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CPMC HOLDINGS LIMITED

中糧包裝控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 906)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 27 October 2020, and the circular dated 17 November 2020 in relation to, among others, the Existing COFCO IT Agreement, the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement, respectively.

In view that each of the Existing COFCO IT Agreement, the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement will be expired on 31 December 2023, the Company entered into the COFCO IT Agreement, the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement with COFCO and ORG Technology, respectively, on 7 November 2023.

LISTING RULES IMPLICATIONS

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

As the applicable percentage ratios (other than the profits ratio) of the annual caps of the transactions contemplated under the COFCO IT Agreement are more than 0.1% but all lower than 5%, the transactions and the annual caps in relation to the COFCO IT Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

GENERAL

The EGM will be convened to obtain the Independent Shareholders' approval regarding the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement. INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement. A circular containing, among others, (i) details of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice by an independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 28 November 2023 in accordance with the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 27 October 2020 and the circular dated 17 November 2020 in relation to, among others, the Existing COFCO IT Agreement, the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement, respectively.

In view that each of the Existing COFCO IT Agreement, the Existing COFCO Packaging Materials Agreement and the Existing ORG Technology Materials Agreement will be expired on 31 December 2023, the Company entered into the COFCO IT Agreement, the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement with COFCO and ORG Technology, respectively, on 7 November 2023.

(I) COFCO IT Agreement

(1) *Principal terms of the COFCO IT Agreement*

Date: 7 November 2023 (after trading hours)

Parties: the Company; and

COFCO

Subject Matter

Pursuant to the COFCO IT Agreement, COFCO Group agrees to procure IT software and IT facilities for the Group, supply IT services and market consulting services, and leasing to the Group, for a period commencing on 1 January 2024 and ending on 31 December 2025 subject to the terms and conditions of the COFCO IT Agreement. The COFCO IT Agreement may be renewed by agreement between the parties subject to obtaining the necessary consents and approvals (if necessary) required by the Listing Rules.

Annual Caps and consideration under the COFCO IT Agreement and the basis

Pursuant to the COFCO IT Agreement, the respective annual caps in respect of the procurement of IT software and IT facilities, supply of IT services and market consulting services to the Group (collectively, the “**IT Products and Services**”) for the two years ending 31 December 2025 are as follows:

	For the year ended	
	31 December	
	2024	2025
	<i>(RMB)</i>	<i>(RMB)</i>
IT software and IT facilities	3,500,000	3,500,000
IT services and market consulting services	<u>3,000,000</u>	<u>3,000,000</u>
Total	<u><u>6,500,000</u></u>	<u><u>6,500,000</u></u>

In arriving at the above respective annual caps in relation to the supply of IT Products and Services by COFCO Group to the Group under the COFCO IT Agreement, the Directors have considered with reference to the historical transaction amounts and based on the expected values of the IT Products and Services that the Group would use for the two years ending 31 December 2025, new information and system construction projects, and other relevant factors including the adjustment to the price of the IT Products and Services in order to correspond to the inflation and the market condition of the PRC.

The annual rent for the property to be leased by COFCO Group under the COFCO IT Agreement is no more than RMB3,000,000, and the aggregate rent for the two years ending 31 December 2025 under the COFCO IT Agreement is no more than RMB6,000,000. The amount of rent under COFCO IT Agreement is determined by the parties after arm's length negotiations and having taken into account the historical amount of rent under the Existing COFCO IT Agreement, the prevailing market rental for comparable premises in the area of the property to be leased.

Pricing

The price for the IT Products and Services and the rent under the COFCO IT Agreement shall be determined and agreed between the parties with reference to the prevailing market prices of same or similar products and services of the same period and on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties of the same period.

Condition precedent

The COFCO IT Agreement shall become effective on 1 January 2024 conditional upon the Company having obtained approvals from its Independent Shareholders (if necessary) and relevant regulatory authorities (if necessary).

