 - **body temperature screening;**
 - **mandatory use of surgical face masks at all times on company premises;**
 - **mandatory health declaration – please be advised that anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the SGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the SGM;**
 - **no refreshments will be provided to attendees; and**
 - **other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding.**
10. **In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, the Company strongly encourages the Shareholders NOT attend the SGM in person, in such case, and advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.**
11. **The Shareholders are advised to read the leaflet attached to this notice for further detail and monitor the development of COVID-19. The Company may implement further changes and precautionary measures as appropriate.**
12. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain Director(s) of the Company may attend the SGM through telephone/video conference or similar electronic means.



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In line with the prevailing practices and guidelines on the prevention of COVID-19, Chia Tai Enterprises International Limited (the “**Company**”) may, depending on the development with regard to COVID-19, implement additional precautionary measures at the special general meeting (“**SGM**”) to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 4 September, at 10:30 a.m., in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the SGM (the “**Stakeholders**”), which may include without limitation:

- (1) All attendees will be required to **wear surgical face masks** before they are permitted to attend, and during their attendance of, the SGM.
- (2) There will be **compulsory body temperature** screening for all persons before entering the SGM venue.
- (3) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the SGM venue or be required to promptly leave the SGM venue.
- (4) No refreshments will be provided to attendees.
- (5) Other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding. The Company may implement further changes and precautionary measures as appropriate.
- (6) In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, and in the interests of protecting the Stakeholders, the Company is supportive of the precautionary measures being adopted and strongly encourages shareholders **NOT attend the SGM in person**, in such case, and advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.
- (7) The Shareholders are advised to read this leaflet carefully and monitor the development of COVID-19. Health education materials and up-to-date development on COVID-19 can be found on the CHP website (www.chp.gov.hk) and the website of the HKSAR Government on COVID-19 (www.coronavirus.gov.hk).