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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Chia Tai Enterprises International Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND (3) NOTICE OF SPECIAL GENERAL MEETING

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

**BALLAS**  
C A P I T A L

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A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee and a letter from the Independent Financial Adviser, Ballas Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 13 and pages 14 to 25 of this circular respectively.

A notice convening the SGM of the Company to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 23 April 2021 at 2:30 p.m. is set out on pages 30 to 31 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 2:30 p.m. (Hong Kong time) on 21 April 2021) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In line with the prevailing practices and guidelines on the prevention of COVID-19, the Company may, depending on the development with regard to COVID-19, implement additional precautionary measures at the SGM which may include without limitation:

- body temperature screening;
- mandatory use of surgical face masks at all times on company premises;
- mandatory health declaration – please be advised that anyone who is subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the SGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the SGM;
- no refreshments will be provided to attendees; and
- other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding.

In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, the Company strongly encourages the Shareholders **NOT to attend the SGM in person**, and in such case, advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person. The Shareholders are advised to read the separate note immediately following this circular for further detail and monitor the development of COVID-19. The Company may implement further changes and precautionary measures as appropriate.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires or otherwise defined, the following expressions have the following meanings:*

“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 Revised CTEI Products with a term of three years from 1 January 2021 until 31 December 2023 and approved at the Previous SGM
“2020 Supplemental HOEL Purchase Agreement”	the supplemental agreement dated 30 July 2020 made between the Company and HOEL to revise a term of the master purchase agreement dated 30 October 2017 made between the Company as supplier and HOEL as purchaser for supply of the Revised CTEI Products for the year ended 31 December 2020 and approved at the Previous SGM
“2020 Transactions”	the transactions contemplated under the 2020 Supplemental HOEL Purchase Agreement
“2021-2023 Transactions”	the transactions contemplated under the 2020 Master HOEL Purchase Agreement
“associates”	has the meaning ascribed to this term in the Listing Rules
“Ballas Capital”	Ballas Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rectification and the Revised 2021-2023 Annual Caps
“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
“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 of its shareholders is a company holding not more than 13% of its shares and the ultimate beneficial owner of which is Mr. Sumet Jiaravanon

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## DEFINITIONS

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“CTEI Group”	the Company and its subsidiaries from time to time
“Directors”	the directors of the Company
“Enhanced CCT Internal Control Procedures”	the enhanced internal control procedures adopted by the Board on 5 March 2021 in relation to transactions under the 2020 Master HOEL Purchase Agreement and similar transactions which are in the nature of continuing connected transaction under Chapter 14A of the Listing Rules and which are subject to an annual cap
“Existing 2021-2023 Annual Caps”	the annual caps for the total amounts of the continuing connected transactions contemplated under the 2020 Master HOEL Purchase Agreement and approved at the Previous SGM
“HOEL”	High Orient Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“HOEL Group”	HOEL and other associates of CPG, but excluding C.P. Pokphand Co. Ltd. and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, which comprises all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Rectification and the Revised 2021-2023 Annual Caps
“Independent Shareholders”	Shareholders other than CPG and its associates
“Latest Practicable Date”	29 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Previous SGM”	a special general meeting of the Company held on 4 September 2020, at which the Revised 2020 Annual Cap and the Existing 2021-2023 Annual Caps were approved
“Previous CCT Announcement”	the announcement of the Company dated 30 July 2020 in relation to, among other things, the 2020 Transactions and the 2021-2023 Transactions and the respective annual caps for these transactions

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## DEFINITIONS

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“Rectification”	the rectification of the transactions under the 2020 Supplemental HOEL Purchase Agreement and the actual transaction amount of the 2020 Transactions
“Revised 2021-2023 Annual Caps”	the proposed revised annual caps for the total amounts of the continuing connected transactions under the 2020 Master HOEL Purchase Agreement for the three years ending 31 December 2023
“Revised 2020 Annual Cap”	the revised annual cap for the total amount of the continuing connected transactions under the 2020 Supplemental HOEL Purchase agreement for the year ended 31 December 2020 and approved at the Previous SGM
“Revised CTEI Products”	various chlortetracycline products, animal drugs, animal health products and other related products produced and/or sold by the CTEI Group
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pucheng Head of Finance”	the head of the finance department of Pucheng Chia Tai Biochemistry Co. Ltd. which, together with its subsidiaries, carries on the CTEI Group’s biochemical business
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the Rectification and the Revised 2021-2023 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
“%”	per cent

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## LETTER FROM THE BOARD

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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)

*Chairman and Non-executive Director:*

Mr. Soopakij Chearavanont

*Executive Directors:*

Mr. Thirayut Phityaisarakul

Mr. Thanakorn Seriburi

Mr. Nopadol Chiaravanont

Mr. Chawalit Na Muangtoun

*Non-executive Director:*

Mr. Yoichi Ikezoe

*Independent Non-executive Directors:*

Mr. Surasak Rounroengrom

Mr. Cheng Yuk Wo

Mr. Edward Ko Ming Tung

*Registered office:*

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

*Principal place of business in*

*Hong Kong:*

21st Floor

Far East Finance Centre

16 Harcourt Road

Hong Kong

1 April 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
(1) EXCEEDING THE ANNUAL CAP FOR 2020  
(2) REVISION OF ANNUAL CAPS FOR THE THREE YEARS  
ENDING 31 DECEMBER 2023 AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**A. INTRODUCTION**

Reference is made to the announcement of the Company dated 5 March 2021 in relation to the transaction amount of the 2020 Transactions exceeding the Revised 2020 Annual Cap and revision of the Existing 2021-2023 Annual Caps. The transactions contemplated under the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement are treated as if they were continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to Independent Shareholders' approval at the SGM.

