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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)

CONNECTED AND DISCLOSEABLE TRANSACTION PAYMENT OF EARNEST MONEY UNDER FRAMEWORK AGREEMENT

FRAMEWORK AGREEMENT

The Board announces that on 24 December 2020, CT Pucheng and CT Huazhong (each a wholly-owned subsidiary of the Company) entered into the Framework Agreement with the Vendors, under which:

- (1) the Vendors shall initiate the procedure under the prescribed requirements for the transfer of state-owned assets in the PRC for the sale of the Target Equity Interests; and
- (2) subject to the Vendors having obtained the governmental approval for the transactions under the Framework Agreement, the Purchasers shall pay the Vendors RMB20 million (equivalent to approximately US\$3.0 million) as earnest money in accordance with the terms of the Framework Agreement.

IMPLICATION OF THE LISTING RULES

One of the Vendors, Pucheng County Biochemical Factory, is a substantial shareholder of Pucheng Chia Tai holding approximately 15.27% interests in it. As Pucheng County Biochemical Factory is a substantial shareholder of Pucheng Chia Tai and Pucheng Chia Tai is currently a 69.74% owned subsidiary of the Company, Pucheng County Biochemical Factory is therefore a connected person of the Company at the subsidiary level and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Transaction and (ii) all of the independent non-executive Directors have confirmed that the terms of the Transaction are fair and reasonable, and that the Transaction is being conducted on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole, the Transaction is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios under the Listing Rules in respect of the Transaction exceeds 5% but all are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Transaction (which is the subject of this announcement) relates to the payment of the earnest money under the terms of the Framework Agreement. The Possible Acquisition itself may or may not proceed. If it proceeds, the Company will comply with all applicable requirements under the Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

FRAMEWORK AGREEMENT

On 24 December 2020, the Board announces that CT Pucheng and CT Huazhong (each a wholly-owned subsidiary of the Company) entered into the Framework Agreement with the Vendors. The principal terms of the Framework Agreement are set out as follows:

Date

24 December 2020

Parties

- (1) CT Pucheng (as Purchaser)
- (2) CT Huazhong (as Purchaser)
- (3) Pucheng County Biochemical Factory (as Vendor)
- (4) Xinglv Arts & Craft (as Vendor)

Subject matter

The Vendors shall initiate the procedure under the prescribed requirements for the transfer of state-owned assets in the PRC for the sale of the Target Equity Interests, including to obtain legal opinion, local government approval, asset appraisal and tender, auction or listing-for-sale of such equity interests for sale. Subject to the Vendors having obtained the governmental approval for the transactions under the Framework Agreement, the Purchasers shall pay RMB20 million (equivalent to approximately US\$3.0 million) as earnest money to the Vendors.

Payment and application or repayment of earnest money

The amount of earnest money was determined after arm's length negotiations between the Purchasers and the Vendors taking into account the unaudited consolidated net asset value of Pucheng Chia Tai as at 31 December 2019, which amounted to approximately US\$76.8 million. The amount of earnest money of RMB20 million (equivalent to approximately US\$3.0 million) is payable to the respective Vendors as follows:

- (i) RMB19,329,100 (equivalent to approximately US\$2.9 million) payable to Pucheng County Biochemical Factory; and
- (ii) RMB670,900 (equivalent to approximately US\$102,000) payable to Xinglv Arts & Craft.

Subject to (a) the Vendors having completed the relevant tender, auction or listing-for-sale procedure for transfer of state-owned assets in the PRC in relation to the sale of the Target Equity Interests, (b) CT Pucheng and CT Huazhong actually participating in and successfully becoming the purchasers following the tender, auction or listing-for-sale process organised for the Target Equity Interests, and (c) the Possible Acquisition being completed on or before 31 December 2021, the amount of earnest money shall be repaid by the Vendors to the Purchasers within seven days from the Vendor's receipt of proceeds for such sale.

If for any reason the Possible Acquisition has not materialised by 31 December 2021, the Framework Agreement shall terminate automatically and the Vendors will repay the full amount of earnest money as follows:

- (i) if another party has successfully become the purchasers following the tender, auction or listing-for-sale process organised for the sale of the Target Equity Interests, the Vendors shall return the earnest money to the Purchasers within seven days from the Vendors' receipt of proceeds for such sale; or
- (ii) if the Vendors have not disposed of the Target Equity Interests by 31 December 2021 to any party, the Vendors shall instruct Pucheng Chia Tai to pay to the Purchasers such amounts as will together represent 15.80% (being the shareholding percentage of the Target Equity Interests in aggregate out of the total registered capital of Pucheng Chia Tai) of all dividend distributions which Pucheng Chia Tai will declare in favour of its shareholders until the full amount of earnest money is repaid.

INFORMATION ON PUCHENG CHIA TAI

Pucheng Chia Tai is a limited liability company established on 24 August 1995 under the laws of the PRC. As at the date of this announcement, Pucheng Chia Tai has a registered capital of approximately RMB190 million.

The following table sets out certain financial information of Pucheng Chia Tai for the financial years ended 31 December 2017, 2018 and 2019 respectively based on its unaudited consolidated management accounts which were prepared in accordance with IFRS:

	<i>For the Year Ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	5,326	7,753	8,537
Profit after taxation	4,496	6,745	7,342

According to the unaudited consolidated management accounts prepared in accordance with IFRS, the unaudited consolidated net asset value of Pucheng Chia Tai was approximately US\$76.8 million as at 31 December 2019.

