
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in CPMC Holdings Limited, you should at once pass this circular together with the enclosed form of proxy to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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



A letter from the Board is set out on pages 4 to 21 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 22 of this circular. A letter from INCU containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 51 of this circular.

A notice convening the EGM to be held at 10:30 a.m. on Monday, 14 December 2020 at President Suite, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for the use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited, Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing epidemic caused by novel coronavirus pneumonia (COVID-19), precautionary measures will be taken to prevent and control the spread of the disease at the EGM, including:

- Compulsory temperature checks
- Compulsory wearing of surgical face masks
- No refreshment will be served and no souvenirs will be distributed

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are reminded that they may consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

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DEFINITIONS

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

“associates”	has the same meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company established in the PRC which is currently under the purview of State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會), and a substantial shareholder of the Company
“COFCO Group”	COFCO together with its subsidiaries and associates other than the Group
“COFCO Packaging Materials Agreement”	the supply framework agreement entered into between the Company and COFCO on 27 October 2020 in relation to the supply of the Products and Related Services by the Group to COFCO Group
“Company”	CPMC Holdings Limited (中糧包裝控股有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement
“Existing COFCO Packaging Materials Agreement”	the conditional supply framework agreement entered into between the Company and COFCO on 24 October 2017, details of which are set out in the announcement and circular of the Company dated 24 October 2017 and 30 November 2017
“Existing ORG Technology Materials Agreement”	the conditional framework agreement entered into between the Company and ORG Technology on 24 October 2017, details of which are set out in the announcement and circular of the Company dated 24 October 2017 and 30 November 2017
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising Mr. Cheng Yuk Wo, Mr. Pun Tit Shan and Mr. Chen Jihua, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement
“Independent Financial Adviser” or “INCU”	INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the transactions and annual caps under each of the COFCO Packaging Materials Agreement and ORG Technology Materials Agreement
“Independent Shareholders”	For the purpose of COFCO Packaging Materials Agreement, refers to Shareholders other than COFCO and its associates; and for the purpose of ORG Technology Materials Agreement, refers to Shareholders other than ORG Technology and its associates
“Latest Practicable Date”	12 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“ORG Technology”	奧瑞金科技股份有限公司 (ORG Technology Co. Ltd.*), a company incorporated in the PRC, the shares of which are listed and traded on the Shenzhen Stock Exchange (Stock Code: 002701), and a substantial shareholder of the Company
“ORG Technology Group”	ORG Technology and its subsidiaries
“ORG Technology Materials Agreement”	the conditional framework agreement entered into between the Company and ORG Technology on 27 October 2020 in respect of supply of printed tins, printed aluminium and caps and related can production services of such packaging materials by the Group to ORG Technology Group and supply of tins, laminated steel and aluminium and related can production services of such packaging materials by ORG Technology Group to the Group

DEFINITIONS

“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

LETTER FROM THE BOARD



中糧
COFCO
自然之源 重塑你我



CPMC HOLDINGS LIMITED

中糧包裝控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 906)

Executive Director:

Mr. Zhang Xin (*Chairman*)
Mr. Zhang Ye

Non-Executive Directors:

Mr. Li Minghua
Mr. Chen Qianzheng
Mr. Zhou Yuan
Mr. Shen Tao

Independent Non-Executive Directors:

Mr. Cheng Yuk Wo
Mr. Pun Tit Shan
Mr. Chen Jihua

Registered Office:

33rd Floor, COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

17 November 2020

To the Shareholders,

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) details of transactions and annual caps under each of the COFCO Packaging Materials Agreement and ORG Technology Materials Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

LETTER FROM THE BOARD

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 24 October 2017 and the circular dated 30 November 2017 in relation to, among others, the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement, respectively.

In view that each of the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement will be expired on 31 December 2020, the Company entered into the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement with COFCO and ORG Technology on 27 October 2020, respectively.

Details of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are as follows:

(I) COFCO PACKAGING MATERIALS AGREEMENT

(1) Principal terms of the COFCO Packaging Materials Agreement

Date: 27 October 2020 (after trading hours)

Parties: the Company; and
COFCO

Subject Matter

Pursuant to the COFCO Packaging Materials Agreement, the Group has conditionally agreed to supply various types and sizes of metal and plastic packaging materials, products including two-piece beverage cans, milk powder cans and related after-sale services (the "Products and Related Services") to COFCO Group for a period commencing on 1 January 2021 and ending on 31 December 2023. The COFCO Packaging Materials Agreement may be renewed by agreement between the parties subject to obtaining the necessary consents and approvals (if necessary) required by the Listing Rules.

Annual Caps of the COFCO Packaging Materials Agreement and the basis

The annual caps in respect of the transactions under the COFCO Packaging Materials Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
Supply of the Products and Related Services	500,000,000	600,000,000	700,000,000

LETTER FROM THE BOARD

In arriving at the annual caps, the Directors have considered the following factors:

- (i) The historical transaction values and the expected sales of the Products and Related Services to COFCO Group for the three years ending 31 December 2023, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC;
- (ii) The Company considered the reasons for the low utilization rate of the historical annual caps under the Existing COFCO Packaging Materials Agreement, namely the Company's focus on its independent customers with limited production capacity and the unexpected fluctuation in the costs of raw materials. In arriving the annual caps under the COFCO Packaging Materials Agreement, the Company has taken into account:
 - (a) the Group's capacity in catering the demand of both COFCO Group and its independent customers, which is expected to increase by over 14% by 2022 in light of its new two-piece can production lines to be opened in Tianjin, Wuhan and other cities and the production-speed upgrade to the Group's existing two-piece can production lines in the coming 3 years; and
 - (b) the estimated fluctuation of raw materials costs from both the overall PRC economic environment and the raw materials market. From the macroeconomic perspective, it is expected the loose monetary policy and economic stimulus policies will be maintained in the PRC for a certain period of time in the future, while from the supply and demand perspective, it is expected the supply-side structural reforms will continue and the capacity expansion of the upstream suppliers will be restricted. On the other hand, the PRC government proposes an internal circulative economy strategy, which will likely result in continuous grow of the downstream demand. Besides, as affected by the loose domestic monetary policy and the recovery of epidemic, the prices of aluminum have rapidly rebounded since the third quarter of 2020. As such, the Company expects such costs will continue to increase by approximately 5%, in the next three years;
- (iii) In the face of the ordeal of the COVID-19 epidemic and the complicated and changeable domestic and overseas environment, China's economy was heavily hit in the first quarter of 2020 but turned negative growth into positive in the second quarter of 2020. With the epidemic under effective control, the downstream consumer market recovered rapidly. As such, the Company expects the demand of COFCO Group will continue to increase by approximately 10%, in the next three years; and

LETTER FROM THE BOARD

- (iv) The Company will endeavor to achieve better utilization of its productivity through the aforesaid new two-piece can production lines to be opened in existing factories. This arrangement can save the factories' time for changing the production settings and moulds for different products and therefore achieve higher utilization rate. The Company will also make reasonable allocation of the running time and overall productivity of the respective production lines of the Group. Hence, the Company expected this arrangement would meet the increasing demand of COFCO Group.

Pricing

The price for the supply of the Products and Related Services under the COFCO Packaging Materials Agreement shall be agreed between the parties with reference to the prevailing market prices of same or similar products and services of the same period determined by the Company on normal commercial terms or on terms no less favourable to the Group than those offered by the Group to Independent Third Parties of the same period, given that the price for the supply of the Products and Related Services to COFCO Group and the price for the supply of same or similar products and services to Independent Third Parties are determined using the same formula. The market prices will be determined by the Company on normal commercial terms and on the following:

- (i) the prices of same or similar products and services supplied by the Group to Independent Third Parties in the same or near region (if not applicable, the other regions in the PRC) in at least two comparable transactions which were agreed on normal commercial terms, in the ordinary course of business and conducted during the same period; or
- (ii) if paragraph (i) is not applicable, the Company will consider the price quotations of the Products and Related Services obtained through enquires from its major competitors (including ORG Technology Group) on a regular basis.

Payment Term

Depends on the nature of the Products and Related Services to be supplied, the price shall be settled within 30 to 100 days upon provision of the relevant Products and Related Services. The said payment term shall be fixed by the parties after having considered the nature of the relevant Products and Related Services provided by the Group to COFCO Group, the usual market payment term of such relevant kind of Products and Related Services, and shall be no less favorable than the payment terms under comparable transactions between the Company and other independent third parties.

LETTER FROM THE BOARD

Condition precedent

The transactions and annual caps under the COFCO Packaging Materials Agreement are conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM.

Other terms

Pursuant to the COFCO Packaging Materials Agreement, the Company has agreed, amongst other things, to use its best endeavours to fulfill additional demands from COFCO Group for the supply of the Products and Related Services, and the terms shall not be less favourable to the Company when compare to the terms offered by the Company to Independent Third Parties for the same Products and Related Services in the same period, provided that such additional supply by the Company shall comply with the applicable requirements under the Listing Rules.

(2) Historical Transaction Amounts

The historical transaction amounts and the annual caps for the transactions under the Existing COFCO Packing Materials Agreement were as follows:

	Actual transaction amounts (RMB)	Historical annual caps (RMB)
Year ended 31 December 2018	403,403,000	480,000,000
Year ended 31 December 2019	399,455,000	570,000,000
Nine months ended 30 September 2020	242,602,000	N/A
Year ending 31 December 2020	N/A	670,000,000

As compare with the annual caps for 2018 to 2020 under the Existing COFCO Packaging Materials Agreement, the above actual transaction amounts have a relatively low utilisation rate because of the following reasons:

- (i) Due to the limited production capacity of the Group, the Company's commitment to maintain its influence impact and to obtain independent customers' purchase orders which are beneficial to the Group's business development, the Group prioritized to take orders from independent customers, resulting in a low utilization rate of the previous annual caps;
- (ii) The previous annual caps are estimated based on an annual increase of approximately 9% of the costs of aluminum, yet the average cost of aluminum decrease by approximately 4.6% in 2019 which compared with 2018, resulting in a low utilization rate of the 2019 annual caps; and

LETTER FROM THE BOARD

- (iii) Due to the outbreak of the COVID-19 pandemic, the Group suffered a decline in customers' purchase orders for the first quarter, resulting in low utilization rate of the 2020 annual caps.

(3) Pricing Policy and Sales Procedures

When determining the pricing formula, the Company will also take into account the following factors: (1) transaction terms such as transaction volume and the time period of the transaction; (2) the demand and supply and price fluctuations of the market; and (3) the delivery costs which varies depending on the distance to different regions the customers are located in. The Company will adopt the same pricing formula which applies to all customers including COFCO Group and Independent Third Parties. The said pricing formula consists of components such as the profit margin and production costs including the costs of labor, raw materials and equipment that will fluctuate from time to time. The gross profit margin ranges from approximately 6% to 16%.

