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CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with members' limited liability)

(Stock code: 3839)

CONTINUING CONNECTED TRANSACTIONS

MASTER ITOCHU SUPPLY AGREEMENT

On 13 September 2023, the Company entered into the Master ITOCHU Supply Agreement, pursuant to which the Group would purchase from the ITOCHU Group the CTEI Purchase Products during the term of the agreement.

LISTING RULES IMPLICATIONS

As explained in the section headed "Listing Rules Implications" below, the transactions contemplated under the Master ITOCHU Supply Agreement are continuing connected transactions of the Company under the Listing Rules and are subject to certain compliance requirements under the Listing Rules.

MASTER ITOCHU SUPPLY AGREEMENT

(a) Date

13 September 2023

(b) Parties

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

(c) Subject matter

Purchase of the CTEI Purchase Products by the Group from the ITOCHU Group.

(d) Pricing policy

As a general principle, the price and terms of each individual order under the Master ITOCHU Supply Agreement will be on normal commercial terms and negotiated between the Group and the ITOCHU Group on an arm's length basis similar to those transactions which the Group conducts with independent third party suppliers and on terms which are no less favourable to the Group than those offered by independent third party suppliers.

The Group compares the quote from the ITOCHU Group with quotes from at least two independent third party suppliers for similar volume of the same or similar products of comparable standards before confirming from which supplier the Group would make the purchase. The process is to ensure that the prices of the CTEI Purchase Products offered by the ITOCHU Group are no higher than those of a similar volume and comparable standards offered by independent third party suppliers.

(e) Payment terms

The Group would generally request for credit terms consistent with the generally accepted market practice from time to time. The payment terms for the Group would be the same as the payment terms offered by independent third party suppliers. Interest would be charged by the ITOCHU Group on overdue payment.

(f) Term

The Master ITOCHU Supply Agreement shall take effect immediately and continue until 31 December 2025.

(g) Historical amounts of the CTEI Purchase Products purchased from the ITOCHU Group

	For the financial year ended 31 December 2022	For the seven months ended 31 July 2023
Historical amounts purchased from the ITOCHU Group	US\$264,000 (approximately HK\$2.1 million)	US\$304,000 (approximately HK\$2.4 million)

(h) Annual caps

	For the financial year ending 31 December		
	2023	2024	2025
Master ITOCHU Supply Agreement	US\$1.1 million (approximately HK\$8.6 million)	US\$1.4 million (approximately HK\$10.9 million)	US\$1.6 million (approximately HK\$12.5 million)

The above annual caps have been determined by reference to (i) the value of the historical purchases for the financial year ended 31 December 2022 and the seven months ended 31 July 2023; and (ii) the projected increase in the overall purchase volume of the CTEI Purchase Products from the ITOCHU Group for the remaining part of 2023 and for the financial years ending 31 December 2024 and 2025.

REASONS FOR ENTERING INTO THE TRANSACTIONS

The Directors consider that the Master ITOCHU Supply Agreement will enable the Group to continue to purchase the CTEI Purchase Products required by the Group in the manufacture and/or sale of chlortetracycline and other related products from the ITOCHU Group as a reliable, diverse and competitively priced source of supply.

The Board considered that Mr. Yoichi Ikezoe (a non-executive Director) had a material interest in the transactions contemplated under the Master ITOCHU Supply Agreement in view of his connections with ITOCHU and certain other companies in the ITOCHU Group, and accordingly he abstained from voting on the resolutions relating to the Master ITOCHU Supply Agreement. Save as disclosed above, none of the other Directors was required to abstain from voting on the board resolutions for the approval of the Master ITOCHU Supply Agreement.

The Directors (including the independent non-executive Directors) are of the opinion that the Master ITOCHU Supply Agreement and the transactions thereunder (including the respective annual caps) are on normal commercial terms, entered into in the ordinary and usual course of business of the Group, and that the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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

ITOCHU is a company incorporated in Japan and its securities are listed on the Tokyo Stock Exchange. The operations of the ITOCHU Group cover a broad spectrum of industries. These include the CTEI Purchase Products in the geographical regions in which the Group operates.

LISTING RULES IMPLICATIONS

As at the date of this announcement, ITOCHU is interested in approximately 25% of the Shares in issue and is a substantial shareholder of the Company. Accordingly, the transactions contemplated under the Master ITOCHU Supply Agreement are continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the proposed annual caps under the Master ITOCHU Supply Agreement are more than 0.1% but less than 5%, the transactions thereunder are subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate”	has the meaning ascribed to this term in the Listing Rules
“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
“CTEI Purchase Products”	various additives and other related biochemical products required by the Group in the manufacture and/or sale of chlortetracycline and other related products
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ITOCHU”	ITOCHU Corporation, a company incorporated in Japan, the securities of which are listed and traded on the Tokyo Stock Exchange
“ITOCHU Group”	ITOCHU and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master ITOCHU Supply Agreement”	the agreement dated 13 September 2023 between the Company as purchaser and ITOCHU as supplier for the purchase of the CTEI Purchase Products by the Group from the ITOCHU Group
“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

By Order of the Board
Thanakorn Seriburi
Director

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

Hong Kong, 13 September 2023

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 and Mr. Chawalit Na Muangtoun (each an Executive Director), Mr. Yoichi Ikezoe (Non-executive Director), Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung (each an Independent Non-executive Director).