(2) *Historical Transaction Amounts*

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

Actual Transaction Amount

	For the year ended		For the eight
	31 December		months ended
	2021	2022	31 August
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
IT software and IT facilities	275,000	268,000	44,000
IT services and market consulting services	943,000	1,000,000	224,000
Total	<u>1,218,000</u>	<u>1,268,000</u>	<u>268,000</u>

The historical transaction amount for the lease provided by COFCO Group to the Group for the two years ended 31 December 2022 and the eight months ended 31 August 2023 is RMB4,390,000 (RMB1,581,000 for the year ended 31 December 2021, RMB1,506,000 for the year ended 31 December 2022 and RMB1,303,000 for the eight months ended 31 August 2023).

Historical Annual Caps

	For the year ended 31 December		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
IT software and IT facilities	1,500,000	1,500,000	1,500,000
IT services and market consulting services	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total	<u><u>6,500,000</u></u>	<u><u>6,500,000</u></u>	<u><u>6,500,000</u></u>

The maximum rent payable to the COFCO Group under the Existing COFCO IT Agreement is RMB12,000,000, i.e. RMB4,000,000 per year.

(3) Pricing Policy

The pricing policy of each of the IT Products and Services and the rent of the properties leased by COFCO Group is set out as follows:

- (i) Procurement of IT software—COFCO and the Company will make reference to the fixed total price of the IT software procured under COFCO’s standardized procurement process, the price payable by the Company shall be calculated in accordance with the percentage of the number of software actually used by the Group over the total number of software procured by COFCO Group (approximately 5% on average annually);
- (ii) Procurement of IT facilities—Based on the standardized procurement process of COFCO for the procurement of the IT facilities (including Internet and telephones), the price payable by the Company shall be calculated in accordance with the fixed unit price provided by Independent Third Parties and confirmed by COFCO through its internal procurement procedures, and the actual number of IT facilities occupied by the Group (approximately 15 on average annually);

- (iii) Supply of IT services and market consulting services – COFCO and the Company shall determine the service fees with reference to the service fees charged by COFCO Group to other Independent Third Parties for the same or similar consulting services that requires the same or similar workload or technical challenge, or to issue the requisite report with the same or similar composition and structure; if the above is not applicable, the service fee is determined with reference to the service fees charged by the Independent Third Parties to the Group for the same or similar consulting services; and
- (iv) Leasing – As there is no lease market reference price issued by an authoritative third-party institution, COFCO and the Company shall determine the rent payable by the Group with reference to the rent for the properties leased by COFCO Group to other Independent Third Parties after considering the factors to consider for comparing different properties, including whether they are in the same or adjacent region in the same city, the same nature of tenure, the same or similar floor area, the same or similar renovation and ancillary facilities and property management services (the “**Leasing Factors**”); if the above is not applicable, the rent is determined with reference to the rent for the properties leased by the Independent Third Parties to the Group after considering the Leasing Factors.

(4) Price determination procedures of the supply of Products and Services by COFCO Group to the Group

The price determination procedure for each of the Products and Services is set out as follows:

- (i) Procurement of IT software and IT facilities – COFCO and the Company shall determine the total price for IT software and the fixed unit prices for IT facilities procured by COFCO from Independent Third Parties in accordance with its relevant internal procurement procedures (in which COFCO will invite suppliers who are Independent Third Parties (the “**Independent Suppliers**”) to participate in open biddings or require two or more Independent Suppliers to offer quotations on the relevant price, which will be reviewed by the procurement, finance, legal and other departments of COFCO and discussed by the relevant management of COFCO in a procurement meeting). The Company will then compare the prices with those for the same or similar model and number of products offered by two or more Independent Suppliers. Such prices will be reviewed by the procurement, finance, legal and other relevant departments and approved by the relevant management in a procurement meeting by vote. COFCO shall determine the prices payable by the Group for procurement of IT software and facilities, based on the percentage of the number of products actually used by the Group (for procurement of IT software) or the number of products actually used by the Group (for procurement of IT facilities), and ensure that the prices will not be higher than those offered by other Independent Third Parties to the Group. There will be no mark-up rate for the above procurement of IT Software and IT facilities by the COFCO Group for the Group.

