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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 members' limited liability)

(Stock Code: 3839)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND 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

A subsidiary of Crosby

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 28 of this circular respectively.

A notice convening the special general meeting (“SGM”) of Chia Tai Enterprises International Limited (the “Company”) to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 16 November 2023 at 11:30 a.m. is set out on pages 33 to 34 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 11:30 a.m. (Hong Kong time) on 14 November 2023) 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.

27 October 2023

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DEFINITIONS

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

“2020 Master CPP Purchase Agreement”	the master agreement dated 30 July 2020 made between the Company as supplier and CPP as purchaser for the supply by the CTEI Group of the CTEI Products with a term of three years from 1 January 2021 until 31 December 2023
“2020 Master HOEL Purchase Agreement”	the master agreement dated 30 July 2020 made between the Company as supplier and HOEL as purchaser for the supply by the CTEI Group of the CTEI Products with a term of three years from 1 January 2021 until 31 December 2023
“2023 Master HOEL Purchase Agreement”	the master agreement dated 14 September 2023 made between the Company as supplier and HOEL as purchaser for the supply by the CTEI Group of the CTEI Products to the HOEL Group with a term of three years from 1 January 2024 until 31 December 2026
“associates”	has the meaning ascribed to this term in the Listing Rules
“Ballas Capital” or “Independent Financial Adviser”	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 terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement)
“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
“Continuing Connected Transactions”	the transactions contemplated under the 2023 Master HOEL Purchase Agreement
“controlling shareholder”	has the meaning ascribed to this term in the Listing Rules
“CPF”	Charoen Pokphand Foods Public Company Limited, a company incorporated in the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand

DEFINITIONS

“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, none of which holds 10% or more of its shares other than a company holding approximately 12.96% of its shares, the ultimate beneficial owner of which is Mr. Sumet Jiaravanon
“CPP”	C.P. Pokphand Co. Ltd., an exempted company incorporated in Bermuda whose shares were delisted from the Stock Exchange on 18 January 2022
“CPP Group”	CPP and its subsidiaries from time to time
“CTEI Group”	the Company and its subsidiaries from time to time
“CTEI Products”	various chlortetracycline products, animal drugs, animal health products and other related products produced and/or sold by the CTEI Group
“Directors”	the directors of the Company
“HOEL”	High Orient Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“HOEL Group”	HOEL and other associates of CPG (including the CPP Group), but excluding the CTEI Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, which comprises all the independent non-executive Directors, established to advise the Independent Shareholders in respect the renewal of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CPG, CPF and their respective associates
“Latest Practicable Date”	19 October 2023, 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
“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

DEFINITIONS

“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 entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement), or any adjournment thereof
“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

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

LETTER FROM THE BOARD



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with members' limited liability)

(Stock Code: 3839)

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

27 October 2023

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

A. INTRODUCTION

Reference is made to the announcement of the Company dated 14 September 2023 in relation to the renewal of the Continuing Connected Transactions. The transactions contemplated under the 2023 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.

LETTER FROM THE BOARD

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 entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement).

Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are fair and reasonable, on normal commercial terms, entered into in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with further information regarding the renewal of the Continuing Connected Transactions, 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 entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement), and to give notice of the SGM.

B. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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

The 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement will expire on 31 December 2023. As the Company intends to continue the transactions contemplated thereunder, on 14 September 2023, the Company entered into the 2023 Master HOEL Purchase Agreement with HOEL based on substantially the same terms and conditions as the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement. In the past, the Company maintained separate annual caps for continuing connected transactions with the CPP Group as CPP was a listed company on the main board of the Stock Exchange and transactions under the 2020 Master CPP Purchase Agreement were disclosable transactions for CPP under the Listing Rules. Following the privatisation of CPP in January 2022, and upon expiry of the 2020 Master CPP Purchase Agreement, these continuing connected transactions with the CPP Group would be incorporated under the 2023 Master HOEL Purchase Agreement.

LETTER FROM THE BOARD

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

2023 MASTER HOEL PURCHASE AGREEMENT

(a) Date

14 September 2023

(b) Parties

(i) the Company (as supplier)

(ii) HOEL (as purchaser)

(c) Subject matter

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

(d) Pricing policy

The pricing policy under the 2023 Master HOEL Purchase Agreement is the same as that provided in the 2020 Master HOEL Purchase Agreement. As a general principle, quantity and price of the CTEI Products to be supplied to the HOEL Group from time to time shall be determined through good faith negotiations between the HOEL Group and the CTEI Group. Pricing of the CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers as well as the HOEL Group.

The above term of the 2023 Master HOEL Purchase Agreement has been designed to ensure that the pricing terms are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and shall be no more favourable to the HOEL Group than those offered to independent third party customers.

Prices of each category of the CTEI Products set out in the price list are determined with reference to the cost of raw materials, procurement cost, other value added (for example, manufacturing and marketing), and profit margins which the CTEI Group considers appropriate for that category (taking into account market demand for that category of the CTEI Products and prices offered by other suppliers for equivalent products). The price list for the CTEI Products is approved by management of the CTEI Group through internal review meetings and is reviewed periodically.

