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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to (i) the announcement and the circular of the Company dated 30 July 2020 and 20 August 2020 respectively relating to, among other things, the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement and (ii) the announcement and the circular of the Company dated 5 March 2021 and 1 April 2021 respectively relating to, among other things, the revised annual caps for the three years ending 31 December 2023 under the 2020 Master HOEL Purchase Agreement.

The 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement will expire on 31 December 2023. As the Company intends to continue the transactions contemplated thereunder, on 14 September 2023, the Company entered into the 2023 Master HOEL Purchase Agreement with HOEL based on substantially the same terms and conditions as the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement. In the past, the Company maintained separate annual caps for continuing connected transactions with the CPP Group. Upon expiry of the 2020 Master CPP Purchase Agreement, these continuing connected transactions with the CPP Group would be incorporated under the 2023 Master HOEL Purchase Agreement.

LISTING RULES IMPLICATIONS

As explained in the section "Listing Rules Implications" below, such transactions are treated as continuing connected transactions of the Company under the Listing Rules and are subject to certain compliance requirements under the Listing Rules, including approval by the Independent Shareholders.

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Key terms of the 2023 Master HOEL Purchase Agreement and the related proposed annual caps for the three years ended 31 December 2024, 2025 and 2026 respectively are set out below:

2023 MASTER HOEL PURCHASE AGREEMENT

(a) Date

14 September 2023

(b) Parties

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

(c) Subject matter

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

(d) Pricing policy

The pricing policy under the 2023 Master HOEL Purchase Agreement is the same as that provided in the 2020 Master HOEL Purchase Agreement. As a general principle, quantity and price of the 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 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 2023 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 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 CTEI Products and prices offered by other suppliers for equivalent products). The price list for the CTEI Products is approved by management of the CTEI Group through internal review meetings and is reviewed periodically.

Requests from sales personnel to deviate from the price list in relation to a specific order should comply with internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the HOEL Group), and discounts should be approved by the head of the Company'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 CTEI Products.

(e) Payment terms

The CTEI Group would 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 would be charged by the CTEI Group on overdue payment.

(f) Term

Subject to the approval of the Independent Shareholders, the 2023 Master HOEL Purchase Agreement shall take effect from 1 January 2024 and continue until 31 December 2026.

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

	For the financial year ended 31 December		For the seven months ended 31 July
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Sales of the CTEI Products under the 2020 Master HOEL Purchase Agreement	US\$31.8 million (approximately HK\$248.0 million)	US\$34.4 million (approximately HK\$268.3 million)	US\$19.0 million (approximately HK\$148.2 million)
Sales of the CTEI Products under the 2020 Master CPP Purchase Agreement	US\$2.4 million (approximately HK\$18.7 million)	US\$2.0 million (approximately HK\$15.6 million)	US\$1.4 million (approximately HK\$10.9 million)
Total:	US\$34.2 million (approximately HK\$266.7 million)	US\$36.4 million (approximately HK\$283.9 million)	US\$20.4 million (approximately HK\$159.1 million)

(h) Proposed annual caps

	For the financial year ended 31 December		
	<u>2024</u>	<u>2025</u>	<u>2026</u>
Proposed annual caps for sales of the CTEI Products under the 2023 Master HOEL Purchase Agreement	US\$162.9 million (approximately HK\$1,270.6 million)	US\$194.3 million (approximately HK\$1,515.5 million)	US\$218.8 million (approximately HK\$1,706.6 million)

The above annual caps have been determined with reference to:

- (i) the amount of historical sales under the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement for each of the financial years ended 31 December 2021 and 31 December 2022 and the seven months ended 31 July 2023;
- (ii) the projected sales of the CTEI Products to the HOEL Group for the remaining part of 2023;
- (iii) the prevailing market prices of the CTEI Products, taking into account prices set by competitors;
- (iv) the projected increase in sales of the CTEI Products to the HOEL Group during the three-year term of the 2023 Master HOEL Purchase Agreement; and
- (v) an additional buffer of 5% above the projected sales amount of each of 2024 to 2026 to take into account any unexpected increase in the demand for and/or the selling price of the CTEI Products.

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.

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

REASONS FOR AND BENEFITS OF RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Directors are of the view that, upon approval by the Independent Shareholders, the 2023 Master HOEL Purchase Agreement would enable the CTEI Group to continue to supply the CTEI Products to the HOEL Group and thereby generate increased sales for the CTEI Group.

The Board considered that each of Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont, who attended the Board meeting held for considering the 2023 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 2023 Master HOEL Purchase Agreement.

Save as disclosed above, none of the other Directors who attended the relevant Board meeting had a material interest in the relevant transactions and was required to abstain from voting on the board resolutions for approving the 2023 Master HOEL Purchase Agreement.

The Directors (excluding those Directors referred to above who abstained from voting 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 that the terms and conditions of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to

transactions under the 2023 Master HOEL Purchase Agreement) are on normal commercial terms, entered into in the ordinary and usual course of business of the Company, and that the terms are fair and reasonable and are 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 47.83% of the Shares in issue and is therefore the controlling shareholder of the Company. Furthermore, approximately 45.4% 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 2023 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 proposed annual caps under the 2023 Master HOEL Purchase Agreement are more than 5%, the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the SGM to consider and, if thought fit, approve the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement). CPG, CPF and their associates will abstain from voting at the SGM in respect of the resolution on this matter.

The Independent Board Committee has been established to consider the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement). Ballas Capital Limited 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 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) 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 Independent Board Committee comprises Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, each an independent non-executive Director.

A circular containing, among other things, (i) further information regarding the renewal of the continuing connected transactions; (ii) the recommendation of Independent Board Committee to the Independent Shareholders in respect of the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) and a related letter from the independent financial adviser containing the advice to the Independent Board Committee and the Independent Shareholders; and (iii) a notice convening the SGM, which is expected to be dispatched to the Shareholders on or before 13 October 2023 as additional time is required to prepare and finalise the relevant information to be included in the circular.

DEFINITIONS

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

“2020 Master HOEL 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 CTEI Products with a term of three years from 1 January 2021 until 31 December 2023
“2020 Master CPP 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 CTEI Products with a term of three years from 1 January 2021 until 31 December 2023
“2023 Master HOEL Purchase Agreement”	the master agreement dated 14 September 2023 made between the Company as supplier and HOEL as purchaser for the supply by the CTEI Group of the CTEI Products to the HOEL Group with a term of three years from 1 January 2024 until 31 December 2026
“associates”	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
“connected persons”	has the meaning ascribed to this term in the Listing Rules
“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 12.96% of its shares and the ultimate beneficial owner of which is Mr. Sumet Jiaravanon. No other shareholders hold more than 10% of its shares
“CPP”	C.P. Pokphand Co. Ltd., an exempted company incorporated in Bermuda whose shares were delisted from the Stock Exchange on 18 January 2022

“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, animal drugs, animal health products and other related products produced and/or sold by the CTEI Group
“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 (including the CPP Group), but excluding the CTEI Group
“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
“Independent Board Committee”	an independent committee of the Board, which comprises all independent non-executive Directors, established to advise the Independent Shareholders in respect of the renewal of the continuing connected transactions
“Independent Shareholders”	the Shareholders other than CPG, CPF and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement)
“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

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, 14 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).