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## LETTER FROM THE BOARD

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Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the resolutions regarding the Rectification and the Revised 2021-2023 Annual Caps.

Ballas Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders 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.

The purpose of this circular is to provide you with further information regarding the Rectification and the Revised 2021-2023 Annual Caps, to set out the advice from Ballas Capital 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 Rectification and the Revised 2021-2023 Annual Caps, and to give notice of the SGM.

### **B. THE 2020 TRANSACTIONS, THE 2021-2023 TRANSACTIONS, THE RELEVANT ANNUAL CAPS AND THE PREVIOUS INTERNAL CONTROL PROCEDURES**

Reference is made to the Previous CCT Announcement in relation to, among other things, the 2020 Transactions and the 2021-2023 Transactions and the respective annual caps for these transactions.

As announced in the Previous CCT Announcement, 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 of transactions between the CTEI Group and the HOEL Group under the master purchase agreement which was proposed to be supplemented were set out in the Previous CCT Announcement. Up to the date of this circular, no change has been made to these two agreements.

Key terms of the 2020 Master HOEL Purchase Agreement are set out below:

**(a) Date**

30 July 2020

**(b) Parties**

(i) the Company (as supplier)

(ii) HOEL (as purchaser)

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## LETTER FROM THE BOARD

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**(c) Subject matter**

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

**(d) Pricing policy**

As a general principle, the quantity and the price of the Revised 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 by reference to a price list for the Revised CTEI Products maintained by the CTEI Group. The price list shall be used to determine the prices of the Revised CTEI Products to be supplied to all customers, including the HOEL Group and to independent third party customers.

**(e) Payment terms**

The CTEI Group will 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 will be charged by the CTEI Group for any overdue payment.

**(f) Term**

From 1 January 2021 to 31 December 2023

Prior to the adoption of the Enhanced CCT Internal Control Procedures on 5 March 2021, the Company had put in place the following internal control procedures in relation to the sale and supply of the Revised CTEI Products to the HOEL Group in order to ensure that the actual transaction amounts would not exceed the respective annual caps:

- (1) The management of the CTEI Group would maintain a price list for each category of the Revised CTEI Products which had been approved by them through internal review meetings. The price list was subject to review on a quarterly basis.
- (2) Any requests from sales personnel to offer discounts for any specific orders from the HOEL Group must be approved, if within a certain threshold, by the regional head of the CTEI Group's biochemical business or, if beyond that threshold, by the head of the CTEI Group's biochemical business before confirmation of the order. Discounts offered to the HOEL Group could not be higher than those offered to independent third party customers for orders of similar type and quantity of the Revised CTEI Products.



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## LETTER FROM THE BOARD

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- (3) To ensure that the relevant annual caps would not be exceeded by the actual transaction amounts, the Pucheng Head of Finance would (i) conduct monthly reviews of the 2020 Transactions and the 2021-2023 Transactions; (ii) project, on the basis of the arithmetical average of the actual sales amount of the relevant transactions recorded for each of the previous months in the current financial year up to the end of the preceding month and the number of months remaining in the same financial year, the assumed amount of relevant transactions for such remaining months; and (iii) assess whether the projected total transaction amount for the current financial year might exceed the applicable annual cap (being, as the case may be, the Revised 2020 Annual Cap in relation to the 2020 Transactions or the relevant one of the Existing 2021-2023 Annual Caps in relation to the 2021-2023 Transactions).
- (4) The internal audit department of the Company would conduct internal audit on the relevant transactions periodically to ensure that they were conducted in accordance with the framework approved at the Previous SGM. Such audit results would be reported to the audit committee of the Company.
- (5) The external auditor of the Company would conduct an annual audit of the internal control measures of the Company and an annual review of the relevant transactions pursuant to the requirements under the Listing Rules.

### **C. THE TRANSACTION AMOUNT OF THE 2020 TRANSACTIONS EXCEEDING THE REVISED 2020 ANNUAL CAP**

Under the previous internal control procedures prior to the adoption of the Enhanced CCT Internal Control Procedures, the Pucheng Head of Finance would (i) review the actual sales amount of the relevant transactions on a monthly basis, (ii) project, on the basis of the arithmetical average of the actual sales amount of the relevant transactions recorded for each of the previous months in the current financial year up to the end of the preceding month and the number of months remaining in the same financial year, the assumed amount of relevant transactions for such remaining months, and (iii) assess whether the projected total transaction amount for the current financial year might exceed the applicable annual cap. In general, the transaction amounts of the sale of the Revised CTEI Products to the HOEL Group transacted in any given month by the sales department would be collated by the Pucheng Head of Finance around the middle of the following month. For example, the sales amounts for the month of November 2020 (which amounted to a total of approximately US\$1,462,000) were collated by the Pucheng Head of Finance in mid-December 2020; he conducted the aforementioned review and concluded that, based on the monthly average transaction amount calculated on the basis of the transaction amounts recorded for each of the eleven months of January to November 2020, the estimated transaction amount for December 2020 of approximately US\$572,000 would be well within the remaining available amount of the Revised 2020 Annual Cap (being approximately US\$1,509,000).

Due to the peak season of preparing the annual results of the biochemical business to enable the Company's financial management to compile the numbers required to complete the preparation of the annual results of the Company scheduled for announcement in February 2021 and the approaching Lunar New Year holidays, the Pucheng Head of Finance delayed the collation of transaction amounts for the month of December 2020 and ascertaining the total transaction amount for 2020 until 23 February 2021, when the Revised 2020 Annual Cap was found to have been exceeded by the actual amount of the 2020 Transactions, which amounted to approximately US\$8,461,000 and exceeded the Revised 2020 Annual Cap of US\$7,800,000.