In addition, the sales procedures that the Company adopt to supply the Products and Related Services to all customers, be that to COFCO Group or Independent Third Parties, are the same. The Company will sign standardized contracts with relevant customers. The sales management, finance, legal and other relevant departments will use the same assessment criteria to review and approve the contracts, and ensure that the Company uses the same procedures to issue invoices.

Thus, in view of the adoption of the same pricing formula and the same procedures as aforesaid, the Company is of the opinion that the transactions contemplated under the COFCO Packaging Materials Agreements are conducted on normal commercial terms, no less favourable to the Group than those of independent third parties and are in the interests of the Company and its Shareholders.

(4) Internal Control Measures

To ensure the Group can carry out the continuing connected transactions pursuant to the terms of the COFCO Packaging Material Agreement and in compliance with chapter 14A of the Listing Rules, the Company will implement the following internal control measures:

1. to ensure the prices of the Products and Related Services to be supplied to COFCO Group can comply with the aforesaid pricing policy, the sales team of the Group will compare prices of such products and services with the prices of supplying the same or similar products and services to independent third parties;
2. the finance department of the Group will check and monitor the transaction amounts to ensure that the maximum transaction amount do not exceed the relevant annual cap under the COFCO Packaging Materials Agreement. If the aggregate transaction amount reaches 90% of the relevant annual cap or is expected to exceed the relevant annual cap in the coming two months, the

LETTER FROM THE BOARD

personnel of the Finance Department of the Group must notify the Board simultaneously and the Board shall determine the appropriate action to be taken;

3. the audit and supervision department of the Group shall assess the Group's continuing connected transactions in accordance with the relevant framework agreement in each financial year. One of the purposes of the assessment is to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties; and
4. the external auditors of the Company and the independent non-executive Directors shall conduct annual review on the pricing policy and the annual caps of continuing connected transactions.

The Board considered that the above internal controls measures are adequate to ensure that the individual transactions are conducted within the framework of the COFCO Packaging Materials Agreement.

(5) Reasons for and Benefits of entering into the COFCO Packaging Materials Agreement

The Company believes that the entering into the COFCO Packaging Materials Agreement would ensure a steady supply of the Products and Related Services to COFCO Group and thus maintain stable turnover of the Group. It would also enable the Group to better utilize its production capacity and increase its outputs and revenue of the Group.

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the transactions and annual caps under the COFCO Packaging Materials Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties of the same period which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Zhang Xin, Mr. Li Minghua and Mr. Chen Qianzheng, all being Directors connected with COFCO, have abstained from voting on the resolutions in respect of the transactions and annual caps under the COFCO Packaging Materials Agreement. Save as the Directors mentioned above, none of the Directors has other material interests in the transactions and annual caps under the COFCO Packaging Materials Agreement and is required to abstain from voting on the resolutions in relation thereto.

LETTER FROM THE BOARD

(II) ORG TECHNOLOGY MATERIALS AGREEMENT

(1) Principal terms of the ORG Technology Materials Agreement

Date: 27 October 2020 (after trading hours)

Parties: the Company; and
ORG Technology

Subject Matter

Pursuant to the ORG Technology Materials Agreement, (i) the Group has conditionally agreed to sell to ORG Technology Group and ORG Technology Group has conditionally agreed to purchase from the Group printed tinplates, printed aluminium and caps and related can production services of such packaging materials, and (ii) ORG Technology Group has conditionally agreed to sell to the Group and the Group has conditionally agreed to purchase from ORG Technology Group tinplates, laminated steel and aluminium and related can production services of such packaging materials, from 1 January 2021 to 31 December 2023.

Annual Caps of the ORG Technology Materials Agreement and the basis

The annual caps in respect of the transactions under the ORG Technology Materials Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
Sale of printed tinplates, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group	250,000,000	350,000,000	450,000,000
Sale of tinplates, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group	200,000,000	270,000,000	350,000,000

LETTER FROM THE BOARD

In arriving the annual caps for the sale of printed tins, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group, the Directors have considered the following factors:

- (i) The historical transaction values and the expected sale amounts of the printed tins, printed aluminum and caps and related can production services of such packaging materials to ORG Technology Group for the three years ending 31 December 2023, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC;
- (ii) The Company considered the reasons for the low utilization rate of the historical annual caps under the Existing ORG Technology Materials Agreement, the annual cap for 2021 has been adjusted downward by approximately 54.5% correspondingly as compared with the annual cap for 2020. For the nine months ended 30 September 2020, the actual transaction value was higher than the actual transaction value of the whole year of 2019. Considering the increase in the actual transaction value, the annual caps for 2020 to 2023 are expected to increase year after year; and
- (iii) The products supplied by the Group to ORG Technology Group were mainly printed tins. From the macroeconomic perspective, it is expected the loose monetary policy and economic stimulus policies will be maintained in the PRC for a certain period of time in the future, while from the supply and demand perspective, it is expected the supply-side structural reforms will continue and the capacity expansion of the upstream suppliers will be restricted. On the other hand, the PRC government proposes an internal circulative economy strategy, which will likely result in continuous grow of the downstream demand. Hence, the Company expects that the costs of tinplate will rise by approximately 5% in the next three years.

In arriving the annual caps for the sale of tins, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group, the Directors have considered the following factors:

- (i) The historical transaction values and the expected sale amounts of tins, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group for the three years ending 31 December 2023, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC;

LETTER FROM THE BOARD

- (ii) The demand of the Group based on the said expected sale amounts of printed tins, printed aluminum and caps and the related can production services of such packaging materials by the Group to ORG Technology Group, and the increase of ORG Technology's demand in the aforesaid products and service, which is in line with the strategic cooperation agreed between the parties in March 2016, pursuant to which the parties should (a) assist the R&D team and technology of the other party and coordinate their R&D resources; (b) under the same business conditions, prioritize the other party in term of business development after taking into account the advantages of the other party and its customer needs; (c) optimize their business and regional structure while maintaining its existing market conditions; and (d) use their respective resources and advantages in overseas markets to jointly develop overseas markets and cultivate overseas operations and production bases;
- (iii) From the macroeconomic perspective, it is expected the loose monetary policy and economic stimulus policies will be maintained in the PRC for a certain period of time in the future, while from the supply and demand perspective, it is expected the supply-side structural reforms will continue and the capacity expansion of the upstream suppliers will be restricted. On the other hand, the PRC government proposes an internal circulative economy strategy, which will likely result in continuous growth of the downstream demand. Hence, the Company expects that the costs of raw material will rise by approximately 5% in the next three years; and
- (iv) Laminated steel has less pollution to the environment which compared with traditional tins. In view of the PRC government has placed more emphasis on environmental protection, the Group believes more customers will choose to use laminated steel. Therefore, the Group increases the annual caps for purchase of laminated steel.

Pricing

The price for both the sale of printed tins, printed aluminium and caps and related can production services of such packaging materials by the Group to ORG Technology Group and the sale of tins, laminated steel and aluminium and related can production services of such packaging materials by ORG Technology Group to the Group shall be determined and agreed between the parties with reference to the prevailing market prices of identical or similar products or services. If the prices have to be adjusted after the placing of orders due to changes in raw materials, materials and production requirements, it shall be confirmed by both parties after negotiation; otherwise, the parties in breach shall bear the losses.

LETTER FROM THE BOARD

Payment Term

The price for both the sale of printed tins, printed aluminium and caps and related can production services of such packaging materials by the Group to ORG Technology Group and the sale of tins, laminated steel and aluminium and related can production services of such packaging materials by ORG Technology Group to the Group shall be settled by the receiving party within 90 days upon delivery of the relevant products, materials or services. The said payment term is fixed by the parties after having considered the usual market payment term the aforesaid products, materials or services, and such payment term is same as the payment terms under comparable transactions between the Company and other independent third parties.

Condition precedent

The transactions and annual caps under the ORG Technology Materials Agreement are conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM.

(2) Historical Transaction Amounts

The historical transaction amounts and annual caps for the transactions under the Existing ORG Technology Materials Agreement were as follows:

Sale of printed tins, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group

	Actual transaction amounts (RMB)	Historical annual caps (RMB)
Year ended 31 December 2018	134,823,000	450,000,000
Year ended 31 December 2019	93,282,000	520,000,000
Nine months ended 30 September 2020	119,635,000	N/A
Year ending 31 December 2020	N/A	550,000,000

Sale of tins, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group

	Actual transaction amounts (RMB)	Historical annual caps (RMB)
Year ended 31 December 2018	71,337,000	400,000,000
Year ended 31 December 2019	67,776,000	450,000,000
Nine months ended 30 September 2020	101,772,000	N/A
Year ending 31 December 2020	N/A	500,000,000

LETTER FROM THE BOARD

As compare with the annual caps for 2018 to 2020 under the Existing ORG Technology Materials Agreement, the above actual transaction amounts have a relatively low utilisation rate of because of the following reasons:

- (i) The previous annual caps are estimated based on an annual increase of approximately 20% and 9% of the costs of tinsplates and aluminum, yet the cost of tinsplates and aluminum decrease by approximately 6.1% and 4.6% respectively in 2019 which compared with 2018, resulting in a low utilization rate of the 2019 annual caps; and
- (ii) Due to the outbreak of the COVID-19 pandemic, the Group suffered a decline in customer order for the first quarter, resulting in low utilization rate of the 2020 annual caps.

(3) Pricing Policy and Price Determination Procedures

Sale of printed tinsplates, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group

When determining the pricing formula, the Company will also take into account the following factors: (1) transaction terms such as transaction volume and the time period of the transaction; (2) the demand and supply and price fluctuations of the market; and (3) the delivery costs which varies depending on the distance to different regions the customers are located in. The Company will adopt the same pricing formula which applies to all customers including ORG Technology Group and Independent Third Parties as follows:

$$\begin{aligned} & (\text{Cost of raw materials} + \text{direct labour cost} + \text{factory overheads} + \text{delivery costs}) \\ & \times (1 + \text{gross profit margin ranges from approximately 4\% to 10\%}) \end{aligned}$$

In addition, the sales procedures that the Company adopt to supply printed tinsplates, printed aluminum and caps and related can production services of such packaging materials to all customers, be that to ORG Technology Group or Independent Third Parties, are the same. The Company will sign the standardized contract with the relevant customers. The sales management, finance, legal and other relevant departments will use the same assessment criteria to review and approve the contracts, and ensure that the Company uses the same procedures to issue invoices.

Sale of tinsplates, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group

The purchase price of tinsplates, laminated steel and aluminum and related can production services of such packaging materials shall be determined by the parties after arm's length negotiations with reference to (i) the demand and supply and price fluctuation of the market; and (ii) prices of the same or comparable products obtained from two to three comparable independent third party companies.

