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PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1820)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW FRAMEWORK AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 29 December 2020 and the supplemental announcement of the Company dated 27 January 2021 regarding continuing connected transaction in relation to new framework agreement. On 29 December 2020, the Company and Chongqing Stone Tan entered into the Framework Agreement for the Lease Transactions for a term of 3 years commencing on 1 January 2021.

For the better management of the Lease Transactions between the Group and Chongqing Stone Tan and in view that the Group is required to purchase more machinery and equipment to cope with its growing business through finance and/or operating lease, the Company and Chongqing Stone Tan agreed to terminate the Framework Agreement and, on 24 January 2022 (after trading hours), entered into the New Framework Agreement, pursuant to which Chongqing Stone Tan agreed to continue providing machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business with the New Proposed Annual Caps for a term ending on 31 December 2024.

IMPLICATIONS UNDER LISTING RULES

As at the date of this announcement, Chongqing Stone Tan is indirectly wholly-owned by Stone Tan China which in turn is indirectly owned as to, in aggregate, approximately 61.0% by PMGHC. As PMGHC is owned as to 80% by Golden Ford, a controlling shareholder of the Company, Chongqing Stone Tan is an associate of Golden Ford and thus a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the maximum amount of the New Proposed Annual Caps is more than 5% and exceeds HK\$10 million, the Continuing Connected Transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps), and to advise the Independent Shareholders as to whether the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps) are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps).

THE EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders on the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps).

PMHC (a company wholly-owned by Golden Ford) is required to abstain from voting on the resolution regarding the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps) to be proposed at the EGM.

A circular containing, among other things, (i) a letter from the Board; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) further details on the Continuing Connected Transactions (including the New Proposed Annual Caps); and (v) a notice to convene the EGM will be despatched to the Shareholders on or before 17 February 2022.

INTRODUCTION

Reference is made to the announcement of the Company dated 29 December 2020 and the supplemental announcement of the Company dated 27 January 2021 regarding continuing connected transaction in relation to new framework agreement. On 29 December 2020, the Company and Chongqing Stone Tan entered into the Framework Agreement for the Lease Transactions for a term of 3 years commencing on 1 January 2021.

For the better management of the Lease Transactions between the Group and Chongqing Stone Tan and in view that the Group is required to purchase more machinery and equipment to cope with its growing business through finance and/or operating lease, the Company and Chongqing Stone Tan agreed to terminate the Framework Agreement and, on 24 January 2022 (after trading hours), entered into the New Framework Agreement, pursuant to which Chongqing Stone Tan agreed to continue providing machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business with the New Proposed Annual Caps for a term ending on 31 December 2024.

PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT

Date: 24 January 2022 (after trading hours)

Parties: (i) The Company; and
(ii) Chongqing Stone Tan

Term: ending on 31 December 2024

Subject Matter

Under the New Framework Agreement, Chongqing Stone Tan shall provide machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business. The Group and Chongqing Stone Tan shall enter into specific agreement in respect of each transaction contemplated under the New Framework Agreement in accordance with the principal terms under the New Framework Agreement.

Save for the New Proposed Annual Caps, the terms between the Framework Agreement and the New Framework Agreement are basically identical to each other.

Pricing Policy

The interest rate payable by the Group to Chongqing Stone Tan for the machinery and equipment lease transactions contemplated under the New Framework Agreement shall be determined with reference to (i) the benchmark lending rates published by People's Bank of China from time to time for the same period; (ii) the prevailing market interest rate for comparable lease transactions in the PRC; and (iii) various other factors including but not limited to loan to value ratio, amount of down payment and value of collateral etc., and in any event the interest rate offered by Chongqing Stone Tan to the Group shall be no less favourable than that offered to (a) the Group by other independent comparable leasing companies; and (b) other independent third parties by Chongqing Stone Tan for comparable lease service.

In this respect, a nominated personnel shall obtain quotation from at least one other independent comparable leasing companies on a half-year basis to ensure that the interest rate offered by Chongqing Stone Tan to the Group is not less favourable than that offered by other independent comparable leasing companies. If the Group is aware that a lower interest rate (the “**Lower IR**”) could be obtained from other independent comparable leasing company, the nominated personnel shall report to the senior management of the Company. Unless Chongqing Stone Tan has also offered to the Group the Lower IR, the Group shall not enter into any finance lease with Chongqing Stone Tan.

Conditions Precedent

The New Framework Agreement shall be conditional upon:

- (i) all guarantees, representations and warranties given by the Company and Chongqing Stone Tan under the New Framework Agreement remaining valid, true and correct in all material respects;
- (ii) the Independent Shareholders having approved the New Framework Agreement and the transactions contemplated thereunder by way of poll at the EGM to be convened in compliance with the Listing Rules; and
- (iii) (if necessary) all authorities’ authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the New Framework Agreement and the Continuing Connected Transactions having been granted, received or obtained and not revoked.

