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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

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



THE 2017 CPP MASTER PURCHASE AGREEMENT AND THE 2017 HOEL MASTER PURCHASE AGREEMENT

Reference is made to the non-exempt continuing connected transactions disclosed in the section headed “Connected Transactions” in the listing document of the Company dated 17 June 2015 in relation to, among other things, the 2015 CPP Master Purchase Agreement and the 2015 HOEL Master Purchase Agreement. As the 2015 CPP Master Purchase Agreement and the 2015 HOEL Master Purchase Agreement will expire on 31 December 2017 and the Company intends to continue the transactions contemplated thereunder, on 30 October 2017, the Company entered into the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement with CPP and HOEL respectively.

Pursuant to the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement, the CTEI Group shall supply the CTEI Products to the CPP Group and the HOEL Group which may be required by the CPP Group and the HOEL Group, respectively for their feed and farming businesses.

PROPOSED ANNUAL CAPS FOR THE 2017 CPP MASTER PURCHASE AGREEMENT AND THE 2017 HOEL MASTER PURCHASE AGREEMENT

The annual caps for the supply of the CTEI Products by the CTEI Group to the CPP Group under the 2017 CPP Master Purchase Agreement for the financial years ending 31 December 2018, 2019 and 2020 respectively are proposed to be US\$3.7 million (approximately HK\$28.7 million), US\$4.1 million (approximately HK\$31.8 million) and US\$4.4 million (approximately HK\$34.1 million).

The annual caps for the supply of the CTEI Products by the CTEI Group to the HOEL Group under the 2017 HOEL Master Purchase Agreement for the financial years ending 31 December 2018, 2019 and 2020 respectively are proposed to be US\$3.2 million (approximately HK\$24.8 million), US\$3.5 million (approximately HK\$27.1 million) and US\$3.8 million (approximately HK\$29.5 million).

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 47.8% 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 2017 CPP Master Purchase Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Furthermore, approximately 48.5% 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 and their respective associates as connected persons of the Company within the meaning of the Listing Rules. As HOEL is an indirect wholly-owned subsidiary of CPG, transactions between the CTEI Group and the HOEL Group under the 2017 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 proposed annual caps under the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement in aggregate are more than 5%, the transactions contemplated under the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master 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, among other things, the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps). CPG, CPF and their associates will abstain from voting at the SGM in respect of the resolutions on these matters.

The Independent Board Committee has been established to consider the terms of the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps) and Mizuho Securities Asia Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable and 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.

A circular containing, among other things, (i) further information regarding the Continuing Connected Transactions (including the proposed annual caps); (ii) a letter from the independent financial adviser containing the advice 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 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the respective annual caps); and (iii) a notice convening the SGM is expected to be dispatched to the Shareholders on or before 17 November 2017.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the non-exempt continuing connected transactions disclosed in the section headed “Connected Transactions” in the listing document of the Company dated 17 June 2015 in relation to, among other things, the 2015 CPP Master Purchase Agreement and the 2015 HOEL Master Purchase Agreement. As the 2015 CPP Master Purchase Agreement and the 2015 HOEL Master Purchase Agreement will expire on 31 December 2017 and the Company intends to continue the transactions contemplated thereunder, on 30 October 2017, the Company entered into the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement with CPP and HOEL respectively.

The major terms of the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement are summarised below:

1 2017 CPP MASTER PURCHASE AGREEMENT

(a) Date

30 October 2017

(b) Parties

- (i) The Company (as supplier)
- (ii) CPP (as purchaser)

(c) Subject matter

Supply to the CPP Group of the CTEI Products which may be required by the CPP Group.

(d) Pricing policy

As a general principle, the quantity and the price of the CTEI Products to be supplied to the CPP Group from time to time shall be determined through good faith negotiation between the CPP Group and the CTEI Group. The CTEI Group maintains a price list for the CTEI Products, which shall be used to determine the prices of the CTEI Products to be supplied to the CPP Group and to independent third party customers.