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## LETTER FROM THE BOARD

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By subsequently analysing the daily transaction amount of the 2020 Transactions in December 2020, it was found that the Revised 2020 Annual Cap had been reached by the cumulative historical transaction amount of the 2020 Transactions on 25 December 2020. The higher than expected transaction amount was the result of a significantly higher and unforeseen demand from the HOEL Group for the Revised CTEI Products 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.

### **D. REVISION OF ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2023**

In light of the factors set out below, the Existing 2021-2023 Annual Caps are proposed to be increased significantly:

- (1) the actual higher transaction amount of the 2020 Transactions of approximately US\$8,461,000 compared to the Revised 2020 Annual Cap of US\$7,800,000, especially noting the significant increase towards the end of the year;
- (2) the significant further 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) projecting the sales for the year ending 31 December 2021 based on (i) the annualised actual sales amount of the Revised CTEI Products to the HOEL Group for the month ended 31 January 2021; (ii) a 15% growth in the sales of the Revised CTEI Products to the HOEL Group taking into account the significant growth in the transaction amount in previous months; and (iii) a 10% buffer to cater for any unexpected increase in the selling price of the Revised CTEI Products;
- (4) the projected sales of the Revised CTEI Products to the HOEL Group for the two years of 2022 and 2023 with an expected annual growth of approximately 20% based on the projected sales amount for the year ending 31 December 2021 after taking into account the 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.

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## LETTER FROM THE BOARD

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Set out below are the Existing 2021-2023 Annual Caps and the Revised 2021-2023 Annual Caps:

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

As at 28 February 2021, the actual sales amount of the 2021-2023 Transactions for the months of January and February 2021 amounted to approximately US\$4,269,000, which falls within the annual cap of US\$15.4 million for 2021 out of the Existing 2021-2023 Annual Caps. The Company will ensure that the Existing 2021-2023 Annual Caps would not be exceeded before Independent Shareholders' approval is obtained by implementing the Enhanced CCT Internal Control Procedures as detailed below.

### E. ENHANCED CCT INTERNAL CONTROL PROCEDURES

In addition to the internal control procedures already in place to ensure that the 2021-2023 Transactions would be transacted in accordance with the 2020 Master HOEL Purchase Agreement, and in order to avoid approved annual caps being inadvertently exceeded again in the future, on 5 March 2021, the Board approved and adopted the following enhanced reporting and monitoring procedures for the transaction amounts of the sales of the Revised CTEI Products to the HOEL Group by the CTEI Group:

- (i) the Pucheng Head of Finance should collate the actual sales amounts of the relevant transactions on a monthly basis;
- (ii) on the basis of the arithmetical average of the actual sales amounts of the relevant transactions recorded for each of the previous months in the current financial year up to the end of the preceding month and the number of months remaining in the same financial year, the Pucheng Head of Finance should project the assumed amount of relevant transactions for such remaining months;
- (iii) an assessment should then be made as to whether the projected total transaction amount for the current financial year might exceed the applicable annual cap;
- (iv) on the basis of his above assessment, the Pucheng Head of Finance is to further assess whether the Company should take steps to increase the annual cap, including by seeking independent shareholders' approval where required; and
- (v) in any event, the Pucheng Head of Finance is to notify the sales department of the maximum room remaining available of the relevant annual cap for further sales in the remaining months of that financial year with a reminder that the transaction amounts of the sales of the Revised CTEI Products to the HOEL Group for the rest of the financial year may not exceed that maximum.

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## LETTER FROM THE BOARD

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### **F. 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.

CPG is a company with a diverse shareholding structure with more than 80 shareholders of which the largest shareholder being a company holding not more than 13% of its shares and the ultimate beneficial owner of which is Mr. Sumet Jiaravanon. None of the other shareholders of CPG is interested in 10% or more of CPG's shares.

### **G. 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.

### **H. LISTING RULES IMPLICATIONS**

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 the actual sales amount of the 2020 Transactions exceeded the Revised 2020 Annual Cap according to Rule 14A.54 of the Listing Rules, the Company must re-comply with announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. In this regard, the Company has not complied with Rule 14A.54(1) as the Company published the announcement subsequent to the Revised 2020 Annual Cap having been exceeded. This was because, as explained earlier in this circular, the Company only became aware of the incident after the Revised 2020 Annual Cap had been exceeded and proceeded to publish an announcement as soon as practicable after becoming aware of the facts and ascertaining the Listing Rules implications.

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## LETTER FROM THE BOARD

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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.

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 2020 Master HOEL Purchase Agreement in view of their respective shareholdings in CPG, and as a result abstained from voting on the resolutions for the Rectification and for approving the Revised 2021-2023 Annual Caps.

### **I. RECOMMENDATION**

The Independent Board Committee has been established to consider the Rectification and the Revised 2021-2023 Annual Caps and Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the Rectification and the Revised 2021-2023 Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the opinion of Ballas Capital, considers the Rectification and the Revised 2021-2023 Annual Caps to be fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

In light of the above, the Board considers that 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. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions relating to the Rectification and the Revised 2021-2023 Annual Caps to be proposed at the SGM.

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## LETTER FROM THE BOARD

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### **J. SPECIAL GENERAL MEETING**

The SGM will be convened at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 23 April 2021 at 2:30 p.m.. A notice convening the SGM at which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Rectification and the Revised 2021-2023 Annual Caps, are set out on pages 30 to 31 of this circular. CPG and its associates will abstain from voting at the SGM or any adjournment thereof in respect of each of the resolutions on these matters.

A proxy form for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 2:30 p.m. (Hong Kong time) on 21 April 2021) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the SGM if they so wish.