LETTER FROM THE BOARD

Thus, in view of the adoption of the same pricing formula and the same procedures as aforesaid, the Company is of the opinion that the transactions contemplated under the ORG Technology Materials Agreement are conducted on normal commercial terms, no less favourable to the Group than those of independent third parties and are in the interests of the Company and its Shareholders.

(4) Internal Control Measures

To ensure the Group can carry out the continuing connected transactions pursuant to the terms of the ORG Technology Materials Agreement and in compliance with chapter 14A of the Listing Rules, the Company will implement the following internal control measures:

1. to ensure the prices of the printed tinplates, printed aluminum and caps and related can production services of such packaging materials to be sold by the Group to ORG Technology Group can comply with the aforesaid pricing policy, the sales team of the Group will compare prices of such products with the prices the same or similar products and services sold by the Group to independent third parties;
2. to ensure the prices of the tinplates, laminated steel and aluminum and related can production services of such packaging materials to be sold by ORG Technology Group to the Group can comply with the aforesaid pricing policy, the procurement team of the Group will compare prices of such materials with the prices the same or similar materials and services purchased by the Group from independent third parties;
3. the finance department of the Group will check and monitor the transaction amounts to ensure that the maximum transaction amount do not exceed the relevant annual cap under the ORG Technology Materials Agreement. If the aggregate transaction amount reaches 90% of the relevant annual cap or is expected to exceed the relevant annual cap in the coming two months, the personnel of the finance department of the Group must notify the Board simultaneously and the Board shall determine the appropriate action to be taken;
4. the audit and supervision department of the Group shall assess the Group's continuing connected transactions in accordance with the relevant framework agreement in each financial year. One of the purposes of the assessment is to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties; and
5. the external auditors of the Company and the independent non-executive Directors shall conduct annual review on the pricing policy and the annual caps of continuing connected transactions.

LETTER FROM THE BOARD

The Board considered that the above internal controls measures are adequate to ensure that the individual transactions are conducted within the framework of the ORG Technology Materials Agreement.

(5) Reasons for and Benefits of entering into the ORG Technology Materials Agreement

The Company believes that the entering into of the ORG Technology Materials Agreement with ORG Technology will provide the Group with the opportunity to foster the development of its packaging business in the PRC markets. The Group is actively seeking business expansion in the packaging area. The Board is of the view that the entering into of the ORG Technology Materials Agreement allows the Group to utilize the abundant experience and geographical reach of ORG Technology in the packaging industry and develop its packaging business in the PRC markets. Therefore, the Board is of the view that the terms of the ORG Technology Materials Agreement are in the interests of the Company and the Shareholders as a whole. The entering into of the ORG Technology Materials Agreement also ensures that the stability of supply and demand of goods and services between the Group and ORG Technology, enables the Group to utilize its current capacity and increase its production and revenue.

In addition, each of the Group and the ORG Technology Group on its own has limited number of factories in the PRC in different locations. Given the high transportation costs which may be incurred for delivery of products from factories to the customers in case of long distance, by engaging each other for the sale and purchase of products and services, it enables both the Group and the ORG Technology Group to utilize the combination of their factory locations, leading to lower costs of delivery, and therefore a higher profit margin. For example, when the Group has received orders of products from a certain area but the Group does not have any factories in the vicinity but the ORG Technology Group does, the Group may procure ORG Technology Group to provide and deliver such products to the customers. As such, both parties are able to optimize their businesses and regional structures. Therefore, the Group is of the view that the entering into of the ORG Technology Materials Agreement will be beneficial to the Group and the Shareholders as a whole.

The Directors (including the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular) consider that the transactions and annual caps under the ORG Technology Materials Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties of the same period which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Messrs. Zhou Yuan and Shen Tao, all being Directors connected with ORG Technology, have abstained from voting on the resolutions in respect of the transactions and annual caps under the ORG Technology Materials Agreement. Save as the Directors mentioned above, none of the Directors has other material interests in the transactions and annual caps under the ORG Technology Materials Agreement and is required to abstain from voting on the resolutions in relation thereto.

INFORMATION OF THE GROUP, COFCO AND ORG TECHNOLOGY

Information on the Group

The Group is principally engaged in the manufacture of packaging products for consumer goods such as food, beverages and household chemical products in the PRC.

Information on COFCO

COFCO, a substantial shareholder of the Company, is a state-owned company in the PRC under the purview of State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and principally engaged in agricultural commodities trading and agricultural products processing, food and beverages, real estate and hotel development, packaging materials, meat products, sugar, logistics, native produce, animal by-products, finance services and dairy products.

Information on ORG Technology

ORG Technology, a substantial shareholder of the Company, is a leading enterprise in the packaging industry in the PRC. It is principally engaged in the comprehensive packaging services including packaging design, packaging production, filling and brand design and promotion. Its ultimate beneficial owner is Mr. Zhou Yunjie, a Chinese which is the chairman of the board of ORG Technology.

LISTING RULES IMPLICATIONS

Each of COFCO and ORG Technology is a substantial shareholder of the Company. COFCO and ORG Technology together with their respective subsidiaries and associates other than the Group are therefore connected persons of the Company. Accordingly, the transactions contemplated under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the applicable percentage ratios (other than the profits ratio) of the annual caps of the transactions contemplated under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are more than 5%, the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are subject to the reporting, announcement, annual review and the Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

The EGM will be held for the purpose of considering and, if thought fit, approving by the Independent Shareholders the transactions and the annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except (i) COFCO (a substantial shareholder holding approximately 29.70% of the issued share capital of the Company and has control or is entitled to exercise control over the voting rights of its shares) and its associates (which includes Mr. Zhang Xin, an executive Director), who will abstain from voting on the resolution in relation to the transactions and annual caps under the COFCO Packaging Materials Agreement to be approved at the EGM as a result of having material interests therein; and (ii) ORG Technology (a substantial shareholder holding approximately 24.40% of the issued share capital of the Company and has control or is entitled to exercise control over the voting rights of its shares) and its associates, who will abstain from voting on the resolution in relation to the transactions and annual caps under the ORG Technology Materials Agreement to be approved at the EGM as a result of having material interests therein; no other Shareholder is required to abstain from voting on the resolution in relation to be approved at the EGM. As of the Latest Practicable Date, COFCO and its associates, directly and indirectly, held 330,658,800 shares of the Company (approximately 29.70%) in aggregate; ORG Technology and its associates, directly and indirectly, held 271,667,200 shares of the Company (approximately 24.40%) in aggregate.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be held at 10:30 a.m. on Monday, 14 December 2020 at President Suite, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong, which resolutions will be proposed to consider and, if thought fit, to approve the transactions and the annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

LETTER FROM THE BOARD

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, 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 the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or an adjournment thereof should you so desire.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing epidemic caused by novel coronavirus pneumonia (COVID-19) and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM against the epidemic to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder and proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius will not be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) every attendee is required to wear a surgical facial mask before he/she is permitted to attend, and throughout his/her attendance of the EGM at all times; and
- (iii) no refreshment will be served, and no souvenirs will be distributed.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.

In the interest of Shareholder's health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, are of the opinion that the transactions and the annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are on normal commercial terms, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular and the notice of the EGM.

By order of the Board
CPMC Holdings Limited
Zhang Xin
Chairman and Executive Director



17 November 2020

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 17 November 2020 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein. We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. INCU has been appointed as the Independent Financial Adviser to advise us in this respect.

Having considered the terms of the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 23 to 51 of the Circular, we consider that the terms of the transactions under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are on normal commercial terms, and the annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We also consider that each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement is in ordinary and usual course of business of the Company.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Cheng Yuk Wo

Mr. Pun Tit Shan

Mr. Chen Jihua

LETTER FROM INCU

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the continuing connected transactions contemplated thereunder.



INCUB Corporate Finance Limited
Unit 1604A, Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

17 November 2020

*To the Independent Board Committee
and the Independent Shareholders of
CPMC Holdings Limited*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed renewal of continuing connected transactions contemplated under the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement (the “**Proposed Continuing Connected Transactions**”) with their related proposed annual caps. Details of the which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 17 November 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 27 October 2020 whereby the Board announced that the Company has entered into the COFCO Packaging Materials Agreement with COFCO in respect of the sales of various types and sizes of metal and plastic packaging materials, products including two-piece beverage cans, milk powder cans and related after-sale services (the “**Products and Related Services**”) and also the ORG Technology Materials Agreement with ORG Technology in respect of the sale of printed tins, printed aluminum and caps and related can production services of such packaging materials and the purchase of tins, laminated steel and aluminum and related can production services of such packaging materials on 27 October 2020, respectively.

LETTER FROM INCU

As at the Latest Practicable Date, each of COFCO and ORG Technology is a substantial shareholder of the Company. COFCO and ORG Technology together with their respective subsidiaries and associates other than the Group are therefore connected persons of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) of the annual caps of the transactions contemplated under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are more than 5%, the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are subject to the reporting, announcement, annual review and the Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, and save as disclosed in the Circular, apart from COFCO and ORG Technology and their respective associates, no other shareholders will be required to abstain from voting at the EGM and the vote to be taken at the EGM with respect of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement shall be conducted by poll.

Messrs. Zhang Xin, Li Minghua and Chen Qianzheng, all being Directors connected with COFCO, have abstained from voting on the resolutions in respect of the transactions and annual caps under the COFCO Packaging Materials Agreement. Messrs. Zhou Yuan and Shen Tao, all being Directors connected with ORG Technology, have abstained from voting on the resolutions in respect of the transactions and annual caps under the ORG Technology Materials Agreement. Save as disclosed above, none of the Directors has material interests in the Proposed Continuing Connected Transactions and the proposed annual caps and is required to abstain from voting on the resolutions in relation thereto.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Pun Tit Shan and Mr. Chen Jihua, has been established to advise and provide recommendation to the Independent Shareholders in relation to fairness and reasonableness of the Proposed Continuing Connected Transactions and the proposed annual caps under the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement and the transactions contemplated thereunder.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps are fair and reasonable.

LETTER FROM INCU

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transactions and the proposed annual caps. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Continuing Connected Transactions and the proposed annual caps, and accordingly, are eligible to give independent advice and recommendations on the terms of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement and the proposed annual caps. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement and the Proposed Continuing Connected Transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have considered and reviewed, including but not limited to, the Existing COFCO Packaging Materials Agreement, the Existing ORG Technology Materials Agreement, the COFCO Packaging Materials Agreement, the ORG Technology Materials Agreement, the Company's interim report for the six months ended 30 June 2020, the 2019 Annual Report (as defined below), the relevant public information, and other information as set out in the Circular. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the continuing connected transactions

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Proposed Continuing Connected Transactions, together with the proposed annual caps, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

A. COFCO Packaging Materials Agreement

1. *Background of and reasons for the COFCO Packaging Materials Agreement*

(a) Information of the Group

The Group is principally engaged in the manufacturing and sale of packaging products used for consumer goods such as food, beverages and household chemical products, extensively covering the packaging markets of tea beverages, carbonated beverages, fruit and vegetable beverages, beer, dairy products, household chemical products and other consumer goods. In addition, the Group provides comprehensive packaging solutions including high technological packaging design, printing, logistics and comprehensive customer services. The products of the Group mainly include aluminium packaging, tinplate packaging and plastic packaging.