- (ii) Supply of IT services and market consulting services – The same price determination procedures shall be adopted for the supply of the IT services and market consulting services by COFCO Group to the Group and other Independent Third Parties. The price of such supply to the Group and other Independent Third Parties will be reviewed by the business, finance, legal and other relevant departments of COFCO and determined by the relevant management personnel at the same business management meeting. Upon review and discussion by the procurement, finance, legal and other relevant departments of the Company, the Company shall discuss and determine the prices for purchasing the IT services and market consulting services from COFCO Group and Independent Third Parties at the same internal management meeting. The Company will then compare the prices with those for the same or similar services offered by two or more Independent Suppliers to ensure that the prices for IT services and market consultancy services offered by COFCO Group to the Group will not be higher than those offered by other Independent Suppliers to the Group.

- (iii) Leasing – Taking into consideration of the Leasing Factors for the leased properties, COFCO shall adopt the same rent determination procedures to determine the rent for the properties leased by COFCO Group to all lessees (including the Group and Independent Third Parties). Upon review and discussion by the finance, legal and other relevant departments, the management of COFCO shall determine the rent for the properties leased by it to the Group and other Independent Third Parties at the same internal meeting. Taking into consideration of the Leasing Factors for the leased properties, the Company shall adopt the same rent determining procedures to determine the rent for the properties leased to the Group from all lessors (including COFCO Group and Independent Third Parties). Upon review and discussion by the finance, legal and other relevant departments, the management of the Company shall determine the rents for the properties leased to the Group from COFCO Group and Independent Third Parties at the same internal meeting. The Company will compare the rents with those for the same or similar properties offered by two or more Independent Third Parties to ensure that the rents for the properties leased to the Group from COFCO Group will not be higher than those for the properties in similar conditions leased to the Group from Independent Third Parties.

(5) Internal Control Measures

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

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

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

(6) *Reasons for and Benefits of entering into the COFCO IT Agreement*

The Company believes that the entering into of the COFCO IT Agreement will ensure a steady supply of the IT Products and Services and the Lease by the COFCO Group in a timely manner in order to satisfy the actual needs of the Group. It will also allow the Group to reasonably formulate the procurement plan for the IT Products and Services and the Lease, so as to provide sufficient and timely support and guarantee for the production and operation.

The Directors (including all the independent non-executive Directors) consider that the transactions and annual caps under the COFCO IT Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties of the same period which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Zhang Xin, Dr. Zhao Wei and Mr. Meng Fanjie, all being Directors connected with COFCO, have abstained from voting on the resolutions in respect of the transactions and annual caps under the COFCO IT Agreement. All the independent non-executive Directors voted unanimously to pass the resolutions in respect of the transactions and annual caps under the COFCO IT Agreement. Save as the Directors mentioned above, none of the Directors has other material interests in the transactions and annual caps under the COFCO IT Agreement and is required to abstain from voting on the resolutions in relation thereto.

(II) COFCO Packaging Materials Agreement

(1) *Principal terms of the COFCO Packaging Materials Agreement*

Date: 7 November 2023 (after trading hours)

Parties: the Company; and

COFCO

Subject Matter

Pursuant to the COFCO Packaging Materials Agreement, the Group has conditionally agreed to supply various types and sizes of metal and plastic packaging materials, products and related after-sale services (the “**Products and Related Services**”) to COFCO Group for a period commencing on 1 January 2024 and ending on 31 December 2025. The COFCO Packaging Materials Agreement may be renewed by agreement between the parties subject to obtaining the necessary consents and approvals (if necessary) required by the Listing Rules.

