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## **PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION**

**國際濟豐包裝集團**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1820)**

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO NEW FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

As disclosed in the prospectus of the Company dated 10 December 2018, in view of the fact that the machinery and equipment lease transactions between the Group and Chongqing Stone Tan are on a recurring basis and are expected to extend over a period of time, on 30 November 2018, the Company entered into the Framework Agreement with Chongqing Stone Tan for a term commencing on the Listing Date and ending on 31 December 2020.

The Board is pleased to announce that, on 29 December 2020 (after trading hours), the Company and Chongqing Stone Tan renewed the Framework Agreement by entering into the New Framework Agreement, pursuant to which Chongqing Stone Tan agreed to continue providing machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business for a term of 3 years commencing on 1 January 2021.

#### **IMPLICATIONS UNDER LISTING RULES**

As at the date of this announcement, Chongqing Stone Tan is indirectly owned as to approximately 91.5% by Stone Tan China Holding Corporation which in turn is indirectly owned as to, in aggregate, approximately 61.0% by PMGHC. As PMGHC is owned as to 80% by Golden Ford, a Controlling Shareholder, Chongqing Stone Tan is an associate of Golden Ford and thus a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the maximum amount of the Annual Caps is more than 0.1% but less than 5%, the transactions contemplated under the New Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

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## **PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT**

Date: 29 December 2020 (after trading hours)

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

Term: 3 years commencing on 1 January 2021

### **Subject Matter**

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

Basically, the terms between the Framework Agreement and the New Framework Agreement are identical to each other.

### **Pricing Policy**

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

## HISTORICAL TRANSACTIONS

The table below sets out the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) paid by the Group to Chongqing Stone Tan in relation to the machinery and equipment lease service under the Framework Agreement transactions during the three financial years ending 31 December 2020:

<b>Period</b>	<b>Maximum outstanding balance (including VAT) (approximately)</b>	<b>Annual interest payment plus handling fee (including VAT) (approximately)</b>
For the year ended 31 December 2018	RMB63.6 million (equivalent to approximately HK\$75.6 million)	RMB12.0 million (equivalent to approximately HK\$14.3 million)
For the year ended 31 December 2019	RMB80.3 million (equivalent to approximately HK\$95.4 million)	RMB9.2 million (equivalent to approximately HK\$10.9 million)
For the year ending 31 December 2020 (as at 30 November 2020)	RMB77.4 million (equivalent to approximately HK\$92.0 million)	RMB6.1 million (equivalent to approximately HK\$7.2 million)

## ANNUAL CAPS

The details of the Annual Caps are set out as follows:

<b>Period</b>	<b>Maximum outstanding balance (including VAT)</b>	<b>Annual interest payment plus handling fee (including VAT)</b>
For the year ending 31 December 2021	RMB62.7 million (equivalent to approximately HK\$74.5 million)	RMB4.3 million (equivalent to approximately HK\$5.1 million)
For the year ending 31 December 2022	RMB62.6 million (equivalent to approximately HK\$74.4 million)	RMB4.4 million (equivalent to approximately HK\$5.2 million)
For the year ending 31 December 2023	RMB62.0 million (equivalent to approximately HK\$73.7 million)	RMB5.0 million (equivalent to approximately HK\$5.9 million)

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

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

## **INTERNAL CONTROL PROCEDURES**

In addition to the annual review on the transactions contemplated under the New Framework Agreement by the auditor of the Company under Rule 14A.56 of the Listing Rules, to ensure that the transactions contemplated under the New Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole, the Company's senior management will supervise and monitor the transactions contemplated under the New Framework Agreement and will ensure that the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) payable by the Group to Chongqing Stone Tan for the corresponding year will not exceed the relevant Annual Cap.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENT**

The Directors consider that it is beneficial for the Group to continue engaging in the machinery and equipment lease transactions with Chongqing Stone Tan having regard to the nature of the services to be provided by Chongqing Stone Tan and the established working relationships with Chongqing Stone Tan, and the fact that the machinery and equipment lease transactions have facilitated and are expected to continue facilitating the operation and growth of the Group's business through broadening our financing channels and providing stable and reliable source of funding.

The Directors (including the independent non-executive Directors) are of the opinion that: (i) the terms of the New Framework Agreement are on normal commercial terms which are fair and reasonable; (ii) the Annual Caps are fair and reasonable; and (iii) the continuing connected transactions contemplated under the New Framework Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The New Framework Agreement and the transactions contemplated thereunder have been approved by all the Directors. Having made all reasonable enquiries, none of the Directors has material interest in the New Framework Agreement and the transactions contemplated thereunder and hence, no Director is required to abstain from voting on the relevant resolutions of the Board.

## **INFORMATION OF PARTIES TO THE NEW FRAMEWORK AGREEMENT**

### **The Company**

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

### **Chongqing Stone Tan**

Chongqing Stone Tan is a company incorporated in the PRC with limited liability whose principal business is provision of finance lease service. Chongqing Stone Tan is indirectly owned as to approximately 91.5% by Stone Tan China Holding Corporation which in turn is indirectly owned as to, in aggregate, approximately 61.0% by PMGHC. PMGHC is owned as to 80% by Golden Ford, a Controlling Shareholder.

## **IMPLICATIONS UNDER LISTING RULES**

As at the date of this announcement, Chongqing Stone Tan is indirectly owned as to approximately 91.5% by Stone Tan China Holding Corporation which in turn is indirectly owned as to, in aggregate, approximately 61.0% by PMGHC. As PMGHC is owned as to 80% by Golden Ford, a Controlling Shareholder, Chongqing Stone Tan is an associate of Golden Ford and thus a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the maximum amount of the Annual Caps is more than 0.1% but less than 5%, the transactions contemplated under the New Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

“Annual Cap(s)”	annual cap(s) in respect of the maximum outstanding balance (including VAT) and the annual interest plus handling fee (including VAT) payable by the Group to Chongqing Stone Tan under the machinery and equipment lease service
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	Board of Directors
“Chongqing Stone Tan”	Chongqing Stone Tan Financial Leasing Company Limited (重慶談石融資租賃有限公司), a company incorporated under the laws of the PRC with limited liability, a connected person of the Company

“Company”	Pacific Millennium Packaging Group Corporation (國際濟豐包裝集團), a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1820)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Framework Agreement”	the framework agreement dated 30 November 2018 entered into between the Company and Chongqing Stone Tan in respect of the machinery and equipment lease service
“Golden Ford”	Golden Ford Investments Limited, a company incorporated under the laws of the Independent State of Samoa with limited liability on 3 July 2002 and a Controlling Shareholder
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Date”	21 December 2018, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Agreement”	the new framework agreement dated 29 December 2020 entered into between the Company and Chongqing Stone Tan in respect of the machinery and equipment lease service
“Percentage Ratio”	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
“PMGHC”	Pacific Millennium Global Holdings Corporation, an associate of Golden Ford
“PRC”	the People’s Republic of China, but for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan

“Shares”	ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax imposed by the PRC Government
“%”	per cent

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

Hong Kong, 29 December 2020

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

*For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB0.84139 = HK\$1.00000*