Save for condition precedent (i) which can be waived by the Company or Chongqing Stone Tan (as the case maybe), none of the conditions precedent can be waived by the Company or Chongqing Stone Tan.

Others

Pursuant to the New Framework Agreement, the machinery and equipment lease service to be provided by Chongqing Stone Tan to the Group under the New Framework Agreement shall be conducted on normal commercial terms or better, in particular:

- (i) the terms of the Continuing Connected Transactions must be fair and reasonable and in the interest of the Shareholders as a whole;
- (ii) the Continuing Connected Transactions shall be on terms no less favourable to the Group than the terms offered by independent third parties or offered to independent third parties by Chongqing Stone Tan;
- (iii) the Continuing Connected Transactions shall be in the ordinary and usual course of business of the Group and conducted after arm’s length negotiations; and
- (iv) the Continuing Connected Transactions shall not exceed the New Proposed Annual Caps without re-complying with the requirements of the Listing Rules with regard to continuing connected transactions.

HISTORICAL TRANSACTION AMOUNTS AND NEW PROPOSED ANNUAL CAPS

The following sets forth the historical transaction amounts and the New Proposed Annual Caps of the maximum outstanding balance and annual interest payment plus handling fee (including VAT):

	Historical amount for the year ended 31 December 2019	Historical amount for the year ended 31 December 2020	Historical amount for the year ended 31 December 2021 (unaudited)	Proposed Annual Cap for the year ending 31 December 2022	Proposed Annual Cap for the year ending 31 December 2023	Proposed Annual Cap for the year ending 31 December 2024
	RMB (million) (approximately)	RMB (million) (approximately)	RMB (million) (approximately)	RMB (million)	RMB (million)	RMB (million)
Maximum outstanding balance and annual interest payment plus handling fee (including VAT)	89.5 (equivalent to approximately HK\$106.3)	86.8 (equivalent to approximately HK\$103.1)	66.3 (equivalent to approximately HK\$78.8)	140.0 (equivalent to approximately HK\$166.3)	140.0 (equivalent to approximately HK\$166.3)	140.0 (equivalent to approximately HK\$166.3)

Note:

Reference is made to the announcement of the Company dated 29 December 2020, the existing Annual Caps for the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) are as follows:

- *RMB67.0 million (equivalent to approximately HK\$79.6 million based on the then exchange rate applied by the Company) for the year ended 31 December 2021;*
- *RMB67.0 million (equivalent to approximately HK\$79.6 million based on the then exchange rate applied by the Company) for the year ending 31 December 2022; and*
- *RMB67.0 million (equivalent to approximately HK\$79.6 million based on the then exchange rate applied by the Company) for the year ending 31 December 2023.*

The above existing Annual Caps for the years ending 31 December 2022 and 31 December 2023 will be replaced by, if approved in the EGM, the New Proposed Annual Caps.

The New Proposed Annual Caps were determined based on the estimated demand of the Group for the lease services to be provided by Chongqing Stone Tan to (i) replace the Group's obsolete machinery and equipment and purchase additional machinery and equipment for the Group's existing production plants; and (ii) purchase new machinery and equipment for the Group's new production plants.

The repayment of the outstanding balance and the payment of the annual interest plus handling fee under the New Framework Agreement will be funded by internal resources of the Group.

INTERNAL CONTROL PROCEDURES

In addition to the annual review on the transactions contemplated under the New Framework Agreement by the auditor of the Company under Rule 14A.56 of the Listing Rules, to ensure that the transactions contemplated under the New Framework Agreement will be conducted on normal

commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole, the Company's senior management will supervise and monitor the transactions contemplated under the New Framework Agreement and will ensure that the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) payable by the Group to Chongqing Stone Tan will not exceed the New Proposed Annual Caps.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENT

With the growing number of internet shoppers, which led to the increasing demand of the Group's products, the Group is required to acquire more machinery and equipment to cope with its growing business through finance and/or operating lease. As such, the Company is required to revise the existing Annual Caps and enter into the New Framework Agreement with the New Proposed Annual Caps.

The Directors consider that it is beneficial for the Group to continue engaging in the machinery and equipment lease transactions with Chongqing Stone Tan by entering into the New Framework Agreement having regard to the nature of the services to be provided by Chongqing Stone Tan and the established excellent work relationship with Chongqing Stone Tan.

The Directors (excluding the members of the Independent Board Committee who will form their opinion after considering the advice from the Independent Financial Adviser in respect of the New Framework Agreement) consider the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF PARTIES TO THE NEW FRAMEWORK AGREEMENT

The Company

The Company is an investment holding company. The Group is principally engaging in manufacture and sale of packaging materials.