INFORMATION ON THE PARTIES

Each of CT Pucheng and CT Huazhong is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. CT Pucheng and CT Huazhong are investment holding companies which hold 36.60% and 33.14% of the equity interests in Pucheng Chia Tai respectively.

Pucheng County Biochemical Factory, a state-owned enterprise established in the PRC that is principally engaged in investment holding, holds 15.27% equity interest in Pucheng Chia Tai. To the best of the Director's knowledge, Pucheng County Biochemical Factory is ultimately owned by the PRC government.

Xinglv Arts & Craft, a state-owned enterprise established in the PRC that is principally engaged in investment holding, holds 0.53% equity interest in Pucheng Chia Tai. To the best of the Director's knowledge, Xinglv Arts & Craft is ultimately owned by the PRC government.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owner of both Pucheng County Biochemical Factory and Xinglv Arts & Craft is an independent third party of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

Pucheng Chia Tai is a subsidiary of the Company which is principally engaged in manufacturing and/or sale of chlortetracycline products and other related products.

The Company through CT Pucheng and CT Huazhong holds 69.74% equity interests in aggregate in Pucheng Chia Tai. Pucheng Chia Tai has been one of the Group's principal profit contributors for many years and the Company has been exploring the opportunity to increase its equity interests in Pucheng Chia Tai if the terms of acquisition are acceptable. Because the Vendors are bound by applicable regulations in relation to the sale of state-owned assets to conduct any sale of their assets

though the tender, auction or listing-for-sale process, the parties have agreed that the Purchasers shall pay RMB20 million (equivalent to approximately US\$3.0 million) to the Vendors as earnest money in order for the Vendors to initiate that process so that an opportunity to pursue an acquisition of the Target Equity Interests would present itself.

If for any reason (including because CT Pucheng and CT Huazhong decide not to participate in the tender, auction or listing-for-sale process) the Possible Acquisition does not materialise by 31 December 2021, the Board is of the view that the Company's interest is safeguarded as (i) the Vendors would be obliged contractually to return the earnest money from the sales proceeds generated from the sale of the Target Equity Interests to another party, or (ii) if there is no such sale, the Vendors are in any event required to instruct Pucheng Chia Tai (which CT Pucheng and CT Huazhong together already control through their majority equity interest) to pay over to CT Pucheng and CT Huazhong that part of all future dividends to which the Vendors would be entitled until the full amount of earnest money is repaid. Based on its current financial position, the Company believes that Pucheng Chia Tai has sufficient accumulated profits and financial resources for declaration and payment of dividends to its shareholders so that 15.80% (being the Target Equity Interests held by the Vendors in aggregate) of such dividend amount would cover the full amount of earnest money.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has a material interest in the Framework Agreement and is required to abstain from voting on the resolution to approve this matter considered at the relevant meeting of the Board.

IMPLICATIONS OF THE LISTING RULES

The 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.

One of the Vendors, Pucheng County Biochemical Factory, is a substantial shareholder of Pucheng Chia Tai holding approximately 15.27% interests in it. As Pucheng County Biochemical Factory is a substantial shareholder of Pucheng Chia Tai and Pucheng Chia Tai is currently a 69.74% owned subsidiary of the Company, Pucheng County Biochemical Factory is therefore a connected person of the Company at the subsidiary level and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

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

“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
“CT Huazhong”	正大華中生化有限公司 (Chia Tai Huazhong Biochemistry Limited), a limited company incorporated in Hong Kong which currently holds 33.14% equity interest in Pucheng Chia Tai
“CT Pucheng”	正大浦城生化有限公司 (Chia Tai Pucheng Biochemistry Limited), a limited company incorporated in Hong Kong which currently holds 36.60% equity interest in Pucheng Chia Tai
“Director(s)”	the Directors of the Company
“Framework Agreement”	the framework agreement dated 24 December 2020 entered into between the Purchasers and the Vendors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Acquisition”	the possible acquisition of the Target Equity Interests from the Vendors by the Purchasers
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	CT Pucheng and CT Huazhong

"Pucheng Chia Tai"	浦城正大生化有限公司 (Pucheng Chia Tai Biochemistry Co., Ltd.), a limited liability company established under the laws of the PRC
"Pucheng County Biochemical Factory"	地方國營福建省浦城縣生物化學廠 (Local State-owned Fujian Province Pucheng County Biochemical Factory*), a state-owned enterprise established in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	ordinary shares of US\$0.10 each in the capital of the Company
"Shareholders"	holders of Shares from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Equity Interests"	15.27% and 0.53% of the equity interests in Pucheng Chia Tai held by Pucheng County Biochemical Factory and Xinglv Arts & Craft respectively as at the date of this announcement
"Transaction"	the payment of RMB20 million as earnest money contemplated under the Framework Agreement
"US\$"	United States Dollars, the lawful currency of the United States of America
"Vendors"	Pucheng County Biochemical Factory and Xinglv Arts & Craft
"Xinglv Arts & Craft"	浦城縣興旅工藝品有限公司 (Pucheng County Xinglv Arts & Craft Co. Ltd.*), a state-owned limited liability company established in the PRC
"%"	per cent

By order of the Board
Thanakorn Seriburi
Director

Note: For the purpose of this announcement, and unless otherwise specifically noted, the exchange rate for the conversion of US\$ into RMB for indication only is: US\$1.0 = RMB6.58.

Hong Kong, 24 December 2020

As at the date of this announcement, 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).

** The English names of the PRC entities are translation of their Chinese names, and are included for identification purpose only.*