(b) Information of COFCO

COFCO, a substantial shareholder of the Company, is a state-owned company in the PRC under the purview of State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and principally engaged in agricultural commodities trading and agricultural products processing, food and beverages, real estate and hotel development, packaging materials, meat products, sugar, logistics, native produce, animal by-products, finance services and dairy products.

(c) Reasons for the COFCO Packaging Materials Agreement

As stated in the Letter from the Board, the Company believes that the entering into the COFCO Packaging Materials Agreement would ensure a steady supply of the Products and Related Services to COFCO Group and thus maintain stable turnover of the Group. It would also enable the Group to better utilize its production capacity and increase the outputs and revenue of the Group.

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In assessing whether the entering into of the COFCO Packaging Materials Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have considered the following:

- (i) COFCO Group has been one of the market leaders in the PRC's agricultural products processing industry. COFCO Group is on the list of "Top 100 agricultural products processing Enterprises in China 2019*" (2019年全國農產品加工業100強排行榜) published by Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業農村部), "Top 500 Chinese Enterprises Ranking in 2019*" (2019 中國企業 500強排行榜) and "Top 500 Servicing Enterprises in China 2019*" (2019中國服務業企業500強排行榜) published by China Enterprise Confederation and China Enterprise Directors Association (中國企業聯合會及中國企業家協會). We are advised by the management of the Group that, approximately RMB11,427.8 million, RMB12,621.1 million, and RMB7,381.9 million of sparkling drinks products (final product of the Products and Related Services) were sold by China Foods Limited, one of the subsidiaries of COFCO, for the two years ended 31 December 2019 and the six months ended 30 June 2020 respectively. COFCO Group has been purchasing the Products and Related Services from the Group since its listing in 2009. The market leadership of COFCO Group and the long-term business relationship with COFCO Group demonstrate that it is able to maintain stable sales of the Products and Related Services produced by the Group;
- (ii) Sales of tinplate packaging, aluminum packaging and plastic packaging, including the sales of Products and Related Services, are the Group's ordinary course of business, which contributed 100% of the total revenue of the Group for the year ended 31 December 2019, as disclosed in the annual report for the year ended 31 December 2019 (the "**2019 Annual Report**");
- (iii) The sales of the Products and Related Services to COFCO Group at market price will render stable revenue to the Group on normal commercial terms; and
- (iv) The Group will have flexibility on the sale of the Products and Related Services as the Group is not obliged to sell to COFCO Group if the Group has better offer.

Having considered the above reasons, we concur with the Directors' views that the entering into of the COFCO Packaging Materials Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM INCU

2. *Principal terms of COFCO Packaging Materials Agreement*

Principal terms of the COFCO Packaging Materials Agreement are as follows:

Date of agreement : 27 October 2020 (after trading hours)

Parties : (1) the Company; and
(2) COFCO

Subject Matter

Pursuant to the COFCO Packaging Materials Agreement, the Group has conditionally agreed to supply the Products and Related Services to COFCO Group for a period commencing on 1 January 2021 and ending on 31 December 2023. The COFCO Packaging Materials Agreement may be renewed by agreement between the parties subject to obtaining the necessary consents and approvals (if necessary) required by the Listing Rules.

Pricing

The price for the supply of the Products and Related Services under the COFCO Packaging Materials Agreement shall be agreed between the parties with reference to the prevailing market prices of same or similar products and services of the same period determined by the Company on normal commercial terms or on terms no less favourable to the Group than those offered by the Group to independent third parties of the same period, given that the price for the supply of the Products and Related Services to COFCO Group and the price for the supply of same or similar products and services to independent third parties are determined using the same formula. The market prices will be determined by the Company on normal commercial terms and on the following:

- (i) the prices of same or similar products and services supplied by the Group to independent third parties in the same or near region (if not applicable, the other regions in the PRC) in at least two comparable transactions which were agreed on normal commercial terms, in the ordinary course of business and conducted during the same period; or
- (ii) if paragraph (i) is not applicable, the Company will consider the price quotations of the Products and Related Services obtained through enquires from its major competitors (including ORG Technology Group) on a regular basis.

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Payment Term

Depends on the nature of the Products and Related Services to be supplied, the price shall be settled within 30 to 100 days upon provision of the relevant Products and Related Services. The said payment term shall be fixed by the parties after having considered the nature of the relevant Products and Related Services provided by the Group to COFCO Group, the usual market payment term of such relevant kind of Products and Related Services, and shall be no less favorable than the payment terms under comparable transactions between the Company and other independent third parties.

Condition precedent

The transactions and annual caps under the COFCO Packaging Materials Agreement are conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM.

Other terms

Pursuant to the COFCO Packaging Materials Agreement, the Company has agreed, amongst other things, to use its best endeavours to fulfill additional demands from COFCO Group for the supply of the Products and Related Services, and the terms shall not be less favourable to the Company when compare to the terms offered by the Company to independent third parties for the same Products and Related Services in the same period, provided that such additional supply by the Company shall comply with the applicable requirements under the Listing Rules.

Our Assessment

We have reviewed and compared the terms of the COFCO Packaging Materials Agreement and the Existing COFCO Packaging Materials Agreement and noted that, save for the revision of annual caps, there has been no material change between the terms of the two aforesaid agreements.

As disclosed in the Letter from the Board, when determining the pricing formula, the Company will also take into account the following factors: (1) transaction terms such as transaction volume and the time period of the transaction; (2) the demand and supply and price fluctuations of the market; and (3) the delivery costs which varies depending on the distance to different regions the customers are located in. The Company will adopt the same pricing formula which applies to all customers including COFCO Group and independent third parties. The said pricing formula consists of components such as the gross profit margin and production costs including the costs of labor, raw materials and equipment that will fluctuate from time to time. The gross profit margin ranges from approximately 6% to 16%. We have enquired the management of the Group and were given the understanding that the Group sets the selling prices of the Products and Related Services

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with reference to the same or similar products and services of the same period. The Directors also confirmed that the terms offered to the COFCO Group that are comparable and no less favourable than those offered by the Group to independent third parties of the same period.

In addition, the sales procedures that the Company adopt to supply the Products and Related Services to all customers, be that to the COFCO Group or independent third parties, are the same. The Company will sign the standardized contract with the relevant customers. The sales management, finance, legal and other relevant departments will use the same assessment criteria to review and approve the contracts, and ensure that the Company uses the same procedures to issue invoices.

For our due diligence purpose, we have reviewed and compared sample copies of historical transaction records, including sales contracts and/or sales invoices, in respective of the sales made by the Group to other independent third parties and COFCO Group. In reviewing the historical sales records, we have selected samples based on the materiality of the transaction amount and similar products type in respective of the sales made by the Company to other independent third parties and COFCO Group, in each of the two years ended 31 December 2019 and the nine months ended 30 September 2020. We have obtained 30 sets of samples from the management of the Company, each set of which contains sales sample by the Group to COFCO Group and sales sample to other customers who are independent third parties of the Company. We are of the view that the samples copies reviewed are exhaustive, fair and representative, and the selection basis is fair and representative in view of materiality and transaction nature.

We noted from these samples that (i) the sales transactions are made in compliance with the sales procedures, including the approval procedures, of the Group; (ii) the selling price of the Products and Related Services for sales to COFCO Group is no less favourable than those offered to the independent third parties which is in accordance with the pricing policy as stated above; (iii) other major terms, including the payment terms (in line with the payment term policy as stated above), of the sales transactions entered into between the Company and COFCO Group are similar with those offered to other independent customers; and (iv) gross profit margin for the sales of the Products and Related Services to COFCO Group and to independent third parties are within the range of approximately 6% to 16%.

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Having considered that (i) sales of the Products and Related Services are principal business of the Group; (ii) price and other major terms (including the payment terms) of COFCO Packaging Materials Agreement are comparable to and no less favourable than that offered to other independent third parties; and (iii) flexibility for the Group to choose sales of the Products and Related Services to independent third parties if the Group has better offer, we are of the view that the terms of the COFCO Packaging Materials Agreement are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Company and fair and reasonable so far as the Independent Shareholders are concerned.

3. *Proposed Annual Caps for COFCO Packaging Materials Agreement*

The table below sets forth the proposed annual caps of the COFCO Packaging Materials Agreement for each of the three years ending 31 December 2023 (the “COFCO Annual Caps”).

	Existing COFCO Packaging Materials Agreement For the year ended 31 December			COFCO Packaging Materials Agreement For the year ending 31 December		
	2018	2019	2020	2021	2022	2023
Annual Caps (RMB million)	480.0	570.0	670.0	500.0	600.0	700.0

As set out in the Letter from the Board, in arriving at the annual caps, the Directors have considered, (i) the historical transaction values and the expected sales of the Products and Related Services to COFCO Group for the three years ending 31 December 2023, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC; (ii) low utilization rate of historical annual cap due to the Company’s focus on its independent customers; (iii) the increasing trend for the costs of raw materials; (iv) the expected increase in COFCO Group’s demand for the three years ending 31 December 2023; and (v) the expected increase in the Group’s production capacity of packaging materials for the three years ending 31 December 2023.

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Our Assessment

To assess the fairness and reasonableness of the COFCO Annual Caps, we have discussed with the Directors regarding the basis of determination of the COFCO Annual Caps. We have assessed the above factors and assumptions as follows:

(a) Historical transaction values

As stated in the Letter from the Board, the historical transaction amounts and the annual caps for the transactions under the Existing COFCO Packing Materials Agreement were as follows:

	Actual transaction amounts <i>(RMB million)</i>	Historical annual caps <i>(RMB million)</i>
Year ended 31 December 2018	403.4	480.0
Year ended 31 December 2019	399.4	570.0
Nine months ended 30 September 2020	242.6	N/A
Year ending 31 December 2020	N/A	670.0

We noted that approximately 84.0% and 70.1% of the historical annual caps for the supply of the Products and Related Services to COFCO Group were utilized by the Group for the two years ended 31 December 2019 respectively. We also noted that up to the nine months ended 30 September 2020, only approximately 36.2% of the historical annual cap for the year ending 31 December 2020 has been utilized.