Prices of the CTEI Products are determined with reference to the cost of raw materials, other value added (for example, manufacturing and marketing), reasonable profit margins and market demand for the CTEI Products. The CTEI Group has different profit margins for different types of CTEI Products. In determining the price list for the CTEI Products, the CTEI Group will also consider competitive prices offered by independent third party suppliers of similar products. The price list for the CTEI Products is approved by management of the CTEI Group and is generally reviewed on a quarterly basis. The factors and procedures for determining the prices for the CTEI Products described above are the same as the factors and procedures used for determining the prices of the CTEI Products to be supplied to independent third party customers. The price for any CTEI Products to be sold shall be no more favourable to the CPP Group than those provided by the CTEI Group to independent third party customers.

(e) Payment terms

The CTEI Group will generally offer credit terms of 60 days from delivery to customers, or other credit terms generally available in the market from time to time. Payment shall be made by telegraphic transfer or other payment methods generally acceptable in the market. The payment terms for the CPP Group shall be the same as the payment terms for independent third parties. Interest shall be charged by the CTEI Group for any overdue payment until such overdue payment is settled in full.

(f) Term

Subject to the approval of the Independent Shareholders, the 2017 CPP Master Purchase Agreement shall take effect from 1 January 2018 and continue until 31 December 2020.

(g) Historical amount of supply

The historical amount received by the CTEI Group under the 2015 CPP Master Purchase Agreement for the period from the date of listing of the Company on 3 July 2015 to 31 December 2015, the financial year ended 31 December 2016 and the eight months ended 31 August 2017 were US\$4.7 million (approximately HK\$36.4 million), US\$9.6 million (approximately HK\$74.4 million) and US\$1.4 million (approximately HK\$10.9 million) respectively.

(h) Annual caps

The annual caps for the supply of the CTEI Products by the CTEI Group to the CPP Group under the 2017 CPP Master Purchase Agreement for the financial years ending 31 December 2018, 2019 and 2020 respectively are proposed to be US\$3.7 million (approximately HK\$28.7 million), US\$4.1 million (approximately HK\$31.8 million) and US\$4.4 million (approximately HK\$34.1 million).

The above annual caps have been determined with reference to:

- (i) the value of the historical sales under the 2015 CPP Master Purchase Agreement by the CTEI Group for the period from 3 July 2015 to 31 December 2015, the financial year ended 31 December 2016 and the eight months ended 31 August 2017;
- (ii) the prevailing market prices of the CTEI Products, taking into account the prices set by competitors and allowances for possible price fluctuations. In determining the proposed annual caps, the CTEI Group expects the average selling price of the CTEI Products for the three financial years ending 31 December 2020 to remain relatively stable;

- (iii) the projected increase in the sales volume of the CTEI Products for 2018. Although sales of the CTEI Products to the CPP Group increased to US\$9.6 million for the year ended 31 December 2016, due to a change in the government policy restricting the use of one of the CTEI Products in a country where a CPP subsidiary operates, the sales of this type of CTEI Product dropped significantly in the eight months ended 31 August 2017. As a result, the overall sales of the CTEI Products to the CPP Group decreased to US\$1.4 million for the eight months ended 31 August 2017. However, the CTEI Group intends to introduce another type of CTEI Product, which is not subject to this usage restriction, to the market in this country starting from the first quarter of 2018. Therefore, the overall sales of the CTEI Products to the CPP Group for 2018 are expected to increase compared to that of 2017; and
- (iv) a 10% annual increase compared to the expected sales in 2018 as a buffer for unexpected increase in the demand for, or the selling price of, the CTEI Products.

2 2017 HOEL MASTER PURCHASE AGREEMENT

(a) Date

30 October 2017

(b) Parties

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

(c) Subject matter

Supply to the HOEL Group of the CTEI Products which may be required by the HOEL Group.

(d) Pricing policy

As a general principle, the quantity and the 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. The CTEI Group maintains a price list for the CTEI Products, which shall be used to determine the prices of the CTEI Products to be supplied to the HOEL Group and to independent third party customers.

