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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)

CONTINUING CONNECTED TRANSACTIONS

(1) EXCEEDING THE ANNUAL CAP FOR 2020

(2) REVISION OF ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2023

CONTINUING CONNECTED TRANSACTIONS EXCEEDING 2020 ANNUAL CAP AND REVISION OF 2021-2023 ANNUAL CAPS

It has come to the attention of the Company that the actual transaction amount of the 2020 Transactions exceeded the Revised HOEL Annual Cap for 2020. The Company also proposes to revise the Existing 2021-2023 Annual Caps.

LISTING RULES IMPLICATIONS

As explained in the section “Listing Rules Implications” below, the actual transaction amount of the 2020 Transactions exceeding the Revised HOEL Annual Cap for 2020 and the proposed Revised 2021-2023 Annual Caps are subject to certain compliance requirements under the Listing Rules, including approval by the independent shareholders of the Company.

BACKGROUND

Reference is made to the announcement of the Company dated 30 July 2020 (the “**Previous CCT Announcement**”) in relation to, among other things, the annual cap for the sale by the CTEI Group of the Revised CTEI Products to the HOEL Group under the 2020 Supplemental HOEL Purchase Agreement for the year ended 31 December 2020 (the “**2020 Transactions**”) and those under the 2020 Master HOEL Purchase Agreement for the three years ended 31 December 2023 (the “**2021-2023 Transactions**”). Capitalised terms used herein shall have the same meanings as those defined in the Previous CCT Announcement unless the context requires otherwise or where defined in this announcement.

THE 2020 TRANSACTIONS AND THE 2021-2023 TRANSACTIONS

On 30 July 2020, the Company entered into the 2020 Supplemental HOEL Purchase Agreement with HOEL for supplementing the terms of and increasing the annual cap for the 2020 Transactions. On the same day, the Company also entered into the 2020 Master HOEL Purchase Agreement with HOEL for renewal of similar transactions for the three years ending 31 December 2023. The principal terms of the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement and information on the historical transaction amounts between the CTEI Group and the HOEL Group were set out in the Previous CCT Announcement. Up to the date of this announcement, no change has been made to these two agreements.

(1) THE TRANSACTION AMOUNT OF THE 2020 TRANSACTIONS EXCEEDING THE REVISED HOEL ANNUAL CAP FOR 2020

In the course of finalising the annual results of the Company for the financial year ended 31 December 2020, it came to the attention of the Company that the actual transaction amount of the 2020 Transactions amounted to approximately US\$8,461,000, which exceeded the Revised HOEL Annual Cap for 2020 of US\$7,800,000. The higher transaction amount was the result of a higher than expected demand from the HOEL Group for the Revised CTEI Products, especially towards the end of the year, having recorded approximately US\$1,462,000 and US\$2,170,000 of sales in November and December 2020 respectively. As the actual transaction amount of the 2020 Transactions exceeded the Revised HOEL Annual Cap for 2020, the Company is required to comply with the applicable requirements under Chapter 14A of the Listing Rules.

In order to avoid the occurrence of similar events in the future, the Company will strengthen the reporting and monitoring procedures for the transaction amounts of the existing continuing connected transactions entered into by the CTEI Group. More specifically, the CTEI Group will adopt measures to improve the process and frequency of data collection and cross checking to ensure that the amounts for such transactions recorded from the beginning of the year up to any particular point in time together with the projected transaction amounts for the rest of the year do not exceed the previously set annual caps for that year.

(2) REVISION OF ANNUAL CAPS IN RESPECT OF THE TRANSACTION AMOUNTS OF THE 2021-2023 TRANSACTIONS

In light of the factors set out below, the previously announced annual caps for the 2021-2023 Transactions (collectively, the “**Existing 2021-2023 Annual Caps**”) are proposed to be increased significantly.