(b) Historical utilization rate

As stated in the Letter from the Board, the low utilization rate of the historical annual caps was due to (i) the limited production capacity of the Group, the Company's commitment to maintain its influence impact and to obtain independent customers purchase orders which are beneficial to the Group's business development, the Group prioritized to take orders from independent customers, resulting in a low utilization rate of the previous annual caps; (ii) the previous annual caps were estimated based on an annual increase of approximately 9% of the costs of aluminum, yet the average cost of aluminum decreased by approximately 4.6% in 2019 which compared with 2018, resulting in a low utilization rate of the 2019 annual caps. We are advised by the management of the Group, since the cost of aluminum has decreased, sales amount of the Products and Related Services will also be adjusted according to the pricing formula, and resulting in a low utilization rate of the historical annual caps; and (iii) due to the outbreak of the

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COVID-19 pandemic, the Group suffered a decline in COFCO Group's purchase orders for the first quarter of 2020, resulting in low utilization rate of the 2020 annual caps.

We noted that the Company has considered (i) the limited production capacity of the Group as they would like to prioritize taking orders from independent customers; (ii) the fluctuation of the cost of aluminum; and (iii) the outbreak of the COVID-19 pandemic as the reasons for the low utilization rate of the historical annual caps under the Existing COFCO Packaging Materials Agreement. They have adjusted the annual cap for 2021 downward by approximately 25.4% correspondingly as compared with the annual cap for 2020. The proposed annual caps represent the upper limit of the sales that may be transacted with COFCO Group. Thus, the annual caps are not commitments or targets for either party to meet.

(c) The increasing trend for the costs of raw materials

As set out in the Letter from the Board from the macroeconomic perspective, it is expected the loose monetary policy and economic stimulus policies will be maintained in the PRC for a certain period of time in the future, while from the supply and demand perspective, it is expected the supply-side structural reforms will continue and the capacity expansion of the upstream suppliers will be restricted. On the other hand, the PRC government proposes an internal circulative economy strategy, which will likely result in continuous grow of the downstream demand. Besides, as the Group was affected by the loose domestic monetary policy and the recovery of pandemic, the prices of aluminum have rapidly rebounded since the third quarter of 2020. As such, the Company expects such costs will continue to increase by approximately 5%, in the next three years. We have checked the aluminium price on London Metal Exchange, a renowned industrial aluminium trading reference price source, and noted the price of aluminium has been in an increasing trend since June 2020 from US\$1,512 per tonne to US\$1,820 per tonne in October 2020.

(d) Expected increase in COFCO Group's demand for the three years ending 31 December 2023

As stated in the Letter from the Board, in the face of the ordeal of the COVID-19 pandemic and the complicated and changeable domestic and overseas environment, China's economy was heavily hit in the first quarter of 2020 but turned negative growth into positive in the second quarter of 2020. With the pandemic under effective control, the downstream consumer market recovered rapidly. As such, the Company expects the demand of COFCO Group will continue to increase by approximately 10%, in the next three years. We noted from

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the annual report for the year ended 31 December 2019 of China Foods Limited, one of the subsidiaries of COFCO, sales amount for the sparkling drinks products (final product of the Products and Related Services) for the year ended 31 December 2019, without the effect of the COVID-19 pandemic, has increased by approximately 10.4% when compared to the year ended 31 December 2018. We have also checked the iron price on Trading Economics and Business Insider, renowned industrial iron trading reference price sources, and noted the price for the raw material showed a decreasing trend since the mid of 2019 at US\$123 per tonne to US\$80 per tonne at the end of the first quarter of 2020. The iron price then starts to recover in the end of the first quarter of 2020 at US\$80 per tonne to US\$98 per tonne at the mid of 2020.

- (e) Expected increase in the Group's production capacity of packaging materials for the three years ending 31 December 2023

As stated in the Letter from the Board, the Group's capacity in catering the demand of both COFCO Group and its independent customers, which is expected to increase by over 14% by 2022 in light of its new two-piece can production lines to be opened in Tianjin, Wuhan and other cities and the production-speed upgrade to the Group's existing two-piece can production lines in the coming three years. Also, the Company will endeavor to achieve better utilization of its productivity through the production to be opened in existing factories. This arrangement can achieve higher utilization rate. The Company will also make reasonable allocation of the running time and overall productivity of the respective production lines of the Group. Hence, the Company expected this arrangement would meet the increasing demand of COFCO Group.

We noted that the Group has been successively promoting the release of production capacity and growth of the Group's performance. As stated in the interim report of the Company for the six months ended 30 June 2020, the second production line of Fujian project was under satisfactory operation in the first half of 2020. We have also obtained the production capacity forecast table provided by the management of the Company in respect of the expected production capacity of the different products for each of the three years ending 31 December 2023. The number of production lines for two-piece can will increase by two lines from 2020 to 2023 respectively. The additional production lines are expected to increase the total annual two-piece beverage can production capacity of the Group by over 28% at 2023 as compared to 2020.

As stated in the Letter from the Board, due to the limited production capacity of the Group, the Company's commitment to maintain its influence impact and to obtain independent customers' purchase orders which are beneficial to the Group's business

development, the Group prioritized to take orders from independent customers, resulting in a low utilization rate of the previous annual caps. The Company expected the new production capacities for two-piece beverage can would meet the increasing demand from COFCO Group. The Company will also make reasonable allocation of the running time and overall productivity of the respective production lines of the Group.

Having considered the reason of (i) the historical transaction values; (ii) the historical utilization rate; (iii) the increasing trend for the costs of raw materials; (iv) the expected increase in COFCO Group's demand; and (v) the expected increase in the Group's production capacity of packaging material, we consider that the COFCO Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned.

B. ORG Technology Materials Agreement

1. Background of and reasons for the ORG Technology Materials Agreement

(a) Information of ORG Technology

ORG Technology, a substantial shareholder of the Company, is a leading enterprise in the packaging industry in the PRC. It is principally engaged in the comprehensive packaging services including packaging design, packaging production, filling and brand design and promotions. Its ultimate beneficial owner is Mr. Zhou Yunjie, a Chinese which is the chairman of the board of ORG Technology.

(b) Reasons for the ORG Technology Materials Agreement

As stated in the Letter from the Board, the Company believes that the entering into of the ORG Technology Materials Agreement with ORG Technology will provide the Group with the opportunity to foster the development of its packaging business in the PRC market. The Group is actively seeking business expansion in the packaging area. The Board is of the view that the entering into of the ORG Technology Materials Agreement allows the Group to utilize the abundant experience and geographical reach of ORG Technology in the packaging industry and develop its packaging business in the PRC market. Therefore, the Board is of the view that the terms of the ORG Technology Materials Agreement are in the interests of the Company and the Shareholders as a whole. The entering into of the ORG Technology Materials Agreement also ensures the stability of supply and demand of goods and services between the Group and ORG Technology, enables the Group to utilize its current capacity and increase its production and revenue.

In addition, each of the Group and ORG Technology Group on its own has limited number of factories in the PRC in different locations. Given the high transportation costs which may be incurred for delivery of products

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from factories to the customers in case of long distance, by engaging each other for the sale and purchase of products and services, it enables both the Group and ORG Technology Group to utilize the combination of their factory locations, leading to lower costs of delivery, and therefore a higher profit margin. For example, when the Group has received orders of products from a certain area but the Group does not have any factories in the vicinity but the ORG Technology Group does, the Group may procure ORG Technology Group to provide and deliver such products to the customers. As such, both parties are able to optimize their businesses and regional structures. Therefore, the Group is of the view that the entering into of the ORG Technology Materials Agreement will be beneficial to the Group and the Shareholders as a whole.

In assessing whether the entering into of the ORG Technology Materials Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have considered the following:

- (i) ORG Technology Group has been one of the market leaders in the PRC's agricultural products processing industry. ORG Technology is on the list of "Top listed companies in packaging and printing industry in China 2018*" (2018年中國包裝印刷行業上市公司排行榜) published by ASKCI Consulting Company Limited (中商產業研究院). As stated in the annual report of ORG Technology for the year ended 31 December 2019 and the interim report of ORG Technology for the six months ended 30 June 2020, approximately RMB8,234.1 million, RMB7,309.0 million, and RMB4,643.0 million of metal packaging products and services (final product of printed tins, printed aluminum and caps and related can production services of such packaging materials) were sold by ORG Technology for the two years ended 31 December 2019, and the six months ended 30 June 2020 respectively. The market leadership of ORG Technology and the long-term business relationship with ORG Technology Group demonstrate that it is able to maintain stable purchase of tins, laminated steel and aluminium and related can production services of such packaging material from ORG Technology Group; and sales of the printed tins, printed aluminium and caps and related can production services of such packaging materials produced by the Group;
- (ii) The Group will benefit from time and cost advantages by utilizing the combination of the Group's and ORG Technology Group's factory locations, since the Group can have its products delivery to the customers' location with shorter delivery time and at a lower transportation cost;

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- (iii) The Group will also enjoy flexibility on the tinsplates, laminated steel and aluminium and related can production services of such packaging materials purchase, as the Group is not obliged to purchase tinsplates, laminated steel and aluminium and related can production services of such packaging materials from ORG Technology Group exclusively. Thus, the Group can choose purchase from other independent suppliers with a better offer;
- (iv) Sales of tinsplate packaging and aluminum packaging, including the sales of printed tinsplates, printed aluminium and caps and related can production services of such packaging materials, are the Group's ordinary course of business, which contributed approximately 91.9% of the total revenue of the Group for the year ended 31 December 2019, as disclosed in the 2019 Annual Report;
- (v) The sales of the printed tinsplates, printed aluminium and caps and related can production services of such packaging materials to ORG Technology at market price will render stable revenue to the Group on normal commercial terms; and
- (vi) The Group will have flexibility on the sale of the printed tinsplates, printed aluminium and caps and related can production services of such packaging materials as the Group is not obliged to sell to ORG Technology Group if the Group has better offer.

Having considered the above reasons, we concur with the Directors' views that the entering into of the ORG Technology Materials Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of ORG Technology Materials Agreement

Principal terms of the ORG Technology Materials Agreement are as follows:

Date of agreement : 27 October 2020 (after trading hours)

Parties : (1) the Company; and
(2) ORG Technology

Subject Matter

Pursuant to the ORG Technology Materials Agreement, (i) the Group has conditionally agreed to sell to ORG Technology Group and ORG Technology Group has conditionally agreed to purchase from the Group printed tinsplates, printed aluminium and caps and related can production services of such packaging materials (the "**Finished Goods**"), and (ii) ORG Technology Group has conditionally agreed to sell to the Group and the

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Group has conditionally agreed to purchase from ORG Technology Group tinplates, laminated steel and aluminium and related can production services of such packaging materials (the “**Raw Material**”), from 1 January 2021 to 31 December 2023.