Requests from sales personnel to deviate from the price list in relation to a specific order should comply with internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the HOEL Group), and discounts should be approved by the head of the Company's biochemical business. Discounts offered to the HOEL Group shall be no higher than those offered to the independent third party customers for orders of similar type and quantity of the CTEI Products.

LETTER FROM THE BOARD

(e) Payment terms

The CTEI Group would generally offer to the HOEL Group credit terms of up to 90 days from delivery but may consider accepting credit terms of a longer period taking into account generally accepted market practice from time to time. Interest would be charged by the CTEI Group on overdue payment.

(f) Term

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

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

	For the financial year ended 31 December		For the seven months ended 31 July 2023
	2021	2022	
Sales of the CTEI Products under the 2020 Master HOEL Purchase Agreement	US\$31.8 million (approximately HK\$248.0 million)	US\$34.4 million (approximately HK\$268.3 million)	US\$19.0 million (approximately HK\$148.2 million)
Sales of the CTEI Products under the 2020 Master CPP Purchase Agreement	US\$2.4 million (approximately HK\$18.7 million)	US\$2.0 million (approximately HK\$15.6 million)	US\$1.4 million (approximately HK\$10.9 million)
Total:	US\$34.2 million (approximately HK\$266.7 million)	US\$36.4 million (approximately HK\$283.9 million)	US\$20.4 million (approximately HK\$159.1 million)
Annual caps approved under the 2020 Master HOEL Purchase Agreement	US\$52.0 million (approximately HK\$405.6 million)	US\$62.0 million (approximately HK\$483.6 million)	US\$75.0 million (approximately HK\$585.0 million) (2023)
Annual caps approved under the 2020 Master CPP Purchase Agreement	US\$13.2 million (approximately HK\$103.0 million)	US\$14.2 million (approximately HK\$110.8 million)	US\$16.8 million (approximately HK\$131.0 million) (2023)
Total:	US\$65.2 million (approximately HK\$508.6 million)	US\$76.2 million (approximately HK\$594.4 million)	US\$91.8 million (approximately HK\$716.0 million) (2023)
Utilisation	52%	48%	N/A

LETTER FROM THE BOARD

(h) Proposed annual caps

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

The above annual caps have been determined with reference to:

- (i) the amount of historical sales under the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement for each of the financial years ended 31 December 2021 and 31 December 2022 and the seven months ended 31 July 2023;
- (ii) the projected increase in sales of the CTEI Products to the HOEL Group during the remaining part of 2023 and from 2024 to 2026, taking into account the expected growth in business and demand from the HOEL Group. According to preliminary discussions on business development and planning between the HOEL Group and the CTEI Group, the HOEL Group intended to expand its animal feed and farming businesses in the remaining part of 2023 and from 2024 to 2026, thereby increasing its potential demand for the CTEI Products. In response to the aforesaid business expansion of the HOEL Group, the CTEI Group had commenced trading of certain new animal health products (mainly vaccines, test kits, additives and other related products) with the HOEL Group since August 2023, resulting in a significant increase in actual sales of the CTEI Products to the HOEL Group for the month of August 2023 as compared to the average monthly sales of the preceding months in 2023. The CTEI Group intends to continue to broaden its animal health product offering to the HOEL Group, resulting in an increase in projected sales of the CTEI Products to the HOEL Group and a significant increase in the proposed annual caps as compared to the historical amounts;
- (iii) the prevailing market prices of the CTEI Products, taking into account prices set by competitors; and
- (iv) an additional buffer of 5% above the projected sales amount of each of 2024 to 2026 to take into account any unexpected increase in the demand for and/or the selling price of the CTEI Products.

C. INTERNAL CONTROL MEASURES

Subject to the approval of the Independent Shareholders, the Company will continue the internal control system in place to ensure that the Continuing Connected Transactions will be contracted in accordance with the framework approved by the Independent Shareholders. The internal audit department of the CTEI Group will annually examine the terms and details of the Continuing Connected Transactions conducted to ensure compliance with the framework. The external auditor and independent non-executive Directors will review the Continuing Connected Transactions, also on an annual basis, following which the independent non-executive Directors will provide an annual confirmation as to whether the Continuing Connected Transactions are conducted in accordance with the terms of the 2023 Master HOEL Purchase Agreement, on normal commercial terms, in accordance with the pricing policies and not exceeding the approved annual caps.

LETTER FROM THE BOARD

In addition to the above internal control procedures and in order to avoid approved annual caps being exceeded, the following reporting and monitoring procedures will be continued:

- (i) the Pucheng Head of Finance would 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 would project the assumed amount of relevant transactions for such remaining months;
- (iii) an assessment would 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 would further assess whether the Company would 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 would 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 CTEI Products to the HOEL Group for the rest of the financial year may not exceed that maximum.

D. INFORMATION ON THE PARTIES

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

HOEL is an investment holding company and is indirectly wholly-owned by CPG. The HOEL Group includes companies principally engaged in animal feed and farming businesses. The CTEI Products are used to prevent or cure animal diseases and mainly used by the HOEL Group in its animal feed and farming businesses.

CPG is a company with a diverse shareholding structure with more than 80 shareholders, of which the largest shareholder being a company holding approximately 12.96% 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. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, other than the Directors who have disclosed their shareholding interests in CPG, each of the other shareholders and the ultimate beneficial owners of CPG is independent third party of the Company.