In determining the proposed revised annual caps in respect of the 2021-2023 Transactions referred to below, the Directors have taken the following factors into consideration:

- (1) the actual higher transaction amount of the 2020 Transactions of approximately US\$8,461,000 compared to the Revised HOEL Annual Cap for 2020 of US\$7,800,000, especially noting the significant increase towards the end of the year;

- (2) the significant increase in sales of the Revised CTEI Products to the HOEL Group in January 2021, in which approximately US\$3,408,000 of transactions were recorded;
- (3) For projecting the sales for the year ending 31 December 2021, annualising the above transaction amount for January and allowing for further increase in view of the significant growth recorded in the three months of November and December 2020 and January 2021;
- (4) the projected sales of the Revised CTEI Products to the HOEL Group for the two years of 2022 and 2023 based on information received from the HOEL Group on: (i) its substantial planned expansion in production which will significantly increase its demand for items which the CTEI Group can supply as the Revised CTEI Products; and (ii) the increasing proportion out of such items which were sourced from the CTEI Group in 2019 and 2020 and the projected further increase in such proportion for the two years ending 31 December 2023; and
- (5) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors.

Set out below are (i) the Existing 2021-2023 Annual Caps; and (ii) the proposed revised annual caps for the 2021-2023 Transactions (collectively, the “**Revised 2021-2023 Annual Caps**”):

Existing Annual Caps			Revised Annual Caps		
For the year ending			For the year ending		
31 December			31 December		
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
15.4	17.7	21.0	52.0	62.0	75.0

INFORMATION ON THE PARTIES

The Company is an investment holding company. The CTEI Group is principally engaged in the manufacture and/or sale of chlortetracycline and other related products. Additionally, the CTEI Group is also involved, through its joint venture and its associated company, in the trading of machinery and the manufacture and sale of automotive parts.

HOEL is an investment holding company and is a subsidiary of CPG. The HOEL Group includes companies principally engaged in agri-food business.

REASONS FOR AND BENEFITS OF CONTINUING CONNECTED TRANSACTIONS

The purpose of entering into the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement is to enable the CTEI Group to supply the Revised CTEI Products to the HOEL Group and thereby generate increased sales for the CTEI Group.

Of those Directors who attended the relevant board meeting of the Company, Mr. Thirayut Phityaisarakul and Mr. Thanakorn Seriburi (executive Directors) (collectively, the “**Interested Directors**”) each had a material interest in the 2020 Supplemental HOEL Purchase Agreement and the Revised 2021-2023 Annual Caps in view of their respective shareholdings in CPG, and as a result abstained from voting on the resolutions for rectifying the transactions under the 2020 Supplemental HOEL Purchase Agreement and the actual transaction amount of the 2020 Transactions (the “**Rectification**”) and for approving the Revised 2021-2023 Annual Caps.

The Directors (excluding the Interested Directors and independent non-executive Directors, who will comprise the independent board committee and who will provide their advice after having received the advice from the independent financial adviser) are of the view the terms and conditions of the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement (which were detailed in the Previous CCT Announcement and remain unchanged) are fair and reasonable and consider that the respective transactions thereunder, the actual transaction amount of the 2020 Transactions and the Revised 2021-2023 Annual Caps are on normal commercial terms and entered into in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CPF is interested in approximately 47.8% of the Shares in issue and CPG is interested in approximately 47.96% of the issued share capital of CPF. 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 accordingly CPG, its subsidiaries and their respective associates are treated as connected persons of the Company. As HOEL is a subsidiary of CPG, the 2020 Transactions and the 2021-2023 Transactions are treated as if they were continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the actual transaction amount of the 2020 Transactions is more than 5%, the 2020 Transactions are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised 2021-2023 Annual Caps is more than 5%, the Revised 2021-2023 Annual Caps are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a special general meeting to consider and, if thought fit, approve the Rectification and the Revised 2021-2023 Annual Caps. CPG and its associates will abstain from voting at the special general meeting in respect of the resolution on these matters.

An independent board committee has been established to consider the Rectification and the Revised 2021-2023 Annual Caps and Ballas Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company as to whether the Rectification and the Revised 2021-2023 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing (i) further information regarding the Rectification and the Revised 2021-2023 Annual Caps; (ii) the recommendation of independent board committee to the independent shareholders of the Company in respect of the Rectification and the Revised 2021-2023 Annual Caps and a related letter from the independent financial adviser containing the advice to the independent board committee and the independent shareholders of the Company; and (iii) a notice convening a special general meeting is expected to be dispatched to the Shareholders on or before 26 March 2021.

By order of the Board
Thanakorn Seriburi
Director

Hong Kong, 5 March 2021

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).