### **K. FURTHER INFORMATION**

Your attention is drawn to the letter from Ballas Capital containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 25 of this circular and the letter from the Independent Board Committee to the Independent Shareholders set out on page 13 of this circular.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Thanakorn Seriburi**  
*Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

1 April 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) EXCEEDING THE ANNUAL CAP FOR 2020**  
**(2) REVISION OF ANNUAL CAPS FOR THE THREE YEARS**  
**ENDING 31 DECEMBER 2023**

We refer to the circular dated 1 April 2021 issued to the Shareholders (the “**Circular**”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, the independent non-executive Directors, have been appointed by the Board to advise you as to whether, in our opinion, the Rectification and the Revised 2021-2023 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Ballas Capital has been appointed by the Company as the Independent Financial Adviser to advise us regarding the fairness and reasonableness of the Rectification and the Revised 2021-2023 Annual Caps. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 14 to 25 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 12 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Ballas Capital as stated in its letter of advice, we are of the view that the terms of the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement are fair and reasonable and consider that the respective transactions thereunder (including the Rectification 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 so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions in relation to the Rectification and the Revised 2021-2023 Annual Caps to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Surasak Rounroengrom**

*Independent Non-executive  
Director*

**Mr. Cheng Yuk Wo**

*Independent Non-executive  
Director*

**Mr. Edward Ko Ming Tung**

*Independent Non-executive  
Director*

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## LETTER FROM BALLAS CAPITAL LIMITED

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Unit 1802, 18/F  
1 Duddell Street, Central  
Hong Kong

1 April 2021

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
(1) EXCEEDING THE ANNUAL CAP FOR 2020  
(2) REVISION OF ANNUAL CAPS  
FOR THE THREE YEARS ENDING 31 DECEMBER 2023**

### INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the rectification of the 2020 Transactions contemplated under the 2020 Supplemental HOEL Purchase Agreement exceeding the Revised 2020 Annual Cap; and (ii) the 2020 Master HOEL Purchase Agreement (including the proposed revised annual caps for the three years ending 31 December 2023), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 1 April 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 5 March 2021 (the “**Announcement**”). As set out in the Announcement, in the course of finalizing the annual results of the Company for the year ended 31 December 2020, it came to the attention of the Company that the actual transaction amount of the Continuing Connected Transactions between the CTEI Group and the HOEL Group exceeded the Revised 2020 Annual Cap. It is anticipated that the Existing 2021-2023 Annual Caps for the sales of the Revised CTEI Products from the CTEI Group to the HOEL Group under the 2020 Master HOEL Purchase Agreement may not be sufficient to meet the expected transaction amount for the three years ending 31 December 2023. On 5 March 2021, the Board has resolved to revise the Existing 2021-2023 Annual Caps from US\$15.4 million, US\$17.7 million, and US\$21.0 million for the three years ending 31 December 2021, 2022 and 2023 to the Revised 2021-2023 Annual Caps of US\$52.0 million, US\$62.0 million, and US\$75.0 million, respectively. The Revised 2021-2023 Annual Caps shall be effective after being approved at the SGM in accordance with the Listing Rules.



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## LETTER FROM BALLAS CAPITAL LIMITED

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As set out in the Letter from the Board, as at the Latest Practicable Date, CPF was interested in approximately 47.8% of the Shares in issue and is therefore the controlling shareholder of the Company and CPG was 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 its subsidiaries and their respective associates as connected persons of the Company within the meaning of the Listing Rules. Therefore, the 2020 Transactions and the 2021-2023 Transactions between the CTEI Group and the HOEL Group are treated as if they were continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the actual transaction amount of the 2020 Transactions exceeded the Revised 2020 Annual Cap, pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable 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 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, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, each an independent non-executive Director, has been established to advise and make recommendation to the Independent Shareholders in relation to the Rectification and the 2020 Master HOEL Purchase Agreement (including the Revised 2021-2023 Annual Caps).

### INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of each of the 2020 Master HOEL Purchase Agreement or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser by CPP in relation to the 2019 Master HOEL Agreements as disclosed in the circular of CPP dated 2 December 2019, (ii) the appointment as the independent financial adviser in relation to the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements as defined and disclosed in the circular of the Company dated 20 August 2020, (iii) the appointment as the independent financial adviser in relation to the Acquisition and the Deemed Disposal as defined and disclosed in the circular of CPP dated 13 October 2020; and (iv) this appointment as the independent financial adviser in relation to the Rectification and the 2020 Master HOEL Purchase Agreement (including the Revised 2021-2023 Annual Caps), we did not have any other relationship with or interests in the Company, the counterparties of the 2020 Master HOEL Purchase Agreement or their respective core connected persons or associates. Accordingly, we consider we are eligible to give independent advice on the Rectification and the 2020 Master HOEL Purchase Agreement (including the Revised 2021-2023 Annual Caps).

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## LETTER FROM BALLAS CAPITAL LIMITED

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### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company and the HOEL Group or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **A. Background information of the Company and HOEL**

##### *The Company*

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 manufacture and sale of automotive parts.

##### *HOEL*

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

Having considered the respective principal activities of the CTEI Group and the HOEL Group, in particular the fact that the HOEL Group has been a long time customer for the CTEI Group's Revised CTEI Products, we are of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the CTEI Group.

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## LETTER FROM BALLAS CAPITAL LIMITED

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### **B. Exceeding the Revised 2020 Annual Cap and the Rectification**

#### *Reasons for exceeding the Revised 2020 Annual Cap*

As set out in the Letter from the Board, in the course of finalizing the annual results of the Company for the 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 2020 Annual Cap of US\$7,800,000. The reason for exceeding the Revised 2020 Annual Cap was due to the higher than expected demand from the HOEL Group for the Revised CTEI Products, especially towards the end of 2020, having recorded approximately US\$1,462,000 and US\$2,170,000 of sales in November and December 2020 respectively.

