
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Pacific Millennium Packaging Group Corporation, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1820)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening an extraordinary general meeting of the Company to be held at Suite 2A, Building 2, No. 398 Tianlin Road, Shanghai, the People's Republic of China on Tuesday, 29 March 2022 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM or any adjournment thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Such proxy form is also published on the Stock Exchange's HKExnews website at www.hkexnews.hk and the Company's website at www.pmpgc.com. 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 and in such event, the form of proxy will be deemed to have been revoked.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks
- (2) Submission of Health Declaration Form
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their form of proxy by the time specified above, instead of attending the EGM in person.

8 March 2022

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	14
Letter from the Independent Financial Adviser	15
Appendix — General Information	I-1
Notice of Extraordinary General Meeting	EGM-1

DEFINITIONS

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

“Announcement”	The announcement of the Company dated 24 January 2022 in relation to the Continuing Connected Transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the 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 in the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the New Framework Agreement, i.e. the machinery and equipment lease service to be provided by Chongqing Stone Tan to the Group
“Controlling Shareholder(s)”	the controlling shareholder(s) of the Company
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps)
“Existing Annual Cap(s)”	the existing annual cap(s) for the three financial years ending 31 December 2023 for the Lease Transactions under the Framework Agreement. For details, please refer to the announcement of the Company dated 29 December 2020

DEFINITIONS

“Framework Agreement”	the framework agreement dated 29 December 2020 entered into between the Company and Chongqing Stone Tan in respect of the Lease Transactions
“Golden Ford”	Golden Ford Investments Limited, a company incorporated under the laws of the Independent State of Samoa with limited liability on 3 July 2002 and a Controlling Shareholder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. Wang Jisheng, Mr. Kiang Tien Sik David and Dr. Su Morley Chung Wu, established for the purpose of making recommendation to the Independent Shareholders in respect of the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps)
“Independent Financial Adviser”	VBG Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Framework Agreement and the Continuing Connected Transactions (including the New Proposed Annual Caps)
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting on a resolution to approve the relevant transaction at a general meeting of the Company
“independent third party(ies)”	a third party/third parties independent of the Company and the connected persons of the Company
“Latest Practicable Date”	2 March 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lease Transactions”	the machinery and equipment lease transactions between the Group and Chongqing Stone Tan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheng”	Cheng Hsien-Chun, the chairman of the Board and the executive Director

DEFINITIONS

“Mr. Tan”	Mr. Tan Li-pin (談理平), who has no beneficial interest in the Company but is able to, through PMHC, exercise or control the exercise of 30% or more voting rights in the Company
“New Framework Agreement”	the new framework agreement dated 24 January 2022 entered into between the Company and Chongqing Stone Tan in respect of the machinery and equipment lease service
“New Proposed Annual Cap(s)”	the proposed annual cap(s) for the Continuing Connected Transactions for the period from 1 January 2022 to 31 December 2024
“Percentage Ratios”	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
“PMGHC”	Pacific Millennium Global Holdings Corporation, an associate of Golden Ford
“PMHC”	Pacific Millennium Holdings Corporation, a company incorporated in the British Virgin Islands and is directly interested in 189,488,200 Shares, representing approximately 63.02% of the issued share capital of the Company
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax imposed by the PRC Government
“%”	per cent

DEFINITIONS

In this circular, the terms “close associate(s)”, “connected person(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary/subsidiaries” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

LETTER FROM THE BOARD



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1820)

Executive Director:

Mr. Cheng Hsien-Chun

Non-executive Directors:

Mr. Chow Tien-Li

Mr. Philip Tan

Independent non-executive Directors:

Mr. Wang Jisheng

Mr. Kiang Tien Sik David

Dr. Su Morley Chung Wu

Registered office:

PO Box 472

2nd Floor, Harbour Place

103 South Church Street

George Town

Grand Cayman KY1-1106

Cayman Islands

*Principal place of business
in Hong Kong:*

Suite 2104, 21st Floor,

Tower 2, Lippo Centre,

89 Queensway, Hong Kong

8 March 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO NEW FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

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

LETTER FROM THE BOARD

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

The purpose of this circular is to provide you with, among other things, further information on the New Framework Agreement and the transactions contemplated thereunder, i.e. the Continuing Connected Transactions and other information as required under the Listing Rules. This circular also contains (i) letter from the Board; (ii) letter of recommendation from the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

THE NEW FRAMEWORK AGREEMENT

On 24 January 2022 (after trading hours), the Company entered into the New Framework Agreement with Chongqing Stone Tan. The principal terms of the New Framework Agreement are summarised below:

Date

24 January 2022 (after trading hours)

Parties

- (i) The Company; and
- (ii) Chongqing Stone Tan.