Pricing

The price for both the sale of printed tinplates, printed aluminium and caps and related can production services of such packaging materials by the Group to ORG Technology Group and the sale of tinplates, laminated steel and aluminium and related can production services of such packaging materials by ORG Technology Group to the Group shall be determined and agreed between the parties with reference to the prevailing market prices of identical or similar products or services. If the prices have to be adjusted after the placing of orders due to changes in raw materials, materials and production requirements, it shall be confirmed by both parties after negotiation; otherwise, the parties in breach shall bear the losses.

Payment Term

The price for both the sale of printed tinplates, printed aluminium and caps and related can production services of such packaging materials by the Group to ORG Technology Group and the sale of tinplates, laminated steel and aluminium and related can production services of such packaging materials by ORG Technology Group to the Group shall be settled by the receiving party within 90 days upon delivery of the relevant products, materials or services. The said payment term is fixed by the parties after having considered the usual market payment term the aforesaid products, materials or services, and such payment term is same as the payment terms under comparable transactions between the Company and other independent third parties.

Condition precedent

The transactions and annual caps under the ORG Technology Materials Agreement are conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM.

Our Assessment

We have reviewed and compared the terms of the ORG Technology Materials Agreement and the Existing ORG Technology Materials Agreement and noted that, save for the revision of annual caps, there has been no material change between the terms of the two aforesaid agreements.

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- (a) Sale of printed tinplates, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group

As disclosed in the Letter from the Board that when determining the pricing formula, the Company will also take into account the following factors: (1) transaction terms such as transaction volume and the time period of the transaction; (2) the demand and supply and price fluctuations of the market; and (3) the delivery costs which varies depending on the distance to different regions the customers are located in. The Company will adopt the same pricing formula which applies to all customers including ORG Technology Group and independent third parties as follows:

$$\begin{aligned} & (\text{Cost of raw materials} + \text{direct labour cost} + \text{factory overheads} + \text{delivery costs}) \\ & \times (1 + \text{gross profit margin ranges from approximately 4\% to 10\%}) \end{aligned}$$

In addition, the sales procedures that the Company adopt to supply printed tinplates, printed aluminum and caps and related can production services of such packaging materials to all customers, be that to ORG Technology Group or independent third parties, are the same. The Company will sign the standardized contract with the relevant customers. The sales management, finance, legal and other relevant departments will use the same assessment criteria to review and approve the contracts, and ensure that the Company uses the same procedures to issue invoices.

- (b) Sale of tinplates, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group

As disclosed in the Letter from the Board, the purchase price of tinplates, laminated steel and aluminum and related can production services of such packaging materials shall be determined by the parties after arm's length negotiations with reference to (i) the demand and supply and price fluctuation of the market; and (ii) prices of the same or comparable products obtained from two to three comparable independent third party companies.

As advice by the management of the Group, the purchase procedures that the Company adopt to purchase the Raw Material from all suppliers, be that from ORG Technology Group or independent third parties, are the same. Each purchase order is subject to assessment by purchase management department and review by the department head in charge. The senior management of the Group is responsible for final review and approval.

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For our due diligence purpose, we have reviewed sample copies of historical purchase and sales records between the Group and ORG Technology Group. In reviewing the historical purchase and sales records, we have selected samples based on the materiality of the transaction amount and similar products type for both the (1) purchase by the Group from ORG Technology Group and to other independent customers; and (2) sales to ORG Technology Group and other independent customers from the Group, in each of the two years ended 31 December 2019 and the nine months ended 30 September 2020.

We have obtained 15 sets of purchase samples and 15 sets of sales samples from the management of the Company, each set of purchase sample contains purchase sample by ORG Technology Group from the Group and purchase sample by other customers who are independent third parties of the Group. On the other hand, each set of sales sample contains sales sample by the Group to ORG Technology Group and sales sample to other customers who are independent third parties of the Group. We are of the view that the samples copies reviewed are exhaustive, fair and representative, and the selection basis is fair and representative in view of materiality and transaction nature.

We noted from these samples that (i) the sales and purchase transactions are made in compliance with the sales and purchase procedures, including the approval procedures, of the Group; (ii) both the prices of the Raw Material offered by ORG Technology Group to the Group; and the prices of the Finished Goods offered by the Group to ORG Technology Group, were no less favourable to the Group than those offered to independent third parties of the same period; (iii) the price is determined in accordance with the pricing policy as stated above; (iv) other major terms offered to/by ORG Technology Group including payment terms (in line with the payment term policy as stated above) are similar with those offered to/by other independent third parties; and (v) gross profit margin for the sales of the Finished Goods to ORG Technology Group and to independent third parties are within the range of approximately 4% to 10%.

Having considered (i) sale of the Finished Goods and purchase of the Raw Material are principal business of the Group; (ii) price and other major terms (including the payment terms) of ORG Technology Materials Agreement are comparable to and no less favourable than that offered to other independent third parties; and (iii) flexibility for the Group to choose sale of the Finished Goods and purchase of the Raw Material to independent third parties if the Group has better offer, we are of the view that the terms of the ORG Technology Materials Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Company and fair and reasonable so far as the Independent Shareholders are concerned.

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3. Proposed Annual Caps for ORG Technology Materials Agreement

The table below sets forth the proposed annual caps of the ORG Technology Materials Agreement for each of the three years ending 31 December 2023.

	Existing ORG Technology Materials Agreement For the year ended 31 December			ORG Technology Materials Agreement For the year ending 31 December		
	2018	2019	2020	2021	2022	2023
	Sale of printed tinplates, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group (RMB million)	450.0	520.0	550.0	250.0	350.0
Sale of tinplates, laminated steel and aluminium and related can production services of such packaging materials by ORG Technology Group to the Group (RMB million)	400.0	450.0	500.0	200.0	270.0	350.0

As set out in the Letter from the Board, in arriving at the annual caps for the sale of printed tinplates, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group. The Directors have considered (i) the historical transaction values and the expected sale amounts of the printed tinplates, printed aluminium and caps and related can production services of such packaging materials that ORG Technology Group for the three years ending 31 December 2023, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC; (ii) the low utilization rate of the historical annual caps; and (iii) the increasing trend for the costs of raw materials.

As set out in the Letter from the Board, in arriving the annual caps for the sale of tinplates, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group. The Directors have considered (i) the historical transaction values and the expected sale amounts of tinplates, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group for the three years ending 31 December 2023, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC; (ii) the expected increase in sale of tinplates, aluminium and related can production

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services of such packaging materials by ORG Technology Group to the Group for the three years ending 31 December 2023; (iii) the increasing trend for the costs of raw materials; and (iv) the expected increase demand for laminated steel.

Our Assessment

- (1) Sale of printed tins, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group

To assess the fairness and reasonableness of the proposed annual caps for the sale of Finished Goods by the Group to ORG Technology Group. We have assessed the above factors and assumptions as follows:

(a) Historical transaction values and utilization rate

As stated in the Letter from the Board, the historical transaction amounts and annual caps for the transactions under the Existing ORG Technology Materials Agreement were as follows:

	Actual transaction amounts <i>(RMB million)</i>	Historical annual caps <i>(RMB million)</i>
Year ended 31 December 2018	134.8	450.0
Year ended 31 December 2019	93.3	520.0
Nine months ended 30 September 2020	119.6	N/A
Year ending 31 December 2020	N/A	550.0

As stated in the Letter from the Board, the low utilization rate of the historical annual caps was due to (i) the previous annual caps are estimated based on an annual increase of approximately 20% and 9% of the costs of tins and aluminum, yet the costs of tins and aluminum decreased by approximately 6.1% and 4.6% respectively in 2019 when compared with 2018, resulting in a low utilization rate of the 2019 annual caps; and (ii) the outbreak of the COVID-19 pandemic, the Group suffered a decline in customer order for the first quarter of 2020, resulting in low utilization rate of the 2020 annual caps.

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We noted that only approximately 30.0% and 17.9% of the historical annual caps for the sale of printed tins, printed aluminium and caps and related can production services of such packaging materials to ORG Technology Group were utilized by the Group for the two years ended 31 December 2019 respectively. We also noted that up to the nine months ended 30 September 2020, only approximately 21.7% of the historical annual cap for the year ending 31 December 2020 has been utilized. Therefore, the proposed annual caps have been adjusted downward correspondingly. On the other hand, the actual transaction value for the nine months ended 30 September 2020 (being approximately RMB119.6 million) was higher than the actual transaction value of the whole year of 2019 (being approximately RMB93.3 million). Therefore, considering the increasing trend of the actual transaction amount for the year ended 31 December 2019 to the nine months ended 30 September 2020, the Directors expected the annual caps for 2021 to 2023 will stably increase year after year.

We noted that the Company has considered (i) the historical transaction values; and (ii) the historical utilization rate of the historical annual caps under the Existing ORG Technology Materials Agreement. They have adjusted downward the proposed annual cap for 2021 by approximately 54.5% correspondingly as compared with the annual cap for 2020. We are advised by the management of the Group, since the costs of tins and aluminum have decreased, sales amount of the Finished Goods will also be adjusted according to the pricing formula, and resulting a low utilization rate of the historical annual caps. The proposed annual caps represent the upper limit of the sales that may be transacted with ORG Technology Group. Thus, the proposed annual caps are not commitments or targets for either party to meet.

(b) The increasing trend for the costs of raw materials

As set out in the Letter from the Board, the products supplied by the Group to ORG Technology Group were mainly printed tins. From the macroeconomic perspective, it is expected the loose monetary policy and economic stimulus policies will be maintained in the PRC for a certain period of time in the future, while from the supply and demand perspective, it is expected the supply-side structural reforms will continue and the capacity expansion of the upstream suppliers will be restricted. On the other hand, the PRC government proposes an internal circulative economy strategy, which will likely result in continuous growth of the downstream demand. Hence, the Company expects that the cost of tinplate will rise by approximately 5% in the next three years. We have checked the iron price on Trading Economics and Business Insider, renowned industrial iron trading reference price sources, and noted the

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price for the raw material showed an increasing trend since the beginning of 2020 at US\$94 per tonne to US\$120 per tonne at October 2020.

- (2) Sale of tinplates, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group

To assess the fairness and reasonableness of the annual caps for the sale of the Raw Material by ORG Technology Group to the Group. We have assessed the above factors and assumptions as follows:

(a) Historical transaction values and utilization rate

As stated in the Letter from the Board, the historical transaction amounts and annual caps for the transactions under the Existing ORG Technology Materials Agreement were as follows:

	Actual transaction amounts <i>(RMB million)</i>	Historical annual caps <i>(RMB million)</i>
Year ended 31 December 2018	71.3	400.0
Year ended 31 December 2019	67.8	450.0
Nine months ended 30 September 2020	101.8	N/A
Year ending 31 December 2020	N/A	500.0

As stated in the Letter from the Board, the low utilization rate of the historical annual caps was due to (i) the previous annual caps are estimated based on an annual increase of approximately 20% and 9% of the costs of tinplates and aluminum, yet the costs of tinplates and aluminum decrease by approximately 6.1% and 4.6% respectively in 2019 when compared with 2018, resulting in a low utilization rate of the 2019 annual caps; and (ii) the outbreak of the COVID-19 pandemic, the Group suffered a decline in customer order for the first quarter of 2020, resulting in low utilization rate of the 2020 annual caps.

