

20 December 2024

To the Shareholders

Dear Sir or Madam,

**VOLUNTARY GENERAL CASH OFFER BY
CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE
COMPANY LIMITED ON BEHALF OF HUARUI FENGQUAN
DEVELOPMENT LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN
THE COMPANY (OTHER THAN THOSE ALREADY OWNED BY OR TO BE
ACQUIRED BY HUARUI FENGQUAN DEVELOPMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Reference is made to the 3.5 Announcement jointly published by Huarui and the Company in relation to the Huarui Offer.

The purpose of the Huarui Offer Document of which this letter forms part is to provide you with, among other matters, the terms of the Huarui Offer, information relating to the Group and the Huarui Offer, as well as to set out (i) the letter from the Huarui Offer Independent Board Committee containing its recommendations to the Disinterested Shareholders in respect of the Huarui Offer; and (ii) the letter from the Huarui Offer Independent Financial Adviser containing its advice to the Huarui Offer Independent Board Committee in respect of the Huarui Offer.

You are advised to read the recommendation of the Huarui Offer Independent Board Committee and the letter from the Huarui Offer Independent Financial Adviser in conjunction with the Huarui Offer Document carefully before taking any action in respect of the Huarui Offer.

Terms used in this letter shall have the same meanings as defined in the Huarui Offer Document unless the context otherwise requires.

THE HUARUI OFFER

The information relating to the Huarui Offer below is extracted from the section headed “Letter from CSCI” of the Huarui Offer Document.

The terms of the Huarui Offer are set out in the “Letter from CSCI” of the Huarui Offer Document and the Form of Acceptance. You are recommended to refer to the “Letter from CSCI” of the Huarui Offer Document and the Form of Acceptance for further details.

The Huarui Offer Price is HK\$7.21 in cash for each Huarui Offer Share.

If any dividend, other distribution or return of capital (whether in cash or in kind), declared, made or paid in respect of the Shares after the date of the Huarui Offer Document, Huarui reserves the right to reduce the Huarui Offer Price by all or any part of the amount or value of such dividend, other distribution or return of capital, in which case any reference in the Huarui Offer Document or any other announcement or document to the Huarui Offer Price will be deemed to be a reference to the Huarui Offer Price as so reduced. As at the Latest Practicable Date, no dividend, other distribution or return of capital in respect of the Shares has been announced, declared or made but not paid and the Company does not have any intention to announce, declare, make or pay any future dividend, other distribution or return of capital until the close of Huarui Offer.

Huarui reserves the right to revise the terms of the Huarui Offer in accordance with the Takeovers Code.

The Huarui Offer will be made in compliance with the Takeovers Code. The Shares to be acquired under the Huarui Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, pre-emptive rights and any other third-party rights of any nature and together with all rights attaching to them or subsequently becoming attached to them, including the right to receive all dividends, other distributions and return of capital, if any, announced, declared, made or paid after the Huarui Offer Closing Date.

PRE-CONDITIONS

The making of the Huarui Offer was subject to the satisfaction of the Pre-Conditions. On 13 December 2024, Huarui and the Company jointly announced that the Pre-Conditions had been satisfied.

CONDITIONS TO THE HUARUI OFFER

The Huarui Offer is subject to the fulfilment of the following Conditions:

- (a) valid acceptances of the Huarui Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Huarui Offer Closing Date (or such later time and/or date as Huarui may decide, subject to the rules of the Takeovers Code) in respect of such number of Shares which would result in Huarui and Huarui Concert Parties collectively holding more than 50% of the voting rights of the Company;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Huarui Offer Closing Date (or, if earlier, the Huarui Offer Unconditional Date) save for any temporary suspension(s) or halt(s) of trading in the Shares for not more than ten(10) consecutive Business Days or suspension or halt(s) of trading in the Shares as a result of the Huarui Offer and no indication having been received on or before the Huarui Offer Closing Date (or, if earlier, the Huarui Offer Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either the Huarui Offer or anything done or caused by or on behalf of Huarui or the Huarui Concert Parties;
- (c) no event having occurred or already existing (including any law, order, action, proceeding, suit or investigation instituted or taken by the Relevant Authorities) which would make the Huarui Offer or the acquisition of any of the Shares void, unenforceable, illegal, impracticable or would prohibit implementation of the Huarui Offer or impose any material and adverse conditions or obligations with respect to the Huarui Offer;
- (d) since the date of the 3.5 Announcement, there having been no material adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Huarui Offer); and
- (e) all necessary consents in connection with the Huarui Offer and/or (in the event that Huarui was to exercise the right to acquire compulsorily those Huarui Offer Shares not already owned or acquired by Huarui under the Huarui Offer) the possible withdrawal of the listing of the Shares from the Stock Exchange which may be required under any existing contractual or other obligations of the Group, joint ventures and controlled corporations of the Company having been obtained and remaining in effect.

As at the Latest Practicable Date and based on information available to Huarui, Huarui is not aware of any applicable consents which are required under Condition (e).