LETTER FROM THE BOARD

E. REASONS FOR AND BENEFITS OF RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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

Although the proposed annual caps in relation to the transactions under the 2023 Master HOEL Purchase Agreement are higher than the historical transaction amounts, the Directors are of the view that there is no material reliance on the HOEL Group and any change in the relationship with the HOEL Group will not have a material adverse impact on the business of the CTEI Group for the following reasons:

- (i) For the two years ended 31 December 2021 and 31 December 2022 and the seven months ended 31 July 2023, the percentage of the Company's revenue in relation to the sales of the CTEI Products attributable to the HOEL Group (including the CPP Group) only amounted to approximately 24.02%, 22.89% and 21.68% of the Company's total revenue, respectively. It is expected that other customers of the CTEI Group will continue to contribute significant proportions of the revenue of the CTEI Group.
- (ii) As in the past, the CTEI Group continues to take steps aiming at expanding its product offerings, sourcing more business from its existing customers and expanding its customer base. For example, representatives from the sales department would approach animal farms locally and abroad with the aim of establishing new customer relationships and increasing business volume. The CTEI Group also intends to expand its new animal health product offering to its other customers, thereby increasing the percentage of sales contributed by other customers of the CTEI Group and the overall revenue of the CTEI Group.
- (iii) Even if the revenue from the sales of the CTEI Products to the HOEL Group were to decrease, the Board believes that it would not have a material adverse impact on the CTEI Group, as the CTEI Group would be able to cushion it by focusing its resources in sourcing products for other customers.

In any event, given CPG's substantial shareholder interest in the CTEI Group through its near majority shareholding in CPF, a controlling shareholder of the Company, the Board believes that it is in the mutual interests of the HOEL Group and the CTEI Group for the HOEL Group to continue with this longstanding business relationship and accordingly such business relationship is not likely to terminate or significantly deteriorate.

LETTER FROM THE BOARD

F. LISTING RULES IMPLICATIONS

CPF is interested in approximately 47.8% of the Shares in issue and is therefore the controlling shareholder of the Company. Furthermore, approximately 45.4% of CPF's issued share capital is held by CPG. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company and its subsidiaries (including HOEL which is its indirect wholly-owned subsidiary) and their respective associates as connected persons of the Company within the meaning of the Listing Rules. Therefore, transactions between the CTEI Group and the HOEL Group under the 2023 Master HOEL Purchase Agreement are treated as if they are continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the proposed annual caps under the 2023 Master HOEL Purchase Agreement are more than 5%, the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board considered that each of Mr. Soopakij Chearavanont, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont, who attended the Board meeting held for considering the 2023 Master HOEL Purchase Agreement and the transactions thereunder, had a material interest in view of their respective shareholdings in CPG and accordingly they abstained from voting on the resolutions relating to the 2023 Master HOEL Purchase Agreement.

G. RECOMMENDATION

The Independent Board Committee has been established to consider the entry into the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement). Ballas Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are fair and reasonable, on normal commercial terms, entered into in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the opinion of Ballas Capital, considers the terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) to be fair and reasonable, 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 and accordingly, recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

In light of the above, the Board considers that the terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company 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 to be proposed at the SGM.

H. 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 16 November 2023 at 11:30 a.m.. A notice convening the SGM at which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the entry of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement), details of which are set out on pages 33 to 34 of this circular. CPG, CPF and their associates will abstain from voting at the SGM or any adjournment thereof in respect of the resolution on this matter.

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 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 but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 11:30 a.m. (Hong Kong time) on 14 November 2023) 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 or any adjournment thereof (as the case may be) if they so wish.

I. 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 28 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
Thirayut Phityaisarakul
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with members' limited liability)

(Stock Code: 3839)

27 October 2023

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 27 October 2023 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 as independent non-executive Directors have been appointed by the Board to advise you as to whether, in our opinion, the terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are fair and reasonable 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 terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement). 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 28 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 consider that the terms of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) are fair and reasonable 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 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the proposed annual caps in relation to transactions under the 2023 Master HOEL Purchase Agreement) 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*

LETTER FROM BALLAS CAPITAL LIMITED



5/F, Capital Centre
151 Gloucester Road
Wan Chai
Hong Kong

27 October 2023

*To the Independent Board Committee and
the Independent Shareholders of
Chia Tai Enterprises International Limited*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of and the proposed annual caps in relation to the transactions contemplated under the 2023 Master HOEL Purchase Agreement (the “**Continuing Connected Transactions**”), 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 27 October 2023, 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 14 September 2023. On 14 September 2023, the Company entered into the 2023 Master HOEL Purchase Agreement with HOEL for a term of three years commencing on 1 January 2024.

As set out in the Letter from the Board, as at the Latest Practicable Date, CPF was interested in approximately 48% of the Shares in issue and is therefore the controlling shareholder of the Company. Furthermore, approximately 45% of CPF’s issued share capital is held by CPG. Due to CPG’s near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company and its subsidiaries (including HOEL which is its indirect wholly-owned subsidiary) and their respective associates as connected persons of the Company within the meaning of the Listing Rules. Therefore, the transactions between the CTEI Group and the HOEL Group under the 2023 Master HOEL Purchase Agreement are treated as if they are continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the proposed annual caps under the 2023 Master HOEL Purchase Agreement (the “**Annual Caps**”) are more than 5%, the entry into of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the 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 all the independent non-executive Directors, namely Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung, has been established to advise and make recommendation to the Independent Shareholders in relation to the entry into of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the Annual Caps).