Chongqing Stone Tan

Chongqing Stone Tan is a company incorporated in the PRC with limited liability whose principal business is provision of finance lease service. Chongqing Stone Tan is indirectly wholly-owned by Stone Tan China Holding Corporation ("**Stone Tan China**"). Stone Tan China is owned as to, in aggregate, approximately 61% by PMGHC and ultimately owned as to approximately 39% by not less than 10 shareholders (the "**39% Shareholders**"). Among the 39% Shareholders, two of them each holds less than 16% interest in Stone Tan China, while the others each holds less than 5% interest in Stone Tan China. The Company confirms that each of the 39% Shareholders is independent of and not connected with the Company and its connected persons.

PMGHC is owned as to 80% by Golden Ford, a controlling shareholder of the Company, and ultimately owned as to 20% by Mr. Tan, who has no beneficial interest in the Company but is able to exercise or control the exercise of 30% or more voting rights in the Company.

Golden Ford is ultimately owned as to 60% by TCC Entrepreneur Trust and 40% by TCC Education Trust. Each of the trusts is a discretionary trust established by the father of Mr. Tan for the benefit of his grandchildren and their respective children and such other persons as declared by the relevant trustee from time to time.

IMPLICATIONS UNDER LISTING RULES

As at the date of this announcement, Chongqing Stone Tan is indirectly wholly-owned by Stone Tan China which in turn is indirectly owned as to, in aggregate, approximately 61.0% by PMGHC. As PMGHC is owned as to 80% by Golden Ford, a controlling shareholder of the Company, Chongqing Stone Tan is an associate of Golden Ford and thus a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the maximum amount of the New Proposed Annual Caps is more than 5% and exceeds HK\$10 million, the Continuing Connected Transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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PMHC (a company wholly-owned by Golden Ford) is required to abstain from voting on the resolution regarding the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps) to be proposed at the EGM.

A circular containing, among other things, (i) a letter from the Board; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) further details on the Continuing Connected Transactions (including the New Proposed Annual Caps); and (v) a notice to convene the EGM will be despatched to the Shareholders on or before 17 February 2022.

DEFINITIONS

”Annual Caps”	annual caps in respect of the maximum outstanding balance (including VAT) and the annual interest plus handling fee (including VAT) payable by the Group to Chongqing Stone Tan for the Lease Transactions
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	Board of Directors
“Chongqing Stone Tan”	Chongqing Stone Tan Financial Leasing Company Limited (重慶談石融資租賃有限公司), a company incorporated under the laws of the PRC with limited liability, a connected person of the Company
“Company”	Pacific Millennium Packaging Group Corporation (國際濟豐包裝集團), a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1820)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the New Framework Agreement, i.e. the machinery and equipment lease service to be provided by Chongqing Stone Tan to the Group
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps)
“Framework Agreement”	the framework agreement dated 29 December 2020 entered into between the Company and Chongqing Stone Tan in respect of the Lease Transactions

“Golden Ford”	Golden Ford Investments Limited, a company incorporated under the laws of the Independent State of Samoa with limited liability on 3 July 2002 and a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. Wang Jisheng, Mr. Kiang Tien Sik David and Dr. Su Morley Chung Wu, established for the purpose of making recommendation to the Independent Shareholders in respect of the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps)
“Independent Financial Adviser”	VBG Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps)
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting on a resolution to approve the relevant transaction at a general meeting of the Company
“independent third party(ies)”	a third party/third parties independent of the Company and the connected persons of the Company
“Lease Transactions”	the machinery and equipment lease transactions between the Group and Chongqing Stone Tan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tan”	Mr. Tan Li-pin (談理平), who has no beneficial interest in the Company but is able to, through PMHC, exercise or control the exercise of 30% or more voting rights in the Company
“New Framework Agreement”	the new framework agreement dated 24 January 2022 entered into between the Company and Chongqing Stone Tan in respect of the machinery and equipment lease service
“New Proposed Annual Caps”	the proposed Annual Caps for the Continuing Connected Transactions for the period from 1 January 2022 to 31 December 2024

“Percentage Ratios”	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
“PMGHC”	Pacific Millennium Global Holdings Corporation, an associate of Golden Ford
“PMHC”	Pacific Millennium Holdings Corporation, a company incorporated in the British Virgin Islands and is directly interested in 189,488,200 Shares, representing approximately 63.02% of the issued share capital of the Company
“PRC”	the People’s Republic of China, but for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax imposed by the PRC Government
“%”	per cent

By Order of the Board
Pacific Millennium Packaging Group Corporation
Cheng Hsien-Chun
Chairman

Hong Kong, 24 January 2022

As at the date of this announcement, the executive Director is Mr. Cheng Hsien-Chun; the non-executive Directors are Mr. Chow Tien-Li and Mr. Philip Tan; and the independent non-executive Directors are Mr. Wang Jisheng, Mr. Kiang Tien Sik David and Dr. Su Morley Chung Wu.

For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.188 = HK\$1.0