Prices of the CTEI Products are determined with reference to the cost of raw materials, other value added (for example, manufacturing and marketing), reasonable profit margins and market demand for the CTEI Products. The CTEI Group has different profit margins for different types of CTEI Products. In determining the price list for the CTEI Products, the CTEI Group will also consider competitive prices offered by independent third party suppliers of similar products. The price list for the CTEI Products is approved by management of the CTEI Group and is generally reviewed on a quarterly basis. The factors and procedures for determining the prices for the CTEI Products described above are the same as the factors and procedures used for determining the prices of the CTEI Products to be supplied to independent third party customers. The price for any CTEI Products to be sold shall be no more favourable to the HOEL Group than those provided by the CTEI Group to independent third party customers.

(e) Payment terms

The CTEI Group will generally offer credit terms of 60 days from delivery to customers, or other credit terms generally available in the market from time to time. Payment shall be made by telegraphic transfer or other payment methods generally acceptable in the market. The payment terms for the HOEL Group shall be the same as the payment terms for independent third parties. Interest shall be charged by the CTEI Group for any overdue payment until such overdue payment is settled in full.

(f) Term

Subject to the approval of the Independent Shareholders, the 2017 HOEL Master Purchase Agreement shall take effect from 1 January 2018 and continue until 31 December 2020.

(g) Historical amount of supply

The historical amount received by the CTEI Group under the 2015 HOEL Master Purchase Agreement for the period from the date of listing of the Company on 3 July 2015 to 31 December 2015, the financial year ended 31 December 2016 and the eight months ended 31 August 2017 were US\$1.0 million (approximately HK\$7.8 million), US\$1.7 million (approximately HK\$13.2 million) and US\$1.5 million (approximately HK\$11.6 million) respectively.

(h) Annual caps

The annual caps for the supply of the CTEI Products by the CTEI Group to the HOEL Group under the 2017 HOEL Master Purchase Agreement for the financial years ending 31 December 2018, 2019 and 2020 respectively are proposed to be US\$3.2 million (approximately HK\$24.8 million), US\$3.5 million (approximately HK\$27.1 million) and US\$3.8 million (approximately HK\$29.5 million).

The above annual caps have been determined with reference to:

- (i) the value of the historical sales under the 2015 HOEL Master Purchase Agreement by the CTEI Group for the period from 3 July 2015 to 31 December 2015, the financial year ended 31 December 2016 and the eight months ended 31 August 2017;
- (ii) the prevailing market prices of the CTEI Products, taking into account the prices set by competitors and allowances for possible price fluctuations. In determining the proposed annual caps, the CTEI Group expects the average selling price of the CTEI Products for the three financial years ending 31 December 2020 to remain relatively stable;

- (iii) the projected increase in the sales volume of CTEI Products to the HOEL Group for 2018 in view of the anticipated increase in the purchase of the CTEI Products in new geographical areas by some HOEL Group companies. As indicated by HOEL, certain companies in the HOEL Group to which the CTEI Group has not previously sold CTEI Products, plan to source certain CTEI Products from the CTEI Group in 2018. As the total demand from these additional HOEL Group companies is expected to amount to 20% of the expected demand for the CTEI Products in 2018 by those HOEL Group companies which are existing customers, therefore, the overall sales of the CTEI Products to the HOEL Group for 2018 are expected to increase substantially compared to that of 2017; and
- (iv) a 10% annual increase compared to the expected sales in 2018 as a buffer for unexpected increase in the demand for, or the selling price of, the CTEI Products.

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 sale of chlortetracycline 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 agri-food business in the PRC and Vietnam.

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

REASONS FOR RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors consider that the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement will enable the CTEI Group to continue to generate turnover by supplying CTEI Products to the CPP Group and the HOEL Group required by their feed and farming businesses as feed additives to promote healthy growth of livestock, prevent or cure animal diseases and improve overall feed efficiency.

As Mr. Soopakij Chearavanont (chairman and non-executive director of the Company) is a director of CPP, the Board considered that Mr. Soopakij Chearavanont had a material interest in the transactions contemplated under the 2017 CPP Master Purchase Agreement. Accordingly, Mr. Soopakij Chearavanont had abstained from voting on the resolution passed at the board meeting of the Company to approve the 2017 CPP Master Purchase Agreement. Other than Mr. Soopakij Chearavanont, no other Director was considered to have a material interest in the transactions contemplated under the 2017 CPP Master Purchase Agreement, and hence no other Director abstained from voting on the board resolution for approving the 2017 CPP Master Purchase Agreement.