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparty of the 2023 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 its privatisation proposal as disclosed in its circular dated 23 November 2021; and (ii) this appointment as the independent financial adviser in relation to the 2023 Master HOEL Purchase Agreement, we did not have any other relationship with or interests in the Company, the counterparty of the 2023 Master HOEL Purchase Agreement or their respective core connected persons or associates. Accordingly, we consider we are eligible to give independent advice on the 2023 Master HOEL Purchase Agreement and the transactions thereunder.

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.

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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 subsidiaries of the Company are 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 associated company, in trading of machinery and the manufacture and sale of automotive parts.

HOEL

HOEL is an investment holding company and is indirectly wholly-owned by CPG. The HOEL Group includes companies principally engaged in animal feed and farming businesses. The CTEI Products are used to prevent or cure animal diseases and mainly used by the HOEL Group in its animal feed and farming businesses.

B. Reasons for and benefits of entering into the 2023 Master HOEL Purchase Agreement and renewal of the Continuing Connected Transactions

According to the interim report of the Company for the six months ended 30 June 2023, the CTEI Group has two 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 mainly engaged in trading of machinery and the manufacture and sale of automotive parts, through its joint venture and associate. For each of the years ended 31 December 2020, 2021 and 2022, the CTEI Group generated all of its revenue from the biochemical segment. As discussed with the management of the Company, the CTEI Group has been expanding its trading business and supplying a wider variety of products, including animal health products and other related products, to its customers since 2020. In particular, the revenue of the biochemical segment of the CTEI Group has increased from approximately US\$93.6 million in the year ended 31 December 2020 to approximately US\$159.2 million in the year ended 31 December 2022 (“**FY2022**”), representing an increase of over 70% in two years’ time.

We understand that the HOEL Group (including CPP (whose shares were delisted from the Stock Exchange on 18 January 2022) and its subsidiaries) has been long time customers for the CTEI Group’s sale of the CTEI Products. Based on the annual report of the Company for FY2022, the sales of the CTEI Products supplied by the CTEI Group to the HOEL Group and the CPP Group in aggregate accounted for approximately 23% of the CTEI Group’s total revenue for FY2022.

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The existing agreements, namely the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement, pursuant to which the CTEI Group supplies the CTEI Products to the HOEL Group and the CPP Group, will expire on 31 December 2023. As the Company intends to continue to supply the CTEI Products to the HOEL Group (including the CPP Group), on 14 September 2023, the Company entered into the 2023 Master HOEL Purchase Agreement with HOEL based on substantially the same terms and conditions as the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement. As disclosed in the Letter from the Board, in the past, the Company maintained separate annual caps for the continuing connected transactions with the CPP Group as CPP was a listed company on the main board of the Stock Exchange and transactions under the 2020 Master CPP Purchase Agreement were disclosable transactions for CPP under the Listing Rules. Following the privatisation of CPP in January 2022, and upon expiry of the 2020 Master CPP Purchase Agreement, the continuing connected transactions with the CPP Group would be incorporated under the 2023 Master HOEL Purchase Agreement.

Taking into account the fact that (i) the 2023 Master HOEL Purchase Agreement will enable the CTEI Group to continue to supply the CTEI Products to the HOEL Group; (ii) the CTEI Products are used to prevent or cure animal diseases and mainly used by the HOEL Group in its animal feed and farming businesses; (iii) the nature of the 2023 Master HOEL Purchase Agreement falls within the scope of the biochemical business of the CTEI Group; (iv) given the right terms and pricing, the 2023 Master HOEL Purchase Agreement allows the CTEI Group to have the flexibility to sell its products to its long-term and trusted business partners; and (v) our analysis and view on the major terms of the 2023 Master HOEL Purchase Agreement (as explained below), we consider the entering into of the 2023 Master HOEL Purchase Agreement 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.

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C. Principal terms of the 2023 Master HOEL Purchase Agreement

Major terms of the 2023 Master HOEL Purchase Agreement are set out below.

Date:	14 September 2023
Parties:	(i) the Company (as supplier) (ii) HOEL (as purchaser)
Term:	1 January 2024 to 31 December 2026
Subject matter:	Sale and supply of the CTEI Products to the HOEL Group
Pricing policy:	As a general principle, quantity and price of the CTEI Products to be supplied to the HOEL Group from time to time shall be determined through good faith negotiations between the CTEI Group and the HOEL Group. Pricing of the CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers as well as the HOEL Group.
Payment terms:	The CTEI Group would generally offer to the HOEL Group credit terms of up to 90 days from delivery but may consider accepting credit terms of a longer period taking into account generally accepted market practice from time to time. Interest would be charged by the CTEI Group on overdue payment.

Our view on the major terms of the 2023 Master HOEL Purchase Agreement

As disclosed in the Letter from the Board, the pricing policy under the 2023 Master HOEL Purchase Agreement is the same as that provided in the 2020 Master HOEL Purchase Agreement. In particular, as a general principle, quantity and price of the CTEI Products to be supplied to the HOEL Group from time to time shall be determined through good faith negotiations between the CTEI Group and the HOEL Group. Pricing of the CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers as well as the HOEL Group. The aforesaid policy has been designed to ensure that the pricing terms are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and shall be no more favourable to the HOEL Group than those offered to independent third party customers.