Term

Commencing on the date of the New Framework Agreement and ending on 31 December 2024.

Subject Matter

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

The material terms between the Framework Agreement and the New Framework Agreement are basically identical to each other.

LETTER FROM THE BOARD

Pricing Policy

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

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

Conditions Precedent

The New Framework Agreement is conditional upon:

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

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

LETTER FROM THE BOARD

Others

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

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

HISTORICAL TRANSACTION AMOUNTS, EXISTING ANNUAL CAPS AND NEW PROPOSED ANNUAL CAPS

The following sets forth the historical transaction amounts and the Existing Annual Caps of the Lease Transactions under the Framework Agreement:

	Historical amount for the year ended 31 December 2019 <i>RMB (million)</i> <i>(approximately)</i>	Historical amount for the year ended 31 December 2020 <i>RMB (million)</i> <i>(approximately)</i>	Historical amount for the year ended 31 December 2021 <i>RMB (million)</i> <i>(unaudited)</i> <i>(approximately)</i>	Existing Annual Cap for the year ending 31 December 2021 <i>RMB (million)</i>	Existing Annual Cap for the year ending 31 December 2022 <i>RMB (million)</i>	Existing Annual Cap for the year ending 31 December 2023 <i>RMB (million)</i>
Maximum outstanding balance and annual interest payment plus handling fee (including VAT)	89.5 (equivalent to approximately HK\$106.3)	86.8 (equivalent to approximately HK\$103.1)	66.3 (equivalent to approximately HK\$78.8)	67.0 (equivalent to approximately HK\$79.6)	67.0 (equivalent to approximately HK\$79.6)	67.0 (equivalent to approximately HK\$79.6)

LETTER FROM THE BOARD

Notes:

- (1) The Existing Annual Caps will be replaced by, if approved in the EGM, the New Proposed Annual Caps.
- (2) The historical amount of the total value of right-of-use assets relating to the Lease Transactions under the Framework Agreement for the year ended 31 December 2019, 31 December 2020 and 31 December 2021 was approximately RMB101.9 million, RMB5.4 million and RMB48.0 million respectively (equivalent to approximately HK\$205.2 million, HK\$6.4 million and HK\$57.0 million respectively) During the year ended 31 December 2019, in addition to upgrading or replacing obsolete machinery and equipment through finance lease, for the purpose of allowing the Group to manage its financial and cashflow position in a more flexible manner, sale and leaseback arrangements in respect of the Group's then existing machinery and equipment were made between the Group and Chongqing Stone Tan. For the year ended 31 December 2020, as the Group's expansion of production plants network (mainly the production plant located in Shandong Province) was mostly financially supported by the proceeds raised from the Company's global offering, less machinery and equipment had been purchased through finance lease during the year. As for the year ended 31 December 2021, such Lease Transactions were mainly conducted for the purpose of upgrading or replacing the Group's obsolete machinery and equipment.

The following sets forth the New Proposed Annual Caps for the Lease Transactions contemplated under the New Framework Agreement:

	New Proposed Annual Cap for the year ending 31 December 2022 (Note 1) RMB (million)	New Proposed Annual Cap for the year ending 31 December 2023 (Note 2) RMB (million)	New Proposed Annual Cap for the year ending 31 December 2024 (Note 3) RMB (million)
Lease Transactions under the New Framework Agreement	140.0 (equivalent to approximately HK\$166.3)	82.0 (equivalent to approximately HK\$97.4)	94.0 (equivalent to approximately HK\$111.7)

Notes:

1. The New Proposed Annual Cap for the year ending 31 December 2022 covers (i) the outstanding balance and interest as at 31 December 2021 in the total sum of approximately RMB48.0 million (equivalent to approximately HK\$57.0 million) (the “**Outstanding Sum**”); and (ii) the total value of right-of-use assets relating to the machinery and equipment expected to be purchased during the year ending 31 December 2022. Given that the Existing Annual Caps were determined based on the maximum outstanding balance and annual interest payment plus handling fee (including VAT), the Outstanding Sum had been taken into account when determining the annual cap for the year ending 31 December 2022.
2. The New Proposed Annual Cap for the year ending 31 December 2023 covers the total value of right-of-use assets relating to the machinery and equipment expected to be purchased during the year ending 31 December 2023.
3. The New Proposed Annual Cap for the year ending 31 December 2024 covers the total value of right-of-use assets relating to the machinery and equipment expected to be purchased during the year ending 31 December 2024.