Annual Caps of the COFCO Packaging Materials Agreement and the basis

The annual caps in respect of the transactions under the COFCO Packaging Materials Agreement for the two years ending 31 December 2025 are as follows:

	For the year ending	
	31 December	
	2024	2025
	<i>(RMB)</i>	<i>(RMB)</i>
Supply of the Products and Related Services	850,000,000	950,000,000

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

- (i) The historical transaction values and the expected sales of the Products and Related Services to COFCO Group for the two years ending 31 December 2025, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC;
- (ii) Since over than 75% of the transaction amount for the period from 2021 to 2023 generated from the two-piece cans business, the scale of the purchase and sales of two-piece cans has shown significant growth in recent years. In the future, this business will continue to develop and the cooperation will be further strengthened, and the proportion of the supply will be increased;
- (iii) In addition to the above two-piece can business, the company will also actively develop and increase the product sales business and share of other COFCO customers to promote further business cooperation in the future; and
- (iv) The Group’s production capacity of two-piece cans and other products has been further improved with the commencement of the operation of the new plant in Kunming and the third line in Chengdu. A new plant in Shenyang will also commence operation within this year. Hence, the Company expected this arrangement would meet the increasing demand of COFCO Group.

Pricing

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

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

Payment Term

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

Condition precedent

The COFCO Packaging Materials Agreement shall become effective on 1 January 2024 conditional upon the Company having obtained approvals from its Independent Shareholders (if necessary) and relevant regulatory authorities (if necessary).

Other terms

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

(2) *Historical Transaction Amounts*

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

	Actual transaction amounts (RMB)	Historical annual caps (RMB)
Year ended 31 December 2021	497,215,000	500,000,000
Year ended 31 December 2022	563,951,000	600,000,000
Eight months ended 31 August 2023	395,147,000	N/A
Year ending 31 December 2023	N/A	700,000,000

(3) *Pricing Policy and Sales Procedures*

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

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

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

(4) Internal Control Measures

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

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

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

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

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

The Directors (excluding the independent non-executive Directors who will express their view in the circular to be despatched to the Shareholders) consider that the transactions and annual caps under the COFCO Packaging Materials Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties of the same period which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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

(III) ORG Technology Materials Agreement

(1) *Principal terms of the ORG Technology Materials Agreement*

Date: 7 November 2023 (after trading hours)

Parties: the Company; and

ORG Technology

Subject Matter

Pursuant to the ORG Technology Materials Agreement, (i) the Group has conditionally agreed to sell to ORG Technology Group and ORG Technology Group has conditionally agreed to purchase from the Group aluminum, printed tinplates, caps, other raw and auxiliary materials and related can production services of such packaging materials; and (ii) ORG Technology Group has conditionally agreed to sell to the Group and the Group has conditionally agreed to purchase from ORG Technology Group tinplates, laminated steel, two-piece cans and related can production services of such packaging materials, from 1 January 2024 to 31 December 2025.

Annual Caps of the ORG Technology Materials Agreement and the basis

The annual caps in respect of the transactions under the ORG Technology Materials Agreement for the two years ending 31 December 2025 are as follows:

	For the year ending	
	31 December	
	2024	2025
	(RMB)	(RMB)
Sale of aluminum, printed tins, caps, other raw and auxiliary materials and related can production services of such packaging materials by the Group to ORG Technology Group	200,000,000	600,000,000
Sale of tins, laminated steel, two-piece cans and related can production services of such packaging materials by ORG Technology Group to the Group	100,000,000	600,000,000

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

- (i) The historical transaction values and the expected sale amounts of the aluminum, printed tins, caps, other raw and auxiliary materials related can production services of such packaging materials to ORG Technology Group for the two years ending 31 December 2025, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC;
- (ii) The Company considered the reasons for the low utilization rate of the historical annual caps under the Existing ORG Technology Materials Agreement, the annual cap for 2024 has been adjusted downward by approximately 55.6% correspondingly as compared with the annual cap for 2023; and

- (iii) The Group is building a joint venture factory for aluminum two-piece cans which ORG Technology owns 30% in such joint venture. The Group plans to sell aluminum, easy-open lids and other raw and auxiliary materials to the joint venture company, and purchase two-piece can products from the joint venture company. Based on the joint venture company's construction progress, post-construction production capacity and demand for raw and auxiliary materials, the Group expected the transaction amount in 2025 will increase significantly.