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Based on our discussion with the management of the Company, we understand that:

- prices of each category of the CTEI Products set out in the price list are determined with reference to the cost of raw materials, procurement cost, other value added (for example, manufacturing and marketing), and profit margins which the CTEI Group considers appropriate for that category (taking into account market demand for that category of the CTEI Products and prices offered by other suppliers for equivalent products);
- the price list for the CTEI Products is approved by management of the CTEI Group through internal review meetings and is reviewed periodically; and
- requests from sales personnel to deviate from the price list in relation to a specific order should comply with internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the HOEL Group), and discounts should be approved by the head of the Company's biochemical business. Discounts offered to the HOEL Group shall be no higher than those offered to the independent third party customers for orders of similar type and quantity of the CTEI Products.

We have obtained and reviewed the relevant transaction documents, including the full customer transaction lists for each of the year ended 31 December 2021 and 2022 and the seven months ended 31 July 2023 (together, the "**Review Period**"), the relevant historical price lists of the CTEI Products and the relevant transaction contracts and invoices of 12 selected samples on historical transactions between (i) the CTEI Group and the CPP Group; (ii) the CTEI Group and the HOEL Group; and (iii) the CTEI Group and its independent third party customers, respectively. Nine out of 12 samples were selected from the top three customers in terms of transaction amounts for each of the years ended 31 December 2021 and 2022 and the seven months ended 31 July 2023 and the remaining samples were randomly selected from each period. We consider that the coverage of our selected samples is sufficient for our due diligence purpose given that they covered both the major transactions and the randomly selected transactions, which are all independently selected from the full customer transaction lists, during the Review Period. From our review, we noted that the prices charged by the CTEI Group to the CPP Group and 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 CPP Group and 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 2023 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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D. The proposed annual caps

The following tables set out (i) the historical transaction amounts of the supply of the CTEI Products by the CTEI Group to the HOEL Group and the CPP Group under the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement, respectively, for the two years ended 31 December 2022 and the seven months ended 31 July 2023; and (ii) the proposed Annual Caps for the three years ending 31 December 2026:

Historical transaction amounts of the supply of the CTEI Products

	For the year ended 31 December 2021	2022	For the seven months ended 31 July 2023
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<i>Sales of the CTEI Products under the 2020 Master HOEL Purchase Agreement</i>	31.8	34.4	19.0
<i>Sales of the CTEI Products under the 2020 Master CPP Purchase Agreement</i>	2.4	2.0	1.4
<i>Total</i>	34.2	36.4	20.4
<i>Annual caps approved under the 2020 Master HOEL Purchase Agreement</i>	52.0	62.0	75.0
<i>Annual caps approved under the 2020 Master CPP Purchase Agreement</i>	13.2	14.2	16.8
<i>Total</i>	65.2	76.2	91.8
<i>Utilisation</i>	52%	48%	N/A

Proposed Annual Caps for the three years ending 31 December 2026

	Proposed Annual Caps for the year ending 31 December		
	2024	2025	2026
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<i>Sales of CTEI Products under the 2023 Master HOEL Purchase Agreement</i>	162.9	194.3	218.8

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As stated in the Letter from the Board, the proposed Annual Caps have been determined with reference to:

- (i) the amount of historical sales under the 2020 Master HOEL Purchase Agreement and the 2020 Master CPP Purchase Agreement for the two years ended 31 December 2022 and the seven months ended 31 July 2023;
- (ii) the projected increase in sales of the CTEI Products to the HOEL Group during the remaining part of 2023 and from 2024 to 2026, taking into account the expected growth in business and demand from the HOEL Group. According to preliminary discussions on business development and planning between the HOEL Group and the CTEI Group, the HOEL Group intended to expand its animal feed and farming businesses in the remaining part of 2023 and from 2024 to 2026, thereby increasing its potential demand for the CTEI Products. In response to the aforesaid business expansion of the HOEL Group, the CTEI Group had commenced trading of certain new animal health products (mainly vaccines, test kits, additives and other related products) with the HOEL Group since August 2023, resulting in a significant increase in actual sales of the CTEI Products to the HOEL Group for the month of August 2023 as compared to the average monthly sales of the preceding months in 2023. The CTEI Group intends to continue to broaden its animal health product offering to the HOEL Group, resulting in an increase in projected sales of the CTEI Products to the HOEL Group and a significant increase in the proposed annual caps as compared to the historical amounts;
- (iii) the prevailing market prices of the CTEI Products, taking into account prices set by competitors; and
- (iv) an additional buffer of 5% above the projected sales amount of each of 2024 to 2026 to take into account any unexpected increase in demand for and/or the selling price of the CTEI Products.

The growth of the sales of the CTEI Products from the year ended 31 December 2021 to 2022 was approximately 6% whilst the growth of the approved annual caps under the 2020 Master HOEL Purchase Agreement and 2020 Master CPP Purchase Agreement from the year ended 31 December 2021 to 2022 was approximately 17%. The actual sales did not grow as much as the management of the Company and the HOEL Group initially forecasted mainly due to the slowdown of economic growth in the PRC and various lockdown restrictions arising from the outbreak of novel coronavirus pneumonia (COVID-19) pandemic, resulting in the utilisation rate of 52% and 48% for the year ended 31 December 2021 and 2022, respectively.