We were advised by the management that up to end of November 2020, the actual transaction amounts under the Supplemental HOEL Purchase Agreement was within the Revised 2020 Annual Cap and they then did not expect the Revised 2020 Annual Cap to be exceeded on the assumption that the actual transaction amounts for December 2020 to be similar to the average monthly transaction amount for the eleven months ended 30 November 2020. However, the actual transaction amounts in December 2020 turned out to be higher than that for the average monthly transaction amount for the eleven months ended 30 November 2020 due to the better than expected business. The management only became aware of the actual transaction amounts for December 2020 and hence the Revised 2020 Annual Cap being exceeded during the preparation of the annual results for the year ended 31 December 2020. As such, we consider that the Rectification, which is the only proper remedial action that can be taken by the Board, is fair and reasonable.

#### *Measures adopted by the Company to ensure future compliance with the Listing Rules*

As set out in the Letter from the Board, in order to avoid the occurrence of exceeding annual caps in the future, the Company will strengthen the reporting and monitoring procedures for the transaction amounts of the Continuing Connected Transactions entered into by the CTEI Group.

We have obtained and reviewed the relevant enhanced internal control documents adopted by the Company, detailing the enhanced measures for conducting the Continuing Connected Transactions going forward, and had discussions with the management of the abovementioned enhanced internal control measures. From our review and as set out in the Letter from the Board, we noted that the Company has put in place the following Enhanced CCT Internal Control Procedures:

- (i) the Pucheng Head of Finance should collate the actual sales amounts of the relevant transactions on a monthly basis;
- (ii) on the basis of the arithmetical average of the actual sales amounts of the relevant transactions recorded for each of the previous months in the current financial year up to the end of the preceding month and the number of months remaining in the same financial year, the Pucheng Head of Finance should project the assumed amount of relevant transactions for such remaining months;

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## LETTER FROM BALLAS CAPITAL LIMITED

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- (iii) an assessment should then be made as to whether the projected total transaction amount for the current financial year might exceed the applicable annual cap;
- (iv) on the basis of his above assessment, the Pucheng Head of Finance is to further assess whether the Company should take steps to increase the annual cap, including by seeking independent shareholders' approval where required; and
- (v) in any event, the Pucheng Head of Finance is to notify the sales department of the maximum room remaining available of the relevant annual cap for further sales in the remaining months of that financial year with a reminder that the transaction amounts of the sales of the Revised CTEI Products to the HOEL Group for the rest of the financial year may not exceed that maximum.

The Directors believe, and we concur, that the Enhanced CCT Internal Control Procedures of the Company are effective for the purpose of monitoring the annual caps of the Continuing Connected Transactions going forward.

### **C. Reasons for and benefits of entering into Continuing Connected Transactions**

As disclosed in the Letter from the Board, 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.

According to the latest financial reports of the Company, the CTEI Group has two major operating segments, being (i) the biochemical segment which is mainly engaged in the manufacture and sale of chlortetracycline products, and (ii) the industrial segment which is engaged in trading of machinery and the manufacture and sale of automotive parts, through the CTEI Group's joint venture and associate. For each of the years ended 31 December 2018, 2019 and 2020, the CTEI Group generated all of its revenue from the biochemical segment. As discussed with the management of the Company, we understand that the HOEL Group has been a long time customer for the CTEI Group's sale of the Revised CTEI Products. Based on the actual transaction amounts of the 2020 Transactions of approximately US\$8,461,000 provided by the Company and the annual results announcement of the Company for the year ended 31 December 2020, the sales of the Revised CTEI Products by the CTEI Group to the HOEL Group accounted for approximately 9.0% of the CTEI Group's total revenue for the financial year ended 31 December 2020.

Pursuant to the 2020 Master HOEL Purchase Agreement, the CTEI Group is not contractually bound to supply and there is no minimum supply amount to the HOEL Group for any of the Revised CTEI Products. Provided that the CTEI Group is able to negotiate with the HOEL Group on an arm's length basis, and transact on terms and pricing that are on normal commercial terms and are no more favourable than the terms offered to other independent third parties, the 2020 Master HOEL Purchase Agreement allows the CTEI Group to continue to have the flexibility to sell its products to its long-term and trusted business partners, being the HOEL Group. The Directors are of the view that the supply of the CTEI Products to the HOEL Group are in the ordinary course of business and would generate revenue for the CTEI Group.

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## LETTER FROM BALLAS CAPITAL LIMITED

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We have obtained and reviewed, on a sample basis, historical price lists of the Revised CTEI Products and the relevant transaction contracts and invoices on historical transactions in 2020 between (i) the CTEI Group and the HOEL Group; and (ii) the CTEI Group and its independent third party customers. From our review, we noted that the prices charged by the CTEI Group to the HOEL Group and to its independent third party customers were generally in line with the price lists at the material time and the terms offered by the CTEI Group to the HOEL Group, including the prices and payment terms, were generally in line and were on normal commercial terms and no more favourable than those offered by the CTEI Group to its independent third party customers.

Taking into account the above, in particular the fact that (i) the nature of the Continuing Connected Transactions falls within the scope of the biochemical business of the CTEI Group; and (ii) given the right terms and pricing, the 2020 Master HOEL Purchase Agreement allows the CTEI Group to have the flexibility to sell its products to its long-term and trusted business partners, we consider the entering into of the Continuing Connected Transactions is within the ordinary and usual course of business of the CTEI Group and in the interests of the Company and the Shareholders as a whole.