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

- (i) The historical transaction values and the expected sale amounts of tinplates, laminated steel, aluminum, two-piece cans and related can production services of such packaging materials by ORG Technology Group for the two years ending 31 December 2025, and the anticipated costs of raw materials in line with the inflation and market conditions of the PRC; and
- (ii) The Group is building a joint venture factory for aluminum two-piece cans which ORG Technology owns 30% in such joint venture. The Group plans to sell aluminum, easy-open lids and other raw and auxiliary materials to the joint venture company, and purchase two-piece can products from the joint venture company. Based on the joint venture company's construction progress, post-construction production capacity and demand for raw and auxiliary materials, the Group expected the transaction amount in 2025 will increase significantly.

Pricing

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

Payment Term

The price for both the sale of aluminum, printed tinplates, caps, other raw and auxiliary materials and related can production services of such packaging materials by the Group to ORG Technology Group and the sale of tinplates, laminated steel, two-piece cans and related can production services of such packaging materials by ORG Technology Group to the Group shall be settled by the receiving party within 120 days upon delivery of the relevant products, materials or services. The said payment term is fixed by the parties after having considered the usual market payment term the aforesaid products, materials or services, and such payment term is same as the payment terms under comparable transactions between the Company and other independent third parties.

Condition precedent

The effectiveness the ORG Technology Materials Agreement are conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM (if necessary) and ORG Technology having obtained the approval of its shareholders (if necessary).

(2) *Historical Transaction Amounts*

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

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

	Actual transaction amounts (RMB)	Historical annual caps (RMB)
Year ended 31 December 2021	111,352,000	250,000,000
Year ended 31 December 2022	21,744,000	350,000,000
Eight months ended 31 August 2023	9,541,000	N/A
Year ending 31 December 2023	N/A	450,000,000

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

	Actual transaction amounts (RMB)	Historical annual caps (RMB)
Year ended 31 December 2021	81,695,000	200,000,000
Year ended 31 December 2022	33,088,000	270,000,000
Eight months ended 31 August 2023	11,672,000	N/A
Year ending 31 December 2023	N/A	350,000,000

(3) Pricing Policy and Price Determination Procedures

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

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

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

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

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

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

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

(4) Internal Control Measures

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

1. to ensure the prices of the aluminum, printed tins, caps, other raw and auxiliary materials and related can production services of such packaging materials to be sold by the Group to ORG Technology Group can comply with the aforesaid pricing policy, the sales team of the Group will compare prices of such products with the prices the same or similar products and services sold by the Group to independent third parties;
2. to ensure the prices of the tins, laminated steel, aluminum, two-piece cans and related can production services of such packaging materials to be sold by ORG Technology Group to the Group can comply with the aforesaid pricing policy, the procurement team of the Group will compare prices of such materials with the prices the same or similar materials and services purchased by the Group from independent third parties;

3. the finance department of the Group will check and monitor the transaction amounts to ensure that the maximum transaction amount do not exceed the relevant annual cap under the ORG Technology Materials Agreement. If the aggregate transaction amount reaches 90% of the relevant annual cap or is expected to exceed the relevant annual cap in the coming two months, the personnel of the finance department of the Group must notify the Board simultaneously and the Board shall determine the appropriate action to be taken;
4. the audit and supervision department of the Group shall assess the Group's continuing connected transactions in accordance with the relevant framework agreement in each financial year. One of the purposes of the assessment is to ensure the continuing connected transactions are conducted fairly and the terms are no less favourable to the Group than those transactions conducted with independent third parties; and
5. the external auditors of the Company and the independent non-executive Directors shall conduct annual review on the pricing policy and the annual caps of continuing connected transactions.