The Board also considered that each of Mr. Soopakij Chearavanont (chairman and non-executive director of the Company), Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont (executive directors of the Company) had a material interest in the transactions contemplated under the 2017 HOEL Master Purchase Agreement in view of their respective shareholdings in CPG, and accordingly all of them had abstained from voting on the resolution which was passed at the board meeting of the Company to approve the 2017 HOEL Master Purchase Agreement. Other than Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont, no other Director was considered to have a material interest in the transactions contemplated under the 2017 HOEL Master Purchase Agreement, and hence no other Director abstained from voting on the board resolution for approving the 2017 HOEL Master Purchase Agreement.

The Directors (excluding the independent non-executive Directors who will provide their advice after having received the advice from the independent financial adviser) are of the opinion that the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the respective annual caps) are on normal commercial terms, 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 is therefore the controlling shareholder of the Company. CPF is also interested in approximately 47.8% 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 2017 CPP Master Purchase Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Furthermore, approximately 48.5% 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 and their respective associates as connected persons of the Company within the meaning of the Listing Rules. As HOEL is an indirect wholly-owned subsidiary of CPG, transactions between the CTEI Group and the HOEL Group under the 2017 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 proposed annual caps under the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement in aggregate are more than 5%, the transactions contemplated under the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master 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, among other things, the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps). CPG, CPF and their associates will abstain from voting at the SGM in respect of the resolutions on these matters.

The Independent Board Committee has been established to consider the terms of the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps) and Mizuho Securities Asia Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable and 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.

A circular containing, among other things, (i) further information regarding the Continuing Connected Transactions (including the proposed annual caps); (ii) a letter from the independent financial adviser containing the advice 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 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the respective annual caps); and (iii) a notice convening the SGM is expected to be dispatched to the Shareholders on or before 17 November 2017.

DEFINITIONS

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

“2015 CPP Master Purchase Agreement”	the master agreement dated 16 April 2015 made between the Company as supplier and CPP as purchaser for the supply of the CTEI Products
“2015 HOEL Master Purchase Agreement”	the master agreement dated 16 April 2015 made between the Company as supplier and HOEL as purchaser for the supply of the CTEI Products
“2017 CPP Master Purchase Agreement”	the master agreement dated 30 October 2017 made between the Company as supplier and CPP as purchaser for the supply of the CTEI Products produced by the CTEI Group and which may be required by the CPP Group and the CTEI Group may be able to supply from time to time with a term of three years until 31 December 2020
“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 of the CTEI Products produced by the CTEI Group and which may be required by the HOEL Group and the CTEI Group may be able to supply from time to time with a term of three years until 31 December 2020
“associates”	has the meaning ascribed to this term in the Listing Rules

“Board”	the board of directors of the Company
“Company” or “CTEI”	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 continuing connected transactions contemplated under the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement
“controlling shareholder”	has the meaning ascribed to this term in the Listing Rules
“CPF”	Charoen Pokphand Foods Public Company Limited, a company organised and existing under the laws of the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand
“CPG”	Charoen Pokphand Group Company Limited, a company organised and existing under the laws of the Kingdom of Thailand
“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) to be supplied by the CTEI Group to the CPP Group and the HOEL Group under the 2017 CPP Master Purchase Agreement and the 2017 HOEL Master Purchase Agreement, respectively
“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 its associates, but excluding the CPP 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”	the independent committee of the Board comprising the Company’s independent non-executive Directors, Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Ko Ming Tung, Edward, which has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CPG, CPF and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the 2017 CPP Master Purchase Agreement, the 2017 HOEL Master Purchase Agreement and the Continuing Connected Transactions (including the proposed annual caps)
“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\$7.75.

Hong Kong, 30 October 2017

As at the date of this announcement, the chairman and non-executive director is Mr. Soopakij Chearavanont; the executive directors are Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont and Mr. Yao Minpu; the non-executive director is Mr. Yoichi Ikezoe; and the independent non-executive directors are Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Ko Ming Tung, Edward.