We noted that only approximately 17.8% and 15.1% of the historical annual cap for the sale of the Raw Material by ORG Technology Group were utilized by the Group for the two years ended 31 December 2019 respectively. We also noted that up to the nine months ended 30 September 2020, only approximately 20.4% of the historical annual cap for the year ending 31 December 2020 has been utilized. Therefore, the proposed annual caps have been adjusted downward correspondingly.

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On the other hand, the actual transaction value for the nine months ended 30 September 2020 (being approximately RMB101.8 million) was higher than the actual transaction value of the whole year of 2019 (being approximately RMB67.8 million). Therefore, considering the increasing trend of the actual transaction amount for the two years ended 31 December 2019 to the nine months ended 30 September 2020, the Directors expected the annual caps for 2021 to 2023 will stably increase year after year.

We noted the Company has considered (i) the historical transaction values; (ii) the fluctuation of the costs of tinplates and aluminum; and (iii) the outbreak of the COVID-19 pandemic as the reasons of the low utilization rate of the historical annual caps under the Existing ORG Technology Materials Agreement. They have adjusted downward the proposed annual cap for 2021 by approximately 60% correspondingly as compared with the annual cap for 2020. The proposed annual caps represent the upper limit of the purchase that may be transacted with ORG Technology Group. Thus, the proposed annual caps are not commitments or targets for either party to meet.

(b) Expected increase in sale of tinplates, aluminium and related can production services of such packaging materials by ORG Technology Group to the Group for the three years ending 31 December 2023

As stated in the Letter from the Board, the demand of the Group based on the said expected sale amounts of printed tinplates, printed aluminum and caps and the related can production services of such packaging materials by the Group to ORG Technology Group, and the increase of ORG Technology's demand in the aforesaid products and service, which is in line with the strategic cooperation agreed between the parties in March 2016, pursuant to which the parties should (i) assist the R&D team and technology of the other party and coordinate their R&D resources; (ii) under the same business conditions, prioritize the other party in term of business development after taking into account the advantages of the other party and its customer needs; (iii) optimize their business and regional structure while maintaining its existing market conditions; and (iv) use their respective resources and advantages in overseas markets to jointly develop overseas markets and cultivate overseas operations and production bases. We have reviewed the Group's announcement dated 7 March 2016 regarding to the strategic cooperation agreement with ORG Technology, and noted that the Group and ORG Technology Group has been under a constant business relationship.

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(c) The increasing trend for the costs of raw materials

As set out in the Letter from the Board, from the macroeconomic perspective, it is expected the loose monetary policy and economic stimulus policies will be maintained in the PRC for a certain period of time in the future, while from the supply and demand perspective, it is expected the supply-side structural reforms will continue and the capacity expansion of the upstream suppliers will be restricted. On the other hand, the PRC government proposes an internal circulative economy strategy, which will likely result in continuous grow of the downstream demand. Hence, the Company expects that the costs of raw material will rise by approximately 5% in the next three years. We have checked the iron price on Trading Economics and Business Insider, renowned industrial iron trading reference price sources, and noted the price for the raw material showed an increasing trend since the beginning of 2020 at US\$94 per tonne to US\$120 per tonne at October 2020.

(d) Expected increase demand for laminated steel

As stated in the Letter from the Board, laminated steel has less pollution to the environment which compared with traditional tinplates. In view of the PRC government has placed more emphasis on environmental protection, the Group believes more customers will choose to use laminated steel. Therefore, the Group increases the annual caps for purchase of laminated steel.

We have reviewed the announcement published by China Energy Conservation Association Metallurgical Industry Energy Conservation Professional Committee* (中國節能協會冶金工業節能專業委員會) in 2019 and noted the PRC steel industry will emphasis on reducing pollution in its industry in order to achieve better environmental protection in the future.

Having considered the above basis, we consider that the proposed annual caps in respect of the transactions under the ORG Technology Materials Agreement for the three years ending 31 December 2023 are fair and reasonable so far as the Independent Shareholders are concerned.

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C. Internal Control Measures

As disclosed in the Letter from the Board, to ensure the Group can carry out the Proposed Continuing Connected Transactions pursuant to the terms of the COFCO Packaging Material Agreement and the ORG Technology Materials Agreement and in compliance with chapter 14A of the Listing Rules, the Company will implement the following internal control measures:

1. Internal control on the COFCO Packaging Materials Agreement

- (a) to ensure the prices of the Products and Related Services to be supplied to COFCO Group can comply with the aforesaid pricing policy, the sales team of the Group will compare prices of such products and services with the prices of supplying the same or similar products and services to independent third parties;

We have reviewed and compared sample copies of historical transaction records entered into by the Group with the COFCO Group and independent customers on the Products and Related Services. We noted that their principal terms, including credit terms, are comparable with each other and prices are comparable and no less favourable than those offered by the Group to independent third parties of the same period.

- (b) the finance department of the Group will check and monitor the transaction amounts to ensure that the maximum transaction amount do not exceed the relevant annual cap under the COFCO Packaging Materials Agreement. If the aggregate transaction amount reaches 90% of the relevant annual cap or is expected to exceed the relevant annual cap in the coming two months, the personnel of the finance department of the Group must notify the Board simultaneously and the Board shall determine the appropriate action to be taken;

We have enquired the management of the Group, and were given the understanding that under the Existing COFCO Packaging Materials Agreement, the Group's aggregated transaction amount has never reached 90% of the relevant annual cap. However, the finance department of the Group have and will continuously monitor the aggregate transaction amount for the coming two months. The above internal control will continuously apply in the COFCO Packaging Materials Agreement.

- (c) the audit and supervision department of the Group shall assess the Group's continuing connected transactions in accordance with the relevant framework agreement in each financial year. One of the purposes of the assessment is to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties; and

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We have reviewed sample copies of the approval documentations for the continuing connected transactions entered into between the Group and the COFCO Group. We noted that the sales contracts will be reviewed and approved by the legal department, the sales management department and the finance department to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties.

- (d) the external auditors of the Company and the independent non-executive Directors shall conduct annual review on the pricing policy and the annual caps of continuing connected transactions.

For further details on the assessment, details are set out in the section headed “2. Internal control on ORG Technology Materials Agreement” below.

2. *Internal control on the ORG Technology Materials Agreement*

- (a) to ensure the prices of the printed tins, printed aluminum and caps and related can production services of such packaging materials to be sold by the Group to ORG Technology Group can comply with the aforesaid pricing policy, the sales team of the Group will compare prices of such products with the prices of the same or similar products and services sold by the Group to independent third parties;

We have reviewed and compared sample copies of historical sales records entered into by the Group with the ORG Technology Group and independent customers on the Finished Goods. We noted that their principal terms, including credit terms, are comparable with each other and prices are comparable and no less favourable than those offered by the Group to independent third parties of the same period.

- (b) to ensure the prices of the tins, laminated steel and aluminum and related can production services of such packaging materials to be sold by ORG Technology to the Group can comply with the aforesaid pricing policy, the procurement team of the Group will compare prices of such materials with the prices the same or similar materials and services purchased by the Group from independent third parties;

We have reviewed and compared sample copies of historical purchase records entered into by the Group with the ORG Technology Group and independent suppliers on the Raw Material. We noted that their principal terms, including payment terms, are comparable with each other and purchasing prices are comparable and no more favourable than those offered by independent third parties to the Group of the same period.

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- (c) the finance department of the Group will check and monitor the transaction amounts to ensure that the maximum transaction amount do not exceed the relevant annual cap under the ORG Technology Materials Agreement. If the aggregate transaction amount reaches 90% of the relevant annual cap or is expected to exceed the relevant annual cap in the coming two months, the personnel of the finance department of the Group must notify the Board simultaneously and the Board shall determine the appropriate action to be taken;

We have enquired the management of the Group, and were given the understanding that under the Existing ORG Technology Materials Agreement, the Group's aggregated transaction amount has never reached 90% of the relevant annual cap. However, the finance department of the Group have and will continuously monitor the aggregate transaction amount for the coming two months. The above internal control will continuously apply in the ORG Technology Materials Agreement.

- (d) the audit and supervision department of the Group shall assess the Group's continuing connected transactions in accordance with the relevant framework agreement in each financial year. One of the purposes of the assessment is to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties; and

We have reviewed sample copies of the approval documentations for the continuing connected transactions entered into between the Group and the ORG Technology Group. We noted that the purchase contracts will be reviewed and approved by the legal department, the procurement department and the finance department, and the sales contracts will be reviewed and approved by the legal department, the sales management department and the finance department to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties.

- (e) the external auditors of the Company and the independent non-executive Directors shall conduct annual review on the pricing policy and the annual caps of continuing connected transactions.

In respect of the continuing connected transactions contemplated under the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement, we noted from the 2019 Annual Report that an annual review of the transactions contemplated under the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement have been conducted according

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to Chapter 14A of the Listing Rules, and that the independent non-executive Directors have reviewed and confirmed that the transactions contemplated under the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole. The 2019 Annual Report also confirmed that the Company's auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. Furthermore, the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement will, pursuant to the Listing Rules, continue to be subject to review by the independent non-executive Directors and the auditors of the Company at least annually, details of which must be included in the Company's subsequent published annual reports.

Through the adoption of the above internal control procedures, the Directors believe that it will provide safeguard to supervise and monitor (i) compliance of the terms offered by the relevant connected parties to the Group, and the terms offered by the Group to relevant connected parties will be on market terms and on normal commercial terms and will be fair and reasonable to the Company and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps to be approved by the Independent Shareholders that will be adhered to and the continuing connected transactions will be conducted within the approved proposed annual caps during the relevant year pursuant to the requirements under Listing Rules.

In view of the above, we are satisfied that effective and adequate internal control measures are in place to govern the conduct of the transactions contemplated under the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement.

RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the transactions under each of the COFCO Packaging Materials Agreement and ORG Technology Materials Agreement are on normal commercial terms, and the proposed annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We also consider that each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement is in ordinary and usual course of business of the Company.