Other than Condition (a), Huarui reserves the right to waive, in whole or in part, all or any of the Conditions set out above. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, Huarui may only invoke any of the Conditions, other than Condition (a) which is an acceptance condition, as a basis for not proceeding with the Huarui Offer if the circumstances which give rise to the right to invoke any of the Conditions are of material significance to Huarui in the context of the Huarui Offer.

If any of the Conditions is not satisfied or waived (as applicable) on or before the Conditions Long Stop Date, the Huarui Offer will lapse, and Shareholders will be notified by a further announcement as soon as practicable thereafter. As at the Latest Practicable Date, none of the Conditions has been satisfied and/or waived.

Pursuant to Rule 15.3 of the Takeovers Code, Huarui must publish an announcement when the Huarui Offer becomes unconditional as to acceptances and when the Huarui Offer becomes unconditional in all respects. The Huarui Offer must also remain open for acceptance for not less than 14 days after it becomes or is declared unconditional (whether as to acceptances or in all respects). Shareholders are reminded that Huarui does not have any obligation to keep the Huarui Offer open for acceptance beyond this 14-day period.

WARNING: COMPLETION OF THE HUARUI OFFER IS SUBJECT TO THE CONDITIONS BEING FULFILLED OR WAIVED (AS APPLICABLE). THE ISSUE OF THE HUARUI OFFER DOCUMENT DOES NOT IN ANY WAY IMPLY THAT THE HUARUI OFFER WILL BE COMPLETED. THE HUARUI OFFER MAY OR MAY NOT BECOME UNCONDITIONAL AND WILL LAPSE IF IT DOES NOT BECOME UNCONDITIONAL. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR OR OTHER PROFESSIONAL ADVISER.

FURTHER DETAILS OF THE HUARUI OFFER

Further details of the Huarui Offer including, among others, the expected timetable, terms and procedures of acceptance of the Huarui Offer, are set out in “Further Terms of the Huarui Offer” in Appendix I to the Huarui Offer Document and the Form of Acceptance.

INFORMATION OF THE GROUP

The Company is a limited liability company incorporated in Hong Kong, and is an investment holding company. The Group is principally engaged in the manufacturing and sales of packaging products for consumer goods such as food, beverages and household chemical products in the PRC.

Your attention is drawn to Appendices II and IV to the Huarui Offer Document which contain further financial and general information of the Group.

INFORMATION ON HUARUI, REASONS FOR THE HUARUI OFFER AND INTENTION OF HUARUI IN RELATION TO THE GROUP

Your attention is drawn to the paragraphs headed “Information on Huarui”, “Reasons and Benefits of the Huarui Offer” and “Intentions of Huarui with regard to the Group” in the “Letter from CSCI” as set out in the Huarui Offer Document.

As stated in the “Letter from CSCI” of the Huarui Offer Document, Huarui has no intention to discontinue the employment of any employees of the Group other than staff movements in the ordinary and usual course of business. In addition, as at the Latest Practicable Date, Huarui does not have any specific plans to introduce any major changes to the businesses of the Group (including any redeployment of fixed assets of the Group).

The Board is aware of Huarui’s intentions in respect of the Group and its employees and is willing to cooperate with Huarui and act in the best interests of the Company and the Shareholders as a whole.

The Board noted that there is no reference to removal or resignation of existing Directors from the Board in the Letter from CSCI. Pursuant to Rule 7 of the Takeovers Code, except with the consent of the Executive, no resignation of Directors shall take effect until after the publication of the closing announcement on the first closing date of an offer, or the publication of the announcement that an offer has become or been declared unconditional, whichever is later. The Directors confirm that they have no intention to resign within such period.

POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

Your attention is drawn to the paragraph headed “Possible Compulsory Acquisition and Withdrawal of Listing of Shares” in the “Letter from CSCI” as set out in the Huarui Offer Document.

As stated in the “Letter from CSCI” of the Huarui Offer Document, if Huarui acquires not less than 90% of the Huarui Offer Shares (as required by Section 693 of the Companies Ordinance) and not less than 90% of the Disinterested Shares within the Compulsory Acquisition Entitlement Period, Huarui intends to privatise the Company by exercising the compulsory acquisition rights to which it is entitled under Subdivision 2 of Division 4 of Part 13 of the Companies Ordinance to acquire the remaining Shares not acquired by Huarui under the Huarui Offer. On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), the Company will be held as to 100% by Huarui and Huarui Concert Parties and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with the Listing Rules.

Whilst it is the intention of Huarui to privatise the Company, Huarui’s ability to exercise rights of compulsory acquisition in respect of the Huarui Offer Shares is dependent on the level of acceptance of the Huarui Offer and acquisitions reaching the prescribed level under Subdivision 2 of Division 4 of Part 13 of the Companies Ordinance and on the requirements of Rule 2.11 of the Takeovers Code being satisfied. If the Huarui Offer Shares validly tendered for acceptance under the Huarui Offer and otherwise acquired are less than 90% of the Huarui Offer Shares or less than 90% of the Disinterested Shares within the Compulsory Acquisition Entitlement Period, the Shares will remain listed on the Main Board of the Stock Exchange.