LETTER FROM THE BOARD

Basis of the New Proposed Annual Caps

The New Proposed Annual Caps were determined based on the total value of right-of-use assets relating to the Lease Transactions contemplated under the New Framework Agreement for the corresponding year by reference to the estimated demand of the Group for the lease services to be provided by Chongqing Stone Tan to (i) replace the Group's obsolete machinery and equipment and purchase additional machinery and equipment for the Group's existing production plants; and (ii) purchase new machinery and equipment for the Group's new production plants.

The Company intends to increase the production capacity for its production plants located in Chuzhou City, Dalian City, Zhejiang Province and Southern China so as to cope with the increasing demand of the Group's products in these areas. It is expected that the machinery and equipment to be purchased through finance lease for such production plants include corrugators, inline flexographic folder gluer, flexographic printers, and automated logistic system.

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 total value of the right-of-use assets will not exceed the New Proposed Annual Caps.

INFORMATION OF THE PARTIES

The Company

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

Chongqing Stone Tan

Chongqing Stone Tan is a company incorporated in the PRC with limited liability whose principal business is provision of finance lease service. Chongqing Stone Tan is indirectly wholly-owned by Stone Tan China Holding Corporation ("**Stone Tan China**"). Stone Tan China is owned as to, in aggregate, approximately 61% by PMGHC and ultimately owned as to approximately 39% by not less than 10 shareholders (the "**39% Shareholders**"). Among the 39% Shareholders, two of

LETTER FROM THE BOARD

them each holds less than 16% interest in Stone Tan China, while the others each holds less than 5% interest in Stone Tan China. The Company confirms that each of the 39% Shareholders is independent of and not connected with the Company and its connected persons. PMGHC is owned as to 80% by Golden Ford, a Controlling Shareholder, and ultimately owned as to 20% by Mr. Tan, who has no beneficial interest in the Company but is able to exercise or control the exercise of 30% or more voting rights in the Company. Golden Ford is ultimately owned as to 60% by TCC Entrepreneur Trust and 40% by TCC Education Trust. Each of the trusts is a discretionary trust established by the father of Mr. Tan for the benefit of his grandchildren and their respective children and such other persons as declared by the relevant trustee from time to time.

REASONS FOR AND BENEFIT OF ENTERING INTO THE FRAMEWORK AGREEMENT

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

As confirmed by the Company, none of the Directors have a material interest in 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 by entering into the New Framework Agreement having regard to the nature of the services to be provided by Chongqing Stone Tan and the established excellent work relationships with Chongqing Stone Tan.

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

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Chongqing Stone Tan is indirectly wholly-owned by Stone Tan China which in turn is indirectly owned as to, in aggregate, approximately 61.0% by PMGHC. As PMGHC is owned as to 80% by Golden Ford, a Controlling Shareholder holding 192,424,200 Shares (representing approximately 64% of the entire issued share capital of the Company), Chongqing Stone Tan is an associate of Golden Ford and thus a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

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

LETTER FROM THE BOARD

GENERAL

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

THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM to be held at Suite 2A, Building 2, No. 398 Tianlin Road, Shanghai, the People's Republic of China on Tuesday, 29 March 2022 at 9:00 a.m. at which the ordinary resolution will be proposed to approve the New Framework Agreement and the transactions contemplated thereunder and the New Proposed Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for 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. Voting on the proposed ordinary resolution at the EGM will be taken by poll.

Any Shareholder with a material interest in the New Framework Agreement, and its/his/her associates will abstain from voting on the resolution approving the New Framework Agreement, the transaction contemplated thereunder and the New Proposed Annual Caps for the term at the EGM. As PMHC is wholly-owned by Golden Ford and Chongqing Stone Tan is an associate of Golden Ford, PMHC will abstain from voting in respect of the ordinary resolution approving the New Framework Agreement and the transactions contemplated thereunder and the New Proposed Annual Caps at the EGM.

To the best knowledge, information and belief of the Directors, no Shareholder (other than PMHC) is required to abstain from voting on the ordinary resolution approving the New Framework Agreement, the transactions contemplated thereunder and the New Proposed Annual Caps at the EGM.

LETTER FROM THE BOARD

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' rights of attending and voting at the EGM, the register of shareholders of the Company will be closed from Thursday, 24 March 2022 to Tuesday, 29 March 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 23 March 2022.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the New Framework Agreement and the transactions contemplated thereunder and the New Proposed Annual Caps are in the best interests of the Group and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Should there be any inconsistencies between the English text and the Chinese text of this circular, the English text of this circular will prevail over the Chinese text.

Yours faithfully,
By order of the Board
Pacific Millennium Packaging Group Corporation
Cheng Hsien-Chun
Chairman



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1820)

8 March 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 8 March 2022 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the New Framework Agreement and the transactions contemplated thereunder and the New Proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. VBG Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the “Letter from Independent Financial Adviser” as set out on pages 15 to 25 of the Circular. We have considered the terms and conditions of the transactions, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 5 to 13 of the Circular.