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Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Continuing Connected Transactions and proposed annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement, as detailed in the notice of EGM set out on the pages EGM-1 to EGM-3 of the Circular.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(I) Directors' and chief executives' interests and short positions in securities of the Company and its associated corporations

As at the Latest Practicable Date, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company which have been 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 which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

Interests in underlying shares of the Company:

Name of Directors	Capacity/Nature of Interests	Number of underlying shares held in long position	Approximate percentage of Interests (Note 1)
Zhang Xin	Beneficial owner	14,560,000 (Note 2)	1.30%
Zhang Ye	Beneficial owner	9,366,000 (Note 3)	0.84%

Notes:

- (1) The percentages are calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, i.e. 1,113,423,000 Shares.
- (2) Mr. Zhang Xin is interested in 14,560,000 Shares comprising (i) 12,500,000 Shares being the Shares subscribed by him from the Company pursuant to the subscription agreement dated 22 May 2016, which are held by Majestic Merge Limited on behalf of him; and (ii) a long position in 2,060,000 Shares which are held by himself.
- (3) Mr. Zhang Ye is interested in 9,366,000 Shares comprising (i) 8,500,000 Shares being the Shares subscribed by him from the Company pursuant to the subscription agreement dated 22 May 2016, which are held by Majestic Merge Limited on behalf of him; and (ii) a long position in 866,000 Shares which are held by himself.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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.

(II) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which 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:

Substantial shareholders and other persons	Notes	Capacity/Nature of Interests	Number of ordinary shares of the Company held	Approximate percentage of aggregate interests in issued share capital of the Company
China Foods (Holdings) Limited (“China Foods (Holdings)”)	(1)	Registered owner	330,658,800	29.70%
COFCO (Hong Kong) Limited (“COFCO (HK)”)	(1) & (2)	Interest of controlled corporations	330,658,800	29.70%
COFCO	(1) & (2)	Interest of controlled corporations	330,658,800	29.70%
ORG Technology	(1) & (3)	Interest of controlled corporations	271,667,200	24.40%
Shanghai Yuanlong Investment Limited (“Shanghai Yuanlong”)	(1) & (3)	Interest of controlled corporations	271,667,200	24.40%
Mr. Zhou Yunjie	(1) & (3)	Interest of controlled corporations	271,667,200	24.40%
CMB Wing Lung (Trustee) Limited	(1) & (4)	Trustee of a trust	88,500,000	7.95%
Antopex Limited	(1) & (4)	Nominee for another person	88,500,000	7.95%

Substantial shareholders and other persons	Notes	Capacity/Nature of Interests	Number of ordinary shares of the Company held	Approximate percentage of aggregate interests in issued share capital of the Company
Chuang Neng Enterprises Limited	(1) & (4)	Interest of controlled corporations	88,500,000	7.95%
Majestic Merge Limited	(1) & (4)	Registered owner	88,500,000	7.95%
China International Capital Corporation Limited (“CICC”)	(1) & (5)	Interest of controlled corporations	123,252,705	11.07%
Zhang Wei	(1) & (5)	Beneficial owner	122,500,000	11.00%

Notes:

- (1) Long position in the shares of the Company.
- (2) China Foods (Holdings) is a wholly-owned subsidiary of COFCO (HK). COFCO (HK) is therefore deemed to be interested in the 330,658,800 Shares held by China Foods (Holdings). COFCO (HK) and China Foods (Holdings) are wholly-owned subsidiaries of COFCO. COFCO is therefore deemed to be interested in the shares held by COFCO (HK) and China Foods (Holdings).
- (3) ORG Development Limited and Hubei ORG Tinplate Printing & Can Making Co., Ltd. (“Hubei ORG”) hold 269,341,200 Shares and 2,326,000 Shares respectively. ORG Development Limited is wholly owned by ORG International Holdings Limited. ORG International Holdings Limited and Hubei ORG are wholly-owned by ORG Technology. ORG Technology is owned as to approximately 39.19% by Shanghai Yuanlong and approximately 0.74% by 北京二十一兄弟商貿有限公司 which in turn are owned as to approximately 78.00% and 80.00% respectively by Mr. Zhou Yunjie. Therefore, Mr. Zhou Yunjie, Shanghai Yuanlong and ORG Technology are deemed to be interested in all the Shares held by ORG Development Limited and Hubei ORG.
- (4) The entire share capital of Majestic Merge Limited is held by Chuang Neng Enterprises Limited, and the entire share capital of Chuang Neng Enterprises Limited is held by Antopex Limited, a nominee which is wholly-owned by CMB Wing Lung (Trustee) Limited.
- (5) CICC is interested in 123,252,705 Shares held by its indirect wholly-owned subsidiary, China International Capital Corporation Hong Kong Securities Limited as a person having a security interest in shares. To the best of the Company’s knowledge, information and belief, and having made reasonable enquiry, such security interest in shares comprises the 122,500,000 Shares owned by Mr. Zhang Wei is held through CICC HK.
- (6) The percentages are calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, i.e., 1,113,423,000 Shares.

Save as disclosed above, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Zhang Xin is the senior industry executive of COFCO group, Mr. Zhou Yuan is the vice chairman and a director of ORG Technology and Mr. Shen Tao is a director and general manager of ORG Technology. Save as disclosed above, none of the Directors was a director or an employee of a company which has an interest or short position 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 at the Latest Practicable Date, none of the Directors or their respective close associate is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

3. INTERESTS OF DIRECTORS IN COMPETING BUSINESS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP AND THE GROUP'S ASSETS

As the Latest Practicable Date, interest of the Directors who are in a competing business is as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest	Appointment date
Mr. Zhou Yuan	ORG Technology (Note)	Manufacture of packaging products	As a vice chairman As a director	November 2010 October 2010
Mr. Shen Tao	ORG Technology (Note)	Manufacture of packaging products	As a general manager As a director	February 2014 October 2010

Note: ORG Technology is a listed company on Shenzhen Stock Exchange (Stock Code: 002701) and a substantial Shareholder, holding approximately 24.40% of the issued share capital of the Company. ORG Technology is principally engaged in the comprehensive packaging services including packaging design, packaging production, filling and brand design and promotion. For further details of ORG Technology in respect of its business and financial position, please refer to its annual report dated 30 April 2020 which is available at <https://www.orgtech.cn/uploadfile/2020/0430/20200430054417195.pdf>.

Although Mr. Zhou Yuan is the vice chairman and a director of ORG Technology, and Mr. Shen Tao is the general manager and a director of ORG Technology, both of them have confirmed that they are mindful of their duty to avoid conflict of interest. In cases where conflict of interest situation arises, Mr. Zhou Yuan and Mr. Shen Tao will refrain from taking part in the decision making process and will abstain from voting on the relevant resolution in board meeting. On this basis and given that ORG Technology has its own

management personnel other than Mr. Zhou Yuan and Mr. Shen Tao, the Directors believe that the Company is capable of carrying out its business independently of, and at arm's length from ORG Technology.

Save for disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associate is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors and any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the Independent Financial Adviser who has given its advice for inclusion in this circular:

Name	Qualification
INCU Corporate Finance Limited	a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding in the Company or any other member of the Group or 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 Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to.

The letter and recommendations from the Independent Financial Adviser are set out in pages 23 to 51 in this circular and are given for incorporation in this circular.

7. GENERAL

- (a) The Company's registered office is at 33rd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (b) The secretary of the Company is Mr. Yim Ming Chung. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (c) The Company's share registrar is Computershare Hong Kong Investor Services Limited, whose business address is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's registered office at 33rd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the COFCO Packaging Materials Agreement;
- (b) the ORG Technology Materials Agreement;
- (c) the letter from the Board, the text of which is set out in pages 4 to 21 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in page 22 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in pages 23 to 51 of this circular;

- (f) the letter of consent from the Independent Financial Adviser referred to in the above paragraph headed “Expert’s Qualification and Consent” in this Appendix; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



中糧
COFCO
自然之源 重塑你我



CPMC HOLDINGS LIMITED

中糧包裝控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 906)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of CPMC Holdings Limited (the “Company”) will be held at 10:30 a.m. on Monday, 14 December 2020, at President Suite, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

“THAT

1. (i) the supply framework agreement (the “**COFCO Packaging Materials Agreement**”) entered into between the Company and COFCO on 27 October 2020 in relation to the supply of various types and sizes of metal and plastic packaging materials, products including two-piece beverage cans, milk powder cans and related after-sale services by the Group to COFCO Group, a copy of which has been produced to the EGM marked “A” and initialled by the chairman of the EGM for identification purposes, and the relevant annual caps under the COFCO Packaging Materials Agreement as set out in the Company’s circular dated 17 November 2020 be and are hereby confirmed, ratified and approved; and

(ii) any one or more of the directors of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the COFCO Packaging Materials Agreement and the transactions contemplated thereunder.
2. (i) the conditional framework agreement (the “**ORG Technology Materials Agreement**”) entered into between the Company and ORG Technology on 27 October 2020 in respect of supply of printed tins, printed aluminum and caps and related can production services of such packaging materials by the Group to ORG Technology Group and supply of tins, laminated steel and aluminum and related can production services of such packaging materials by ORG Technology Group to the Group, a copy of which has been produced to the EGM marked “B” and initialled by the chairman of the EGM for identification purposes, and the relevant annual caps under the

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORG Technology Materials Agreement as set out in the Company's circular dated 17 November 2020 be and are hereby confirmed, ratified and approved; and

- (ii) any one or more of the directors of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the ORG Technology Materials Agreement and the transactions contemplated thereunder.”

By order of the Board
CPMC Holdings Limited
Zhang Xin
Chairman and Executive Director

Hong Kong, 17 November 2020

Notes:

1. The register of members of the Company will be closed from Wednesday, 9 December 2020 to Monday, 14 December 2020, both days inclusive, during which no transfers of shares will be registered. In order to qualify for attendance and voting at the EGM, all transfer documents should be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 4:30 p.m. on Tuesday, 8 December 2020.
2. The resolutions set out in this Notice of EGM will be voted on by poll.
3. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote for him. A proxy need not be a member of the Company.
4. A form of proxy for use at the EGM is enclosed. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, Floor 17M, 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 scheduled for holding the EGM or any adjournment of it.
5. Where there are joint holders of any share, any one of such holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders are present at the EGM in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
6. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person at the EGM or any adjourned meeting if he so desires. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. In view of the ongoing epidemic caused by novel coronavirus pneumonia (COVID-19) and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM against the epidemic to protect attending Shareholders, staff and other stakeholders from the risk of infection:
- (i) compulsory body temperature checks will be conducted on every Shareholder and proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius will not be denied entry into the EGM venue or be required to leave the EGM venue;
 - (ii) every attendee is required to wear a surgical facial mask before he/she is permitted to attend, and throughout his/her attendance of the EGM at all times; and
 - (iii) no refreshment will be served, and no souvenirs will be distributed.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.