### **D. Principal terms of the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement**

#### ***2020 Supplemental HOEL Purchase Agreement***

As set out in the Letter from the Board and the Previous CCT Announcement, on 30 July 2020, the Company entered into the 2020 Supplemental HOEL Purchase Agreement with HOEL for expanding the categories of products which may be supplied by the CTEI Group to the HOEL Group for the Continuing Connected Transactions and increasing the annual cap for the 2020 Transactions.

Taking into account (i) the 2020 Supplemental HOEL Purchase Agreement will enable the CTEI Group to provide a wider spectrum of products to the HOEL Group; and (ii) the nature of the 2020 Supplemental HOEL Purchase Agreement falls within the scope of the principal business of the CTEI Group, we consider the entering into of the 2020 Supplemental Purchase Agreements is within the ordinary and usual course of business of the CTEI Group and in the interests of the Company and the Shareholders as a whole.

#### ***2020 Master HOEL Purchase Agreement***

As set out in the Letter from the Board, principal terms of the 2020 Master HOEL Purchase Agreement are summarised as below:

Date:	30 July 2020
Parties:	The Company (as supplier) and HOEL (as purchaser)
Term:	1 January 2021 to 31 December 2023 (both dates inclusive)
Subject matter:	Sale and supply of the Revised CTEI Products to the HOEL Group
Early termination:	Any time by either the Company or HOEL with a written notice of no less than thirty days

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## LETTER FROM BALLAS CAPITAL LIMITED

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### *General principle*

Pursuant to the 2020 Master HOEL Purchase Agreement, subject to the approval of the Independent Shareholders, the CTEI Group shall have the right to sell to the HOEL Group and the HOEL Group shall have the right to buy from the CTEI Group the Revised CTEI Products. The 2020 Master HOEL Purchase Agreement shall not restrict the right of the CTEI Group to sell, the HOEL Group to buy, the Revised CTEI Products of the same or similar kinds to or from any other party in any manner whatsoever nor impose any obligation on them to supply or purchase any Revised CTEI Products or any other products.

### *Pricing policy*

As disclosed in the Letter from the Board, as a general principle, the quantity and the price of the Revised 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 by reference to a price list for the Revised CTEI Products maintained by the CTEI Group. The price list shall be used to determine the prices of the Revised CTEI Products to be supplied to all customers, including the HOEL Group and to independent third party customers.

### *Payment terms*

As disclosed in the Letter from the Board, the CTEI Group will 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 the generally accepted market practice from time to time. Interest will be charged by the CTEI Group for any overdue payment.

### *Our work done*

We have obtained and reviewed, on a sample basis, historical price lists of the CTEI Products and the relevant transaction contracts and invoices on historical transactions between (i) the CTEI Group and the HOEL Group and (ii) the CTEI Group and its independent third party customers. From our review, we noted that the prices charged by the CTEI Group to the HOEL Group and to its independent third party customers were both in line with the price lists at the material time and the terms offered by the CTEI Group to the HOEL Group, including the prices and payment terms, were generally in line and were no more favourable than those offered by the CTEI Group to its independent third party customers.

### *Our view*

Based on the above, we concur with the view of the Directors that the terms of the 2020 Master HOEL Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM BALLAS CAPITAL LIMITED

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### E. Historical figures and the Revised 2021-2023 Annual Caps

#### *Historical transaction amounts*

The following tables set out the historical transaction amounts of the Continuing Connected Transactions between the CTEI Group and the HOEL Group for the three years ended 31 December 2020 and the month ended 31 January 2021:

	For the year ended 31 December			For the month ended
	2018	2019	2020	31 January 2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Historical transaction amount	2,362	2,829	8,461	3,408
Historical annual caps	3,200	3,500	7,800	15,400 <sup>(Note)</sup>

*Note: Represents the existing annual cap for the year ending 31 December 2021.*

#### *Proposed Revised 2021-2023 Annual Caps*

	Annual Caps for the year ending 31 December		
	2021	2022	2023
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Existing 2021-2023 Annual Caps	15,400	17,700	21,000
Revised 2021-2023 Annual Caps	52,000	62,000	75,000

As stated in the Letter from the Board, in determining the proposed Revised 2021-2023 Annual Caps, the Directors have taken the following factors into consideration:

- (i) the actual higher transaction amount of the 2020 Transactions of approximately US\$8,461,000 compared to the Revised 2020 Annual Cap of US\$7,800,000, especially noting the significant increase towards the end of the year;
- (ii) the significant further 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;
- (iii) the projected sales for the year ending 31 December 2021 based on (i) the annualised actual sales amount of the Revised CTEI Products to the HOEL Group for the month ended 31 January 2021; (ii) a 15% growth in the sales of the Revised CTEI Products to the HOEL Group taking into account the significant growth in the transaction amount in previous months; and (iii) a 10% buffer to cater for any unexpected increase in the selling price of the Revised CTEI Products;



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## LETTER FROM BALLAS CAPITAL LIMITED

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- (iv) the projected sales of the Revised CTEI Products to the HOEL Group for the two years of 2022 and 2023 with an expected annual growth of approximately 20% based on the projected sales amount for the year ending 31 December 2021 after taking into account the 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
- (v) the prevailing market prices of the Revised CTEI Products, taking into account prices set by competitors.

### ***Our work done***

In assessing the fairness and reasonableness of the Revised 2021-2023 Annual Caps, we have reviewed and discussed with management of the Company on the underlying calculation, including the basis and assumptions, in formulating the same.

#### *(a) The revised annual cap for the year ending 31 December 2021*

We understand that the Company has projected the sales of the Revised CTEI Products to the HOEL Group for the year ending 31 December 2021 based on (i) the annualised actual sales amount of the Revised CTEI Products to the HOEL Group for the month ended 31 January 2021; (ii) a 15% growth in the sales of the Revised CTEI Products to the HOEL Group taking into account the significant growth in the transaction amount in previous months; and (iii) a 10% buffer to cater for any unexpected increase in the selling price of the Revised CTEI Products.