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Our work done

In assessing the fairness and reasonableness of the 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. From the review and discussion, we understand that the Company has considered and taken into account the following information in arriving at the Annual Caps:

- (i) projected the respective sales of the CTEI Products to the HOEL Group (which includes the CPP Group) for the year ending 31 December 2024 based on (i) the actual sales amount of the CTEI Products to the CPP Group and the HOEL Group, respectively, for the seven months ended 31 July 2023; and (ii) the respective projected sales amount of the CTEI Products to the HOEL Group (which includes the CPP Group) for the five months ending 31 December 2023;
- (ii) further projected the potential transaction values of the CTEI Group's sales of the CTEI Products to the HOEL Group (which includes the CPP Group) for each of the three years ending 31 December 2026 based on (i) the projected sales amount for the year ending 31 December 2023; (ii) the projected demand of the CTEI Products (which may be sourced from the CTEI Group or independent suppliers) by the HOEL Group based on HOEL Group's projected business volume and the proportion of the CTEI Products to be purchased from the CTEI Group; and
- (iii) forecasted the unit selling price of each type of the CTEI Products which are expected to be in line with the latest unit selling price, where applicable, for the year ending 31 December 2023 and to remain stable for the three years ending 31 December 2026.

Assessment of the reasonableness of the Annual Caps

(a) *The Annual Cap for the year ending 31 December 2024 (the "2024 Annual Cap")*

We noted that the 2024 Annual Cap represented a significant increase of approximately USD126.5 million from the historical sales amount for FY2022. Based on our review of the annual cap breakdown provided by the Company, we understand that the aforesaid significant increase is mainly attributable to the following reasons:

- (i) To expand its business, the CTEI Group commenced trading certain new animal health products, mainly including vaccines, test kits, additives and other related products (the "**Added Products**") (which may also be supplied to the HOEL Group) starting from August 2023. The annual cap for supply of the Added Products to the HOEL in the year ending 31 December 2024 ("**FY2024**") is forecasted to be approximately USD89.8 million, accounting for approximately 55% of the 2024 Annual Caps. As explained by the management, the HOEL Group has business needs for certain Added Products and has been purchasing the Added Products from other independent suppliers from the market. The HOEL Group has also indicated that it would purchase the Added Products from the CTEI Group if they become available from the CTEI Group. We noted from the underlying calculation that the demand of

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the HOEL Group on the major Added Products was mainly estimated based on the historical scale of operations of the HOEL Group in 2022, with an assumed growth rate of 10% for each of the three years ending 31 December 2026 and assumed that certain portion of the Added Products will be supplied by CTEI Group to HOEL Group based on their preliminary discussions earlier this year on business development and planning between the HOEL Group and the CTEI Group regarding the sales and supply of respective products. We noted that the assumed annual growth rate of 10% is comparable to the historical overall average growth rate of the scale of operations of the HOEL Group from 2021 to 2022. We have obtained the actual sales value of the CTEI Products to HOEL Group for August 2023 and noted that the actual sales value of the CTEI Products for August 2023 increased by more than 58% when compared to the average monthly sales value for the seven months ended 31 July 2023 mainly due to the commencement of trading of the Added Products since August 2023.

- (ii) The Company forecasts a significant increase in the sales of additives to the HOEL Group for the remaining part of 2023 and a further increase in the sales of these products to the HOEL Group in FY2024. The annual cap for the sales of additives for FY2024 amounts to approximately USD58.1 million, which represents an increase of approximately 7.0 times (or approximately USD50.8 million) over the historical amount of approximately USD7.3 million for FY2022. We noted from the underlying calculation that the Company has projected the potential sales value of additives with an assumed annual growth rate of 20%. Based on our discussion with the management of the Company, we understand that the expected annual growth was projected after taking into account (i) the planned expansion in the scale of operation of the HOEL Group which would increase its demand for the CTEI Products, (ii) the expected demand of the HOEL Group on additives; and (iii) the production capacity and capability of the manufacturing arm of the CTEI Group and business performance of the new trading arm of the CTEI Group.

Having considered the above, in particular (i) the fact that the HOEL Group has been purchasing the Added Products from other independent suppliers from the market and the HOEL Group has also indicated that it would purchase the Added Products from the CTEI Group; (ii) the Added Products have been sold by the CTEI Group to the HOEL Group since August 2023; (iii) the estimated growing demand of the HOEL Group for the Added Products; (iv) expected growth in the sales of additives to the HOEL Group; and (v) the utilisation rate of 52% and 48% for the year ended 31 December 2021 and 2022, respectively, was mainly due to the slowdown of economic growth in the PRC and various lockdown restrictions arising from the outbreak of novel coronavirus pneumonia (COVID-19) pandemic, we considered the 2024 Annual Cap is fair and reasonable.

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(b) The Annual Cap for the year ending 31 December 2025 (the “2025 Annual Cap”)

We noted that the 2025 Annual Cap represented an increase of approximately 19% over the 2024 Annual Cap. Such increase is based on the management’s expected annual business growth which we consider to be reasonable for the purpose of determining the annual cap given that the CTEI Group recorded a compound annual revenue growth of approximately 14% over the past five years.