In our opinion, so far as the Independent Shareholders are concerned, the terms of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the New Framework Agreement and the transactions contemplated thereunder and the New Proposed Annual Caps.

Yours faithfully
For and on behalf of
Independent Board Committee

Wang Jisheng

Kiang Tien Sik David

Su Morley Chung Wu

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement (including the New Proposed Annual Caps) for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

8 March 2022

*To: The independent board committee and the independent shareholders
of Pacific Millennium Packaging Group Corporation*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION IN RELATION TO A NEW FRAMEWORK AGREEMENT

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 New Framework Agreement (including the New Proposed Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 March 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 29 December 2020 and the supplemental announcement dated 27 January 2021. Pursuant to the Framework Agreement, Chongqing Stone Tan shall provide machinery and equipment lease services to the Group for the purchase of various machinery and equipment by the Group for a term of three years commenced on 1 January 2021 with the Existing Annual Caps of RMB67.0 million for each of the three years ending 31 December 2023. For better management of the Lease Transactions and in view of that the Group is required to purchase more machinery and equipment to cope with its growing business through finance and/or operating lease, the Company and Chongqing Stone Tan agreed to terminate the Framework Agreement and, on 24 January 2022, entered into the New Framework Agreement, pursuant to which Chongqing Stone Tan agreed to continue providing the said machinery and equipment lease services to the Group for a term commencing on the date of the New Framework Agreement and ending on 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Letter from the Board, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Wang Jisheng, Mr. Kiang Tien Sik David and Dr. Su Morley Chung Wu (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the New Framework Agreement (including the New Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the New Framework Agreement at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion with regard to the New Framework Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, Chongqing Stone Tan, PMGHC, PMHC, Golden Ford, Mr. Tan or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

result of the New Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the New Proposed Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenues or costs to be recorded from the New Framework Agreement. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded under the New Framework Agreement will correspond with the New Proposed Annual Caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the New Framework Agreement, we have taken into consideration the following principal factors and reasons:

1. Background of the New Framework Agreement

Business overview of the Group

The Group is principally engaged in manufacture and sale of corrugated packaging materials with over 25 years of experience.

As referred to in the Company's annual report for the year ended 31 December 2020, the Group recorded considerable annual revenue of around RMB2,000 million during the past three consecutive years. We noted from the listing prospectus of the Company dated 10 December 2018 that the Group had a total of eleven production plants located in northern, north-eastern, eastern and southern regions of the PRC as at 30 November 2018. Out of the total net proceeds of approximately HK\$262.5 million from the global offering, the Company intended to utilise approximately HK\$138.2 million for expanding production plants network and approximately HK\$44.4 million for upgrading production facilities and purchasing new machinery and equipment. Following such development plan, from 2019 to 2021, the Group had been focusing on expanding its production plants network by setting up new production plants in the eastern and southern regions of the PRC. In 2020, the Group set up a new production plant in Shandong province. Thereafter, construction of a new production plant in Foshan city

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was completed in September 2021 and production has commenced since the fourth quarter of 2021. In addition to the Shandong plant and the Foshan plant, the Group is in the process of setting up another new production plant in Chuzhou, Anhui Province (the “**Chuzhou Plant**”), the construction of which is expected to be completed in the third quarter of 2022.

As advised by the Directors, looking forward, the Group will continue to focus on reviewing its production plants network with a view to further strengthening its market position in the corrugated packaging industry in the PRC and improving revenue and profitability through broadening geographical coverage and market penetration. At the same time, the Group will endeavor to enhance its production efficiency, reduce production lead time and increase the level of automation in production process by upgrading its production facilities and purchasing new machinery and equipment for its existing production plants.

Information on Chongqing Stone Tan

As extracted from the Letter from the Board, Chongqing Stone Tan is a company incorporated in the PRC with limited liability, whose principal business is the provision of finance lease services.

Reasons for and possible benefits of the Continuing Connected Transactions

According to the Directors, it is beneficial for the Group to continue engaging in the Lease Transactions having regard the nature of services provided by Chongqing Stone Tan and the established working relationship with Chongqing Stone Tan, and the fact that the Lease Transactions have facilitated and are expected to continue facilitating the operation and growth of the Group’s business through broadening its financing channels and providing stable and reliable sources of funding.

Upon our enquiry with the Directors, we understand that Chongqing Stone Tan has been providing finance lease services to the Group since 2015, and thus Chongqing Stone Tan has a thorough understanding on the operation and development need of the Group which enables it to provide efficient finance lease services to the Group.