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

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

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

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

The Directors (excluding the independent non-executive Directors who will express their view in the circular to be despatched to the Shareholders) consider that the transactions and annual caps under the ORG Technology Materials Agreement will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties of the same period which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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

INFORMATION ON THE GROUP, COFCO AND ORG TECHNOLOGY

Information on the Group

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

Information on COFCO

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

Information on ORG Technology

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

LISTING RULES IMPLICATIONS

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

As the applicable percentage ratios (other than the profits ratio) of the annual caps of the transactions contemplated under the COFCO IT Agreement are more than 0.1% but all lower than 5%, the transactions and the annual caps in relation to the COFCO IT Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

GENERAL

The EGM will be convened to obtain the Independent Shareholders' approval regarding the transactions and annual caps under each of COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement. INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the COFCO Packaging Materials Agreement and ORG Technology Materials Agreement. A circular containing, among others, (i) details of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and (iii) a letter of advice by an independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 28 November 2023 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company, including the independent non-executive directors of the Company
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company established in the PRC which is currently under the purview of State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會), and a substantial shareholder of the Company
“COFCO Group”	COFCO together with its subsidiaries and associates other than the Group
“COFCO IT Agreement”	the framework agreement entered into between the Company and COFCO on 7 November 2023 in relation to the supply of IT software, IT facilities, IT services, market consulting services and leasing by the COFCO Group to the Group

“COFCO Packaging Materials Agreement”	the supply framework agreement entered into between the Company and COFCO on 7 November 2023 in relation to the supply of the Products and Related Services by the Group to COFCO Group
“Company”	CPMC Holdings Limited (中糧包裝控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the COFCO IT Agreement, the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement
“Existing COFCO IT Agreement”	the framework agreement entered into between the Company and COFCO on 27 October 2020, details of which are set out in the announcement of the Company dated 27 October 2020
“Existing COFCO Packaging Materials Agreement”	the conditional supply framework agreement entered into between the Company and COFCO on 27 October 2020, details of which are set out in the announcement and circular of the Company dated 27 October 2020 and 17 November 2020
“Existing ORG Technology Materials Agreement”	the conditional framework agreement entered into between the Company and ORG Technology on 27 October 2020, details of which are set out in the announcement and circular of the Company dated 27 October 2020 and 17 November 2020
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent committee of the Board comprising Mr. Cheng Yuk Wo, Mr. Pun Tit Shan and Mr. Chen Jihua, being all the independent non-executive Directors, to be established for the purpose of advising the Independent Shareholders on the terms of the transactions and annual caps under each of the COFCO Packaging Materials Agreement and the ORG Technology Materials Agreement
“Independent Shareholders”	For the purpose of the COFCO Packaging Materials Agreement, refers to Shareholders other than COFCO and its associates; and for the purpose of ORG Technology Materials Agreement, refers to Shareholders other than ORG Technology and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“ORG Technology”	奥瑞金科技股份有限公司 (ORG Technology Co. Ltd.*), a company incorporated in the PRC, the shares of which are listed and traded on the Shenzhen Stock Exchange (Stock Code: 002701), and a substantial shareholder of the Company
“ORG Technology Group”	ORG Technology together with its subsidiaries and associates
“ORG Technology Materials Agreement”	the conditional framework agreement entered into between the Company and ORG Technology on 7 November 2023 in respect of supply of aluminum, printed tins, caps, other raw and auxiliary materials and related can production services of such packaging materials by the Group to ORG Technology Group and supply of tins, laminated steel, two-piece cans and related can production services of such packaging materials by ORG Technology Group to the Group
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	shareholders of the Company
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

* *For identification purposes only*

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

Hong Kong, 7 November 2023

As at the date of this announcement, the chairman of the Board and executive Director is Mr. Zhang Xin, the executive Director is Mr. Zhang Ye, the non-executive Directors are Dr. Zhao Wei, Messrs. Meng Fanjie, Zhou Yuan and Shen Tao, and the independent non-executive Directors are Messrs. Cheng Yuk Wo, Pun Tit Shan and Chen Jihua.