Due to successive on-market acquisitions by one of the Shareholders, Mr. Zhang Wei, the public float of the Company has fallen below the minimum prescribed percentage of 25% as required by Rule 8.08 of the Listing Rules since 19 October 2021. As at the Latest Practicable Date, the public float of the Company is approximately 23.02%.

If less than 25% of the issued Shares (being the minimum public float applicable to the Company) are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in the public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is attained. In that case, Huarui will take such steps as are necessary to ensure, or procure the Company to take such steps as are necessary to ensure, that the Company will have an adequate public float so as to comply with the applicable requirements under the Listing Rules.

In the event that the withdrawal of listing fails and the public float of the Company remains to fall below 25% following the close of the Huarui Offer, Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to use their best efforts to procure to restore sufficient public float for the Shares as soon as possible following the close of the Huarui Offer.

In the event Huarui exercises its power of compulsory acquisition, further announcements will be published in accordance with the Listing Rules, amongst other things, the expected date that the trading of the Company's shares will be suspended.

The Stock Exchange has stated that if, at the close of the Huarui Offer, less than the minimum prescribed percentage applicable to the Company being 25% of the Shares (excluding treasury shares), are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

CONFLICTS OF INTEREST

As disclosed in the 3.5 Announcement, taking into account that Mr. Zhou Yuan and Mr. Shen Tao (both being non-executive Directors) are directors of Huarui and Huarui Parent and Dr. Zhao Wei and Mr. Meng Fanjie (both being non-executive Directors) serve certain positions in COFCO, and China Foods (a wholly owned subsidiary of COFCO) has given the COFCO Irrevocable Undertaking to Champion in relation to the Champion Offer, each of Mr. Zhou Yuan, Mr. Shen Tao, Dr. Zhao Wei and Mr. Meng Fanjie is not considered as independent for the purpose of giving advice or recommendations to the Disinterested Shareholders despite China Foods is not acting in concert with Huarui and Champion. To avoid any conflict of interest, each of Dr. Zhao Wei, Mr. Meng Fanjie, Mr. Zhou Yuan and Mr. Shen Tao will not join the remainder of the Board in the expression of views on the Huarui Offer. As the Champion Offer has lapsed, the COFCO Irrevocable Undertaking has already been terminated.

As at the Latest Practicable Date, as disclosed in the latest disclosure of interest notices filed by China Foods, COFCO (HK), and COFCO pursuant to Part XV of the SFO, China Foods is a wholly-owned subsidiary of COFCO (HK). COFCO (HK) is therefore deemed to be interested in the 330,658,800 Shares held by China Foods, representing approximately 29.70% of the total issued Shares as at the Latest Practicable Date. COFCO (HK) and China Foods are wholly-owned subsidiaries of COFCO. COFCO is therefore deemed to be interested in the shares held by COFCO (HK) and China Foods.

RECOMMENDATION

Pursuant to Rule 2.1 of the Takeovers Code, the Huarui Offer Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Pun Tit Shan and Mr. Chen Jihua, has been established to make recommendation to the Disinterested Shareholders in respect of the Huarui Offer and to advise the Disinterested Shareholders as to whether or not the Huarui Offer are fair and reasonable and as to the acceptance of the Huarui Offer. Somerley has been appointed as the Huarui Offer Independent Financial Adviser, with the approval of the Huarui Offer Independent Board Committee, to advise the Huarui Offer Independent Board Committee in respect of the Huarui Offer.

Your attention is drawn to (i) the letter from the Huarui Offer Independent Board Committee set out on pages 32 to 33 of the Huarui Offer Document which contains its recommendation to the Disinterested Shareholders as to whether the Huarui Offer is, or is not, fair and reasonable and as to their acceptance of the Huarui Offer; and (ii) the letter from the Huarui Offer Independent Financial Adviser set out on pages 34 to 62 of the Huarui Offer Document which contains its advice to the Huarui Offer Independent Board Committee in connection with the Huarui Offer, as well as the principal factors and reasons considered by it in arriving at its advice. Disinterested Shareholders should read these letters in conjunction with the Huarui Offer Document carefully before taking any action in respect of the Huarui Offer.

The Huarui Offer Independent Financial Adviser is of the view that the Huarui Offer are **fair and reasonable** so far as the Disinterested Shareholders are concerned and accordingly recommend the Disinterested Shareholders **to accept** the Huarui Offer.

Having considered the terms of the Huarui Offer and the advice from the Huarui Offer Independent Financial Adviser, the Huarui Offer Independent Board Committee considers that the Huarui Offer are **fair and reasonable** so far as the Disinterested Shareholders are concerned and accordingly recommends the Disinterested Shareholders **to accept** the Huarui Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to the Huarui Offer Document. You are also recommended to read carefully the Huarui Offer Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Huarui Offer.

By order of the Board
CPMC Holdings Limited

A handwritten signature in black ink, consisting of stylized, overlapping strokes that form the characters 'Zhang Ye'.

Zhang Ye
Chairman and Executive Director