Moreover, we understand from the Directors that the growing number of internet shoppers has led to an increasing demand for the products of the Group, and the Group has to acquire more machinery and equipment to cope with its growing business through finance and/or operating lease. As such, the Company is required to revise the Existing Annual Caps and entered into the New Framework Agreement with the New Proposed Annual Caps.

Based on our independent research with regard to the financial leasing industry, we noted that finance lease arrangement usually consists of direct lease and sales and lease back. Both ways allow the lessees to enjoy the benefits of saving the initial cash outlay

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for other business needs and expansion plan while still being able to use the machinery and equipment for operation. Normally, the lease plan is tailor-made for each lessee and is separated from the bank credit line, thereby creating a new source of funding. As a result of the said advantages offered by the finance lease arrangement, the financial leasing industry has been booming in the PRC with rising number of entrants. As referred to in a research report named “Global and China Financial Leasing Industry Report, 2020 to 2026” published by Reportlinker (https://www.reportlinker.com/p05779380/Global-and-China-Financial-Leasing-Industry-Report.html?utm_source=PRN), by the end of 2019, there were a total of 12,130 financial leasing companies, representing a year-on-year increase of 353 or a compound annual growth of approximately 51.6% as compared with 80 in 2006. The total finance lease balance amounted to approximately RMB6,654 billion by the end of 2019, and it is expected that China’s total finance lease transactions will reach RMB13 trillion in 2026.

Moreover, to regulate the financial leasing industry and promote its ongoing healthy advancement, the PRC government has promulgated a series of control measures and policies since 2000 to consolidate and impose stringent supervision and guidance. A summary of the relevant policies and measures is as follows:

Policy	Date of issuance	Issuer	Main components and effect
“The Provisional Rules on Leasing Companies for Financing Purpose”	June 2020	The China Banking and Insurance Regulatory Commission	To further strengthen the supervision and management of leasing companies for financing purpose, standardise their business conduct, prevent and mitigate risks, and promote the orderly development of the industry.
“The Adjustments to the Duties of Administration of Financial Leasing Companies, Commercial Factoring Companies and Pawnshops”	May 2018	The Ministry of Commerce	Duties of the Ministry of Commerce in developing business operation and supervision rules for financial leasing companies, commercial factoring companies and pawnshops were transferred to the China Banking and Insurance Regulatory Commission, which marked the official unification of the financial leasing industry.
“Resolutely Curbing the Illegal Financing of the Local Governments in the Name of Government Procurement of Services”	June 2017	The Ministry of Finance	Clearly stated that the financing activities of non-financial institutions are prohibited from integration into the scope of government procurement of services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Policy	Date of issuance	Issuer	Main components and effect
“Guiding Opinions of Accelerating the Development of the Financial Leasing Industry”	September 2015	The State Council	Clearly stated the term of “financial leasing”, and fully deployed the system reform, key development areas, innovation development approach, and ongoing and ex-post regulation of the financial leasing industry.
“The Measures for the Supervision and Administration of Financial Leasing Enterprises”	September 2013	The Ministry of Commerce	To further improve the regulations imposed on the financial leasing companies and the related industry in order to normalise the business of the financial leasing companies.

In light of (i) the aforesaid reasons for and possible benefits of the New Framework Agreement to meet the Group’s business needs as represented by the Directors together with (ii) the background and positive prospects of the financial leasing industry of the PRC as revealed by our independent research, we concur with the Directors that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the New Framework Agreement

A summary of the principal terms of the New Framework Agreement dated 24 January 2022 as extracted from the Letter from the Board is set out below:

Parties:	(1) The Company; and (2) Chongqing Stone Tan
Term:	Commencing on the date of the New Framework Agreement and ending on 31 December 2024
Subject matter:	Pursuant to the New Framework Agreement, Chongqing Stone Tan shall provide machinery and equipment lease services to the Group for the purchase of various machinery and equipment for its 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Pricing policy:** While the total lease amount shall be the sum equivalent to the purchase price of the machinery and equipment purchased by the Group from independent third parties, the interest rate payable by the Group to Chongqing Stone Tan for the Lease Transactions contemplated under the New Framework Agreement shall be determined with reference to:
- (i) the benchmark lending rates published by the 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 services.

The material terms of the Framework Agreement and the New Framework Agreement are basically identical to each other.

We understand that under the pricing policy and internal control measures established by the Group, a nominated personnel shall obtain quotation from at least one other independent comparable leasing companies on a half-year basis to ensure that the interest rate offered by Chongqing Stone Tan to the Group is not less favourable than that offered by other independent comparable leasing companies. We have requested and obtained the aforesaid quotation and comparison record of the Group. From those record, we noted that Chongqing Stone Tan was chosen given that the principal terms of the finance leases it offered to the Group were more favourable than those of the independent comparable leasing companies at the relevant time.