We have obtained and reviewed the monthly transaction amount of the Continuing Connected Transactions between the CTEI Group and the HOEL in 2020 and up to January 2021. From our review, we noted that (i) the annualised transaction amount for the Revised CTEI Products from the CTEI Group to the HOEL Group for the month ended 31 January 2021 represented approximately 265.6% of the existing annual cap for the year ending 31 December 2021; and (ii) the actual monthly transaction amount for the Revised CTEI Products from the CTEI Group to the HOEL Group was generally in an increasing trend at a compound monthly growth rate of approximately 26.4% from January 2020 to January 2021.

Having considered the above, in particular (i) the annualised transaction amount of the Continuing Connected Transactions for the month ended 31 January 2021 significantly exceeded the existing annual cap for the year ending 31 December 2021; and (ii) the actual monthly transaction amount of the Continuing Connected Transactions has been increasing significantly from January 2020 to January 2021, we considered the proposed revised annual cap for the year ending 31 December 2021 is fair and reasonable.



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## LETTER FROM BALLAS CAPITAL LIMITED

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(b) *The revised annual caps for the two years ending 31 December 2022 and 2023*

We understand that the Company has projected the potential transaction values of the CTEI Group's sales of the Revised CTEI Products to the HOEL Group for the year ending 31 December 2022 and 2023 with an expected annual growth of approximately 20% based on the projected sales amount for the year ending 31 December 2021.

We understand from the management that the expected annual increase was projected after taking into account (i) the planned expansion in production of the HOEL Group which will increase its demand for the Revised CTEI Products; and (ii) the increasing proportion out of the Revised CTEI Products sourced by the HOEL Group from the CTEI Group and the projected further increase in such proportion for the two years ending 31 December 2023.

In relation to the planned expansion in production of the HOEL Group, we have obtained from the Company and reviewed the planned expansion in production volume and expected demand of the Revised CTEI Products of the HOEL Group for each of the three years ending 31 December 2023. From our review, we noted that the HOEL Group expected an increase in demand for the Revised CTEI Products, projected by the planned expansion in production, of approximately 17% and 15% for the year ending 31 December 2022 and 2023 respectively.

In relation to the increase in proportion of the Revised CTEI Products sourced by the HOEL Group from the CTEI Group, we have obtained from the Company and reviewed the historical total purchase amount of the Revised CTEI Products by the HOEL Group for each of the two years ended 31 December 2019 and 2020 and the month ended 31 January 2021. From our review, we noted that the transaction amount of the Revised CTEI Products between the CTEI Group and the HOEL Group as a percentage of the HOEL Group's total purchase of the Revised CTEI Products had increased significantly from approximately 5% for the year ended 31 December 2019 to approximately 33% for the month ended 31 January 2021.

Having considered the above, in particular (i) the expected increase in demand of the Revised CTEI Products of the HOEL Group; and (ii) the historical increase in proportion of the Revised CTEI Products sourced by the HOEL Group from the CTEI Group, we considered the estimated annual increase in the Continuing Connected Transactions of approximately 20% for the two years ending 31 December 2022 and 2023 is fair and reasonable.

### ***Our view***

Based on the various factors described above and our review of the underlying calculations from the Company, we concur with the view of the management of the Company that the Revised 2021-2023 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, as the annual caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2023, we express no opinion as to how closely the supply of the Revised CTEI Products shall correspond to the annual caps.

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## LETTER FROM BALLAS CAPITAL LIMITED

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### **D. Requirements by the Listing Rules regarding the Continuing Connected Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that they have been entered into:
  - in the ordinary and usual course of business of the CTEI Group;
  - on normal commercial terms or better; and
  - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (b) each year the auditors of the Company must report on the Continuing Connected Transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
  - have not been approved by the Board;
  - were not, in all material respects, in accordance with the pricing policies of the CTEI Group if the Continuing Connected Transactions involve the provision of goods or services by the CTEI Group;
  - were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) governing the Continuing Connected Transactions; and
  - have exceeded the annual caps.
- (c) the Company must allow, and ensure that the relevant counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively.

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## LETTER FROM BALLAS CAPITAL LIMITED

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As set out in the Letter from the Board, the Company will continue to adhere to the internal control policies in place to ensure the Continuing Connected Transactions are conducted in accordance with the terms of the 2020 Supplemental Purchase Agreements and the 2020 Master Purchase Agreements, on normal commercial terms, in accordance with the pricing policies and not exceeding the approved annual caps.

In light of the reporting requirements relating to the Continuing Connected Transactions, in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the aforesaid principal factors and reasons referred to above, we are of the opinion that (i) the Rectification is in the interests of the Company and the Shareholders as a whole; (ii) the 2020 Supplemental HOEL Purchase Agreement and the 2020 Master HOEL Purchase Agreement are on normal commercial terms, in the ordinary and usual course of business of the CTEI Group and in the interests of the Company and the Shareholders as a whole, and (iii) the Revised 2021-2023 Annual Caps are fair and reasonable.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rectification and the 2020 Master HOEL Purchase Agreement (including the Revised 2021-2023 Annual Caps).