(c) The Annual Cap for the year ending 31 December 2026 (the “2026 Annual Cap”)

We noted that the 2026 Annual Cap represented an increase of approximately 13% over the 2025 Annual Cap. Such increase is based on the management’s expected annual business growth which we consider to be reasonable for the purpose of determining the annual cap given that the CTEI Group recorded a compound annual revenue growth of approximately 14% over the past five years.

As stated in the Letter from the Board, although the proposed annual caps in relation to the transactions under the 2023 Master HOEL Purchase Agreement are higher than the historical transaction amounts, the Directors are of the view that there is no material reliance on the HOEL Group and any change in the relationship with the HOEL Group will not have a material adverse impact on the business of the CTEI Group for the following reasons:

- (i) For the two years ended 31 December 2021 and 2022 and the seven months ended 31 July 2023, the percentage of the Company’s revenue in relation to the sales of the CTEI Products attributable to the HOEL Group (including the CPP Group) only amounted to approximately 24%, 23% and 22% of the Company’s total revenue, respectively. It is expected that other customers of the CTEI Group will continue to contribute significant proportions of the revenue of the CTEI Group.
- (ii) As in the past, the CTEI Group continues to take steps aiming at expanding its product offerings, sourcing more business from its existing customers and expanding its customer base. For example, representatives from the sales department would approach animal farms locally and abroad with the aim of establishing new customer relationships and increasing business volume. The CTEI Group also intends to expand its new animal health product offering to its other customers, thereby increasing the percentage of sales contributed by other customers of the CTEI Group and the overall revenue of the CTEI Group.
- (iii) Even if the revenue from the sales of the CTEI Products to the HOEL Group were to decrease, the Board believes that it would not have a material adverse impact on the CTEI Group, as the CTEI Group would be able to cushion it by focusing its resources in sourcing products for other customers.

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We have discussed with the management of the Company and understand that it is the Company's plan to continually expand its business, for example, by adding new products and establishing a new trading arm with an aim to source more business from its existing customers as well as expanding its customer base. Given that (i) the sales of the CTEI Products attributable to the HOEL Group (including the CPP Group) only amounted to approximately 24%, 23% and 22% of the Company's total revenue, for the two years ended 31 December 2021, 2022 and the seven months ended 31 July 2023, respectively and hence sales to the HOEL Group do not constitute the Company's primary source of revenue; (ii) the Company intends to increase its revenue from sales to both independent customers and the HOEL Group and expects that the independent customers of the CTEI Group will continue to contribute significant proportions of the revenue of the CTEI Group, we consider that the 2023 Master HOEL Purchase Agreement would not give rise to material reliance of the Company on the HOEL Group.

Our view

Based on the factors and reasons explained above and our review of the underlying calculations from the Company, we concur with the view of the management of the Company that the 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 2026, we express no opinion as to how closely the supply of the CTEI Products pursuant to the 2023 Master HOEL Purchase Agreement shall correspond to the Annual Caps.

E. Internal Control Measures

For the details of internal control measures, please refer to the paragraph headed "**C. Internal Control Measures**" under the Letter from the Board in this Circular.

Our view

Based on our discussion with the management of the Company on the internal control measures that govern the transactions contemplated under the 2023 Master HOEL Purchase Agreement and our review of the internal control procedures that include:

- (i) pricing of the CTEI Products is determined based on a price list maintained by the CTEI Group which applies to all customers including independent third party customers as well as the HOEL Group. Requests from sales personnel to deviate from the price list in relation to a specific order should comply with internal approval procedures before such order may be confirmed with the relevant customers (whether independent third party customers or the HOEL Group), and discounts should be approved by the head of the Company's biochemical business. Discounts offered to the HOEL Group shall be no higher than those offered to the independent third party customers for orders of similar type and quantity of the CTEI Products. Hence, the CTEI Group will be able to ensure that the pricing terms will be no more favourable to the HOEL Group than those offered to independent third party customers; and

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- (ii) the CTEI Group has measures in place to ensure that the annual transaction amounts under the 2023 Master HOEL Purchase Agreement will not exceed the proposed annual caps of respective years. Such measures include (a) the Pucheng Head of Finance would collate the actual sales amounts of the relevant transactions on a monthly basis; 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 would project the assumed amount of relevant transactions for such remaining months; an assessment would then be made as to whether the projected total transaction amount for the current financial year might exceed the applicable annual cap; on the basis of his above assessment, the Pucheng Head of Finance would further assess whether the Company would take steps to increase the annual cap, including by seeking independent shareholders' approval where required; and in any event, the Pucheng Head of Finance would 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 CTEI Products to the HOEL Group for the rest of the financial year may not exceed that maximum; (b) the internal audit department of the CTEI Group will annually examine the terms and details of the Continuing Connected Transactions conducted to ensure compliance with the framework; and (c) the external auditor and independent non-executive Directors will review the Continuing Connected Transactions, also on an annual basis, following which the independent non-executive Directors will provide an annual confirmation as to whether the Continuing Connected Transactions are conducted in accordance with the terms of the 2023 Master HOEL Purchase Agreement, on normal commercial terms, in accordance with the pricing policies and not exceeding the approved annual caps. We understand from management of the Company that if they expect that the transaction amounts will reach or exceed the annual cap, the Company will consider measures to be taken in a timely manner (which include notifying 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 or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules);