Besides, to further assess whether the principal terms of the Lease Transactions are on normal commercial terms, we have (i) requested the Company to provide us with ten specific lease agreements which were entered into by the Group and Chongqing Stone Tan during the period from 2019 to 2021 (the “**Historical Connected Lease Agreements**”); and (ii) researched over the website of the Stock Exchange at www.hkex.com.hk regarding the finance lease arrangement entered into by listed companies in Hong Kong (as either lessor or lessee) and independent third parties or connected persons from 24 November 2021 up to 23 January 2022 (being an approximate two-month period prior to the date of the New Framework Agreement) and found an exhaustive list of around 38 such announcements (the “**Comparables**”). The Historical Connected Lease Agreements were selected by us on a random basis and we consider them to be fair and representative. On the other hand, we are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

also of the view that the said two-month research period for the Comparables could provide Shareholders with sufficient samples as reference for the general terms and conditions of finance lease arrangement in the market.

We notice that the Historical Connected Lease Agreements and the Comparables contain the following key terms in common:

- (i) The “title”, being the legal ownership and all rights of the leased assets, shall vest in the lessor throughout the lease term.
- (ii) The lessee is normally required to pay an upfront deposit to the lessor as security for use of the relevant leased assets.
- (iii) Subject to the lessee having performed all its obligations during the lease term and upon expiry of the lease term, the lessee is granted the “purchase option” to purchase the relevant leased assets from the lessor.

Judging from that (i) based on the quotation and comparison record of the Group, Chongqing Stone Tan was chosen given that the terms of the finance leases it offered to the Group were more favourable than those of the independent comparable leasing companies at the relevant time; and (ii) our market comparison as presented above shows that the key terms of the Historical Connected Lease Agreements were comparable to the those of the Comparables, we are of the view that the terms of the New Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The New Proposed Annual Caps

The table below illustrates the New Proposed Annual Caps for the Continuing Connected Transactions for each of the three years ending 31 December 2022, 2023 and 2024:

Year	The New Proposed Annual Caps <i>RMB million</i>
2022	140.0
2023	82.0
2024	94.0

With reference to the Letter from the Board, the New Proposed Annual Caps were determined primarily based on the total value of right-of-use assets relating to the Continuing Connected Transactions for the corresponding year by reference to the estimated demand of the Group for the lease services to be provided by Chongqing Stone Tan to (i) replace the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group's obsolete machinery and equipment and purchase additional machinery and equipment for its existing production plants; and (ii) purchase new machinery and equipment for the Group's new production plants.

To assess the fairness and reasonableness of the New Proposed Annual Caps, upon our request, the Company provided the breakdown of estimated contract values of the individual finance lease agreements between the Group and Chongqing Stone Tan for 2022, 2023 and 2024, which will be converted into right-of-use assets. Detailed information, including the machinery and equipment type and production plant location, interest to be paid by the Group to Chongqing Stone Tan, were also provided. From the information we obtained, we noted that the total contract value for 2022 was primarily based on the finance lease agreements which will be entered into shortly for machinery and equipment purchased before 2022 or new machinery and equipment that are expected to be purchased in 2022. On the other hand, the outstanding balance and interest as at 31 December 2021 (the "**Outstanding Sum**") from the finance lease agreements which have already been entered into were also included in the calculation of New Proposed Annual Cap for 2022. As confirmed by the Directors, around 49% of the New Proposed Annual Cap for 2022 is contributed by those finance lease agreements which have already been entered into while the remaining 51% is contributed by those finance lease agreements to be entered into shortly. The machinery and equipment purchased and expected to be purchased under the aforesaid agreements are mainly for use in the existing production plants of the Group, its production plant in Dalian city that is in the process of relocation and the Chuzhou Plant.

In addition to the above, in order to cope with the Group's expanding business attributable largely to the growing number of internet shoppers, the Company expected to further enlarge the production capacity of the Group in the near future. As advised by the Directors, the Group has formulated a preliminary plan to set up a new production plant in each of 2023 and 2024 near the eastern and southern regions of the PRC in provinces such as Zhejiang province (the "**Expansion Plan**"). It is expected that the machinery and equipment to be purchased through finance lease for such production plants will include corrugators, inline flexographic folder gluer, flexographic printers and automated logistic system. Based on the expected operation scale, the Company estimated that the expected total contract value of the new finance lease agreements to be entered into for purchase of new machinery and equipment would amount to approximately RMB40 million for each new production plant. An approximate total contract value of RMB20 million to RMB30 million would also be required for replacement of obsolete machinery and equipment.