Yours faithfully,  
For and on behalf of  
**Ballas Capital Limited**  
**Heidi Cheng**                      **Carmen Lin**  
*Managing Director*              *Vice President*

*Note:* Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Carmen Lin of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2017.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (a) Directors' interests in shares of the Company

Name of Director	Capacity	Number of ordinary shares held <i>(Note)</i>	Approximate percentage of the issued ordinary share capital of the Company
Mr. Thirayut Phityaisarakul	Beneficial owner	410,000 (L)	0.17%
Mr. Thanakorn Seriburi	Beneficial owner	625,848 (L)	0.26%

*Note: The letter "L" denotes a long position.*

**(b) Directors' interests in shares of associated corporation of the Company****C. P. Pokphand Co. Ltd.**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held (Note)</b>	<b>Approximate percentage of the issued share capital of the associated corporation</b>
Mr. Thirayut Phityaisarakul	Beneficial owner	41,000,000 (L)	0.17%
Mr. Thanakorn Seriburi	Beneficial owner	37,584,807 (L)	0.16%

*Note: The letter "L" denotes a long position.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, save for the fact that each of Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont was a director or employee of CPG, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. COMPETING INTERESTS**

As at the Latest Practicable Date, the Directors were not aware that any of the Directors or his associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the CTEI Group which falls to be disclosed under the Listing Rules.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company or any other member of the CTEI Group, save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

## 5. MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading positions of the CTEI Group since 31 December 2020 (the date to which the latest published audited consolidated accounts of the CTEI Group were made up).

## 6. INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the expert referred to in paragraph 7 “Qualification and Consent of Expert” below has any direct or indirect interest in any assets of material importance to the Company which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the CTEI Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the CTEI Group were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the CTEI Group taken as a whole.

## 7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

<b>Name</b>	<b>Qualification</b>	<b>Nature of opinion or advice</b>	<b>Date of opinion</b>
Ballas Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO	Letter to the Independent Board Committee and the Independent Shareholders	1 April 2021

Ballas Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Ballas Capital did not have any shareholding in the Company or any other member of the CTEI Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the CTEI Group.

**8. MISCELLANEOUS**

- (a) The Company's registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Ng Mei Wah. She is an associate member of the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including 23 April 2021:

- (a) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (b) the letter from Ballas Capital, the text of which is set out in this circular;
- (c) the written consent from Ballas Capital referred to in the paragraph headed "Qualification and Consent of Expert" in this appendix;
- (d) the 2020 Supplemental HOEL Purchase Agreement;
- (e) the 2020 Master HOEL Purchase Agreement; and
- (f) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting (“SGM”) of Chia Tai Enterprises International Limited (the “Company”) will be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 23 April 2021 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

(1) “**THAT:**

- (i) the Rectification (as defined in the circular of the Company dated 1 April 2021 (the “Circular”)) be and is hereby approved; and
- (ii) any one director of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions he may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Rectification.”

(2) “**THAT:**

the proposed revised annual caps of US\$52 million, US\$62 million and US\$75 million, being the maximum aggregate annual value for the transactions contemplated under the 2020 Master HOEL Purchase Agreement (as defined in the Circular) respectively for the three years ending 31 December 2021, 2022 and 2023 respectively (in replacement of the previous annual caps for such transactions approved in the special general meeting of the Company held on 4 September 2020) be and are hereby approved and confirmed.”

By order of the Board

**Thanakorn Seriburi**

*Director*

Hong Kong, 1 April 2021

*As at the date of this notice, 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).*



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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A form of proxy for use at the SGM is being dispatched to the shareholders of the Company together with a copy of this notice.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the SGM convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members holding ordinary shares of the Company will be closed from 20 April 2021 to 23 April 2021, both days inclusive, during which period no transfer of ordinary shares of the Company will be registered. In order to qualify to attend and vote at the SGM, all transfer forms for ordinary shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration before 4:30 p.m. on 19 April 2021.
5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's Registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 2:30 p.m. (Hong Kong time) on 21 April 2021) or any adjournment thereof (as the case may be).
6. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the SGM, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
8. The votes to be taken at the SGM will be by way of a poll.
9. **In line with the prevailing practices and guidelines on the prevention of COVID-19, the Company may, depending on the development with regard to COVID-19, implement additional precautionary measures at the SGM which may include without limitation:**
  - **body temperature screening;**
  - **mandatory use of surgical face masks at all times on company premises;**
  - **mandatory health declaration – please be advised that anyone who is subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the SGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the SGM;**
  - **no refreshments will be provided to attendees; and**
  - **other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding.**
10. **In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, the Company strongly encourages the Shareholders NOT to attend the SGM in person, and in such case, advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.**
11. **The Shareholders are advised to read the separate note immediately following this circular for further detail and monitor the development of COVID-19. The Company may implement further changes and precautionary measures as appropriate.**
12. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain Director(s) of the Company may attend the SGM through telephone/video conference or similar electronic means.



## CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

### PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In line with the prevailing practices and guidelines on the prevention of COVID-19, Chia Tai Enterprises International Limited (the “**Company**”) may, depending on the development with regard to COVID-19, implement additional precautionary measures at the special general meeting (“**SGM**”) to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 23 April 2021, at 2:30 p.m., in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the SGM (the “**Stakeholders**”), which may include without limitation:

- (1) All attendees will be required to **wear surgical face masks** before they are permitted to attend, and during their attendance of, the SGM.
- (2) There will be **compulsory body temperature** screening for all persons before entering the SGM venue.
- (3) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the SGM venue or be required to promptly leave the SGM venue.
- (4) No refreshments will be provided to attendees.
- (5) Other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding. The Company may implement further changes and precautionary measures as appropriate.
- (6) In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, and in the interests of protecting the Stakeholders, the Company is supportive of the precautionary measures being adopted and strongly encourages shareholders **NOT to attend the SGM in person**, in such case, and advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.
- (7) The Shareholders are advised to read this leaflet carefully and monitor the development of COVID-19. Health education materials and up-to-date development on COVID-19 can be found on the CHP website ([www.chp.gov.hk](http://www.chp.gov.hk)) and the website of the HKSAR Government on COVID-19 ([www.coronavirus.gov.hk](http://www.coronavirus.gov.hk)).