we consider that the Company has sufficient and effective internal control measures in place to ensure that (i) the proposed annual caps of the 2023 Master HOEL Purchase Agreement will not be exceeded (or if it is expected to be exceeded, the Company will consider measures to be taken in a timely manner, which include notifying 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 or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); (ii) the pricing of the CTEI Products will be determined on normal commercial terms and no more favourable to the HOEL Group than those offered to independent third party customers (through (a) applying the same price list maintained by the CTEI Group to all customers including independent third party customers as well as the HOEL Group, and (b) adopting internal approval procedures for any discount offered to any customer and when there is any request to deviate from the price list).

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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 2023 Master HOEL Purchase Agreement, on normal commercial terms, in accordance with the pricing policies and not exceeding the approved annual caps.

F. 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 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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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 the 2023 Master HOEL Purchase Agreement (including the Annual Caps and the basis for arriving the same) and the transactions contemplated thereunder 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 the terms thereof as well as the 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 entering into of the 2023 Master HOEL Purchase Agreement and the transactions thereunder (including the Annual Caps).

Yours faithfully,

For and on behalf of

Ballas Capital Limited

Heidi Cheng

Michelle Tse

Managing Director

Director

Note: Ms. Heidi Cheng has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Michelle Tse has been a licensed representative of Type 6 (advising on corporate finance) regulated activities from 2010 to 2015 and since 2019.

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 CTEI Group. 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', CHIEF EXECUTIVE'S AND SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

Directors' interests in shares of the Company

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/she 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 Issuers were as follows:

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.

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 the 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 Issuers.

Substantial shareholders' interests in shares of the Company

So far as it is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being a director or chief executive of the Company) had the following interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Notes	Capacity	Number of shares and underlying shares held <i>(Note 1)</i>	Approximate percentage of the issued ordinary share capital of the Company <i>(Note 1)</i>
Charoen Pokphand Group Company Limited	(2)	Interest of controlled corporation	127,748,147 (L)	53.07 (L)
Charoen Pokphand Foods Public Company Limited	(2)	Beneficial owner and interest of controlled corporation	127,748,147 (L)	53.07 (L)
CPF Investment Limited	(2)	Beneficial owner	115,137,370 (L)	47.83 (L)
ITOCHU Corporation		Beneficial owner	60,179,593 (L)	25.00 (L)

Notes:

- (1) The letter "L" denotes a long position.
- (2) Charoen Pokphand Foods Public Company Limited ("CPF") held 127,748,147 shares and underlying shares of the Company, which included (i) 115,137,370 ordinary shares beneficially owned by CPF's wholly-owned subsidiary, CPF Investment Limited and (ii) 12,610,777 convertible preference shares beneficially owned by CPF. Charoen Pokphand Group Company Limited also declared interest in these shares by virtue of its shareholding interest in CPF.

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 is a shareholder of CPG; and Mr. Yoichi Ikezoe is an advisor of ITOCHU Corporation, a substantial shareholder of the Company, 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 as recorded in the register required to be kept by the Company pursuant to Section 336 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 which is not expiring or not determinable by the CTEI Group 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 2022 (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 2022, 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 inclusion in expert who has given its opinion or advice for this circular:

Name	Qualification	Nature of opinion or advice	Date of opinion
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	27 October 2023

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.

As at the Latest Practicable Date, Ballas Capital did not have any direct or indirect interest in any assets which had 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 2022, the date to which the latest published audited consolidated financial statements of the CTEI Group were made up.

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 Company Secretary of the Company is Mr. Lau Wing Yuen who is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ctei.com.hk) for display for a period of not less than 14 days before the date of the SGM and on the date of the SGM:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (b) the letter from Ballas Capital, the text of which is set out on pages 14 to 28 of 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 Master CPP Purchase Agreement;
- (e) the 2020 Master HOEL Purchase Agreement;
- (f) the 2023 Master HOEL Purchase Agreement; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with members' limited liability)

(Stock Code: 3839)

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 16 November 2023 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

“THAT:

- (i) the 2023 Master HOEL Purchase Agreement (as defined in the circular of the Company dated 27 October 2023 (the “Circular”) and a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose) entered into between the Company and HOEL (as defined in the Circular) in relation to the supply of the CTEI Products (as defined in the Circular) and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (ii) the proposed annual caps in relation to the transactions under the 2023 Master HOEL Purchase Agreement for the financial years ending 31 December 2024, 2025 and 2026 as set out in more details in the Circular, be and are hereby approved; and
- (iii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the Company Secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instruments and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated in the 2023 Master HOEL Purchase Agreement.”

By order of the Board
Thirayut Phityaisarakul
Director

Hong Kong, 27 October 2023

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

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A proxy form 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/her 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/her. 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 of the Company will be closed from 13 November 2023 to 16 November 2023, 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 10 November 2023.
5. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notorially 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 11:30 a.m. (Hong Kong time) on 14 November 2023) or any adjournment thereof (as the case may be).
6. Completion and deposit of the proxy form 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 proxy form 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 at the SGM, either in person or by proxy, in respect of such share as if he/she was 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.