We performed an independent research regarding the e-commerce market of the PRC. As revealed by the "2020 China E-Commerce Report" issued by the Ministry of Commerce (<https://dzswgf.mofcom.gov.cn/news/5/2021/9/1631698018580.html>), the scale of e-commerce transactions in the PRC continued to expand and maintained a high-speed advancement. In 2020, the national online retail sales amounted to approximately RMB11.8 trillion, representing a year-on-year surge of approximately 10.9%. Furthermore, according to the "The 47th China Statistical Report on Internet Development" issued by the China Internet Network Information Centre

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(<http://www.gov.cn/xinwen/2021-02/03/5584518/files/bd16adb558714132a829f43915bc1c9e.pdf>), the national online shopping users mounted to approximately 782 million in 2020, accounting for approximately 79.1% of the total number of Internet users in the PRC. As further suggested in the “Report on the Development of Consumer Market in China 2020” issued by the Chinese Academy of International Trade and Economic Cooperation (<https://www.caitec.org.cn/upfiles/file/2020/11/20201208171414567.pdf>), the outbreak of the COVID-19 pandemic in 2020 has motivated the “Stay-at-home Economy” and stimulated the shift of consumers’ preference to online shopping.

Taking into account that the boom of online shopping will accelerate the demand for logistics services, which require corrugated products to package the goods for delivery, we concur with the Directors that the corrugated packaging industry would likely to be benefited from the boom of on-line shopping. Amid such advancement trend, the Group’s business may further expand, and hence more machinery and equipment and production plants for production would be required in the near future. With also the fact that the Group had been focusing on expanding its production plants network by setting up new production plants successively from 2019 to 2021, we consider the Expansion Plan to be practical.

Having considered the above, we are of the view that the estimated contract values for 2022, 2023 and 2024 are justifiable. As advised by the Directors, in compliance with the International Financial Reporting Standard No. 16 “Leases” becoming effective on 1 January 2019 and pursuant to the requirements of the Stock Exchange, the total estimated contract values of the individual finance lease agreements between the Group and Chongqing Stone Tan for 2022, 2023 and 2024 were further converted into right-of-use assets to arrive at the New Proposed Annual Caps for the corresponding year. As further explained in the Letter from the Board, given that the Existing Annual Caps were determined based on the maximum outstanding balance and annual interest payment plus handling fee (including VAT), the Outstanding Sum had been taken into account when determining the New Proposed Annual Cap for 2022, and that accounts for the higher cap amount for 2022 as compared to 2023 and 2024. We therefore consider that the New Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Compliance with the Listing Rules

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the amounts of the Continuing Connected Transactions must be restricted by the New Proposed Annual Caps for the three years ending 31 December 2024; (ii) the terms of the New Framework Agreement (together with the New Proposed Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the New Framework Agreement (together with the New Proposed Annual Caps) must be included in the Company’s subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Continuing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Connected Transactions are carried out in accordance with the pricing policies of the Company, and the New Proposed Annual Caps are not being exceeded. In the event that the total amounts of the Continuing Connected Transactions exceed the New Proposed Annual Caps, or that there is any material amendment to the terms of the New Framework Agreement (together with the New Proposed Annual Caps), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

For our due diligence purpose, we have obtained from the Company the aforesaid review confirmation of the independent non-executive Directors and the Company's auditors from 2019 to 2020.

With the stipulated requirements for continuing connected transaction of the Listing Rules in place, the Continuing Connected Transactions will be monitored and hence the interest of the Independent Shareholders may be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the New Framework Agreement (including the New Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the New Framework Agreement and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

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 regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares/ underlying shares of the Company held (<i>note 1</i>)	Approximate percentage of shareholding in the Company
Mr. Cheng	Interest in a controlled Corporation (<i>note 2</i>)	15,578,800 (L)	5.18%
Mr. Chow Tien-Li	Beneficial owner	2,254,000 (L)	0.75%
Mr. Philip Tan	Beneficial owner	1,445,000 (L)	0.48%

Notes:

- (1) The letter “L” denotes the long position in the Shares.
- (2) The 15,578,800 Shares are held by Lead Forward Limited (“**Lead Forward**”). As Lead Forward is wholly-owned by Mr. Cheng, the chairman and executive Director, Mr. Cheng is deemed, or taken to be, interested in all the Shares held by Lead Forward for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has or is deemed to have any long or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning

of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including long and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, to the best knowledge of the Directors, the following entities (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 and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares/ underlying shares of the Company held (note 1)	Approximate percentage of shareholding in the Company
PMHC	Beneficial owner	189,488,200(L)	63.02%
Golden Ford	Interest in a controlled corporation	192,424,200(L)	64.00%
Elite Age International Limited (“Elite Age”) (note 3)	Interest in a controlled corporation	192,424,200(L)	64.00%
Star Concord Worldwide Limited (“Star Concord”) (note 3)	Trustee	192,424,200(L)	64.00%
Ample Bright Management Limited (“Ample Bright”) (note 4)	Interest in a controlled corporation	192,424,200(L)	64.00%
Fortune China Resources Limited (“Fortune China”) (note 4)	Trustee	192,424,200(L)	64.00%

Name of Shareholder	Capacity	Number of Shares/ underlying shares of the Company held (note 1)	Approximate percentage of shareholding in the Company
Tsai Wen Hao ("Mr. Tsai") (note 5)	Interest in trustee	192,424,200(L)	64.00%
Mr. Tan (note 5)	Interest in trustee	192,424,200(L)	64.00%
Lead Forward (note 6)	Beneficial owner	15,578,800(L)	5.18%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the Shares.
- (2) As Golden Ford holds the entire issued share capital of PMHC, Golden Ford is deemed to be interested in all the Shares held by PMHC under the SFO.
- (3) Star Concord holds 60% of the entire issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Elite Age. Therefore, Star Concord is deemed to be interested in all the Shares held by Golden Ford under the SFO. Star Concord is the trustee of the TCC Entrepreneur Trust.
- (4) Fortune China holds 40% of the entire issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Ample Bright. Therefore, Fortune China is deemed to be interested in all the Shares held by Golden Ford under the SFO. Fortune China is the trustee of the TCC Education Trust.
- (5) PMHC is wholly-owned by Golden Ford which is in turn owned as to 60% and 40% by Elite Age and Ample Bright, respectively. Elite Age is wholly-owned by Star Concord while Ample Bright is wholly-owned by Fortune China. As Mr. Tsai is the sole shareholder of Star Concord and Mr. Tan is the sole shareholder of Fortune China, each of Mr. Tsai and Mr. Tan is deemed to be interested in all the Shares held by PMHC.
- (6) Lead Forward is wholly-owned by Mr. Cheng. Mr. Cheng is deemed to be interested in all the Shares held by Lead Forward under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short positions in the Shares or underlying shares of the Company which would require to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which is not determinable by the relevant employing member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates had engaged in or had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

6. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

No contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the date of this circular. As at the Latest Practicable Date, none of the Directors (or proposed Directors) had any direct or indirect interests in any assets which had been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group 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.

7. EXPERT'S QUALIFICATIONS AND CONSENT

The following is the qualification of the expert who has given its opinions or advice which are included in this circular:

Name	Qualifications
VBG Capital Limited	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, VBG Capital Limited (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group 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.

VBG Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

9. MISCELLANEOUS

The company secretary of the Company is Ms. FU Chanyi.

The registered office of the Company is located at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

The principal place of business of the Company in Hong Kong is situate at Suite 2104, 21st Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.

The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In the event of inconsistency, the English text shall prevail over the Chinese text.

Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pmpgc.com>) for the period of 14 days from the date of this circular:

- (a) the New Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (d) the consent letter of the Independent Financial Adviser referred to in the paragraph headed "Expert's Qualifications and Consent" in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1820)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Pacific Millennium Packaging Group Corporation (the “**Company**”) will be held at Suite 2A, Building 2, No. 398 Tianlin Road, Shanghai, the People’s Republic of China on Tuesday, 29 March 2022 at 9:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following ordinary resolution, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION

“**THAT** (i) the new framework agreement dated 24 January 2022 (the “**New Framework Agreement**”) entered into among the Company and Chongqing Stone Tan Financial Leasing Company Limited (重慶談石融資租賃有限公司) (“**Chongqing Stone Tan**”) be and are hereby approved, confirmed and ratified; (ii) the proposed annual cap of RMB140.0 million (equivalent to approximately HK\$166.3 million) for the year ending 31 December 2022; the proposed annual cap of RMB82.0 million (equivalent to HK\$97.4 million) for the year ending 31 December 2023; and the proposed annual cap of RMB94.0 million (equivalent to HK\$111.7 million) for the year ending 31 December 2024 be and are hereby approved, confirmed and ratified; and (iii) any one director of the Company be and is hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he considers necessary or expedient or desirable in connection with or to give effect to the New Framework Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of such director of the Company, in the interests of the Company.”

By order of the Board

Pacific Millennium Packaging Group Corporation

Cheng Hsien-Chun

Chairman

Hong Kong, 8 March 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies (if holding two or more shares) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.
- (3) To ascertain the member's entitlement to attend and vote at the EGM, the register of members will be closed from Thursday, 24 March 2022 to Tuesday, 29 March 2022, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for attending and voting at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 March 2022.
- (4) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

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