# PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
# 國 際 濟 豐 包 裝 集 團

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

**(Stock code: 1820)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

### ANNUAL RESULTS HIGHLIGHTS

| | **2020** | 2019 | 2020 VS |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | 2019 |
| **Revenue** | **2,041,606** | 2,073,856 | –1.6% |
| **Gross Profit** | **380,663** | 395,756 | –3.8% |
| **Profit for the Year** | **78,419** | 76,184 | 2.9% |
| **Basic earnings per share (RMB)** | **26 cents** | 25 cents | 4.0% |

### FINAL DIVIDEND

The Directors proposed a final dividend of HK$0.16 per share (2019: HK$0.075) payable to Shareholders whose names appear on the register of members of the Company on 16 July 2021. The final dividend is subject to approval by the Shareholders in the AGM.

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Pacific Millennium Packaging Group Corporation (the "**Company**", "**we**" or "**our**" or "**us**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Year**") together with the comparative figures for the year ended 31 December 2019 (the "**Year 2019**") as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | *Notes* | **2020** <br> ***RMB'000*** | 2019 <br> *RMB'000* |
|---|---|---|---|
| Revenue | *5* | **2,041,606** | 2,073,856 |
| Cost of sales | | **(1,660,943)** | (1,678,100) |
| Gross profit | | **380,663** | 395,756 |
| Other income and other gains and losses, net | | **7,320** | 2,616 |
| Selling and distribution expenses | | **(109,592)** | (114,424) |
| Administrative expenses | | **(135,434)** | (140,416) |
| Impairment loss on trade receivables, net | | **(1,299)** | (1,907) |
| Finance costs | | **(28,439)** | (32,370) |
| Profit before income tax | *6* | **113,219** | 109,255 |
| Income tax expense | *7* | **(34,800)** | (33,071) |
| **Profit for the year** | | **78,419** | 76,184 |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax | | | |
| Exchange differences on translation of foreign operations | | **(1,476)** | (1,962) |
| Total comprehensive income for the year | | **76,943** | 74,222 |
| **Basic earnings per share (RMB)** | *8* | **26 cents** | 25 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **610,150** | 620,928 |
| Prepayments for purchase of property, plant and equipment | | **3,455** | 5,241 |
| Deferred tax assets | | **9,243** | 9,956 |
| | | **622,848** | 636,125 |
| **Current assets** | | | |
| Inventories | | **161,150** | 156,927 |
| Trade receivables, bills receivables, other receivables, deposits and prepayments | *9* | **596,592** | 588,493 |
| Pledged deposits | *10* | **11,250** | 11,250 |
| Bank balances and cash | | **95,530** | 277,247 |
| | | **864,522** | 1,033,917 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **357,258** | 411,770 |
| Contract liabilities | | **3,251** | 2,726 |
| Dividend payable | *14* | **—** | 40,090 |
| Bank and other borrowings | *12* | **291,252** | 349,012 |
| Tax payable | | **10,163** | 11,488 |
| Lease liabilities | *13* | **18,871** | 18,872 |
| | | **680,795** | 833,958 |
| **Net current assets** | | **183,727** | 199,959 |
| **Total assets less current liabilities** | | **806,575** | 836,084 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | *12* | **8,575** | 39,797 |
| Lease liabilities | *13* | **150,133** | 164,624 |
| | | **158,708** | 204,421 |
| **Net assets** | | **647,867** | 631,663 |
| **Equity** | | | |
| Share capital | | **2,442** | 2,442 |
| Reserves | | **645,425** | 629,221 |
| **Total equity** | | **647,867** | 631,663 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 31 July 2014 as an exempted company with limited liability under the Companies Law (2013 revision) of the Cayman Islands. The registered office of the Company is at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and the principal place of business of the Company in Hong Kong is Suite 2104, 21st Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.

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

The immediate holding company of the Company is Pacific Millennium Holdings Corporation which is incorporated in the British Virgin Islands. The ultimate holding company of the Company is Golden Ford Investments Limited which is incorporated in the Independent State of Samoa. The Directors consider Mr. Tan Richard Lipin to be the ultimate controlling shareholder of the Company.

The shares of the Company were listed on the Main Board of the Stock Exchange on 21 December 2018.

## 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### (a) Adoption of revised IFRSs — effective on 1 January 2020

The International Accounting Standards Board (the "**IASB**") has issued a number of amended IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

None of these amended IFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any amended IFRSs that is not yet effective for the current accounting period except for the amendment to IFRS 16, COVID-19-Related Rent Concessions. Impact on the application of amendment to IFRS 16, COVID-19-Related Rent Concessions are summarised below:

#### (i) *Amendment to IFRS 16, COVID-19-Related Rent Concessions*

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to apply the practical expedient introduced by the amendment to IFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of RMB707,000. The effect of this reduction has been recorded in profit or loss as "government subsidies" in the period in which the event or condition that triggers those payments occurs.

**(b) Revised IFRSs that have been issued but are not yet effective**

The following revised IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to IAS 16 | Proceeds before Intended Use[2] |
| Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract[2] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[4] |
| Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2[1] |
| Annual Improvements to IFRSs 2018–2020 | Amendment to IFRS 9 Financial Instruments, and Illustrative Examples accompanying IFRS 16 Leases[2] |

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.

Further information about the above IFRSs which are expected to be applicable to the Group is as follows:

***Amendments to IAS 16 — Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

***Amendments to IAS 37 — Onerous Contracts — Cost of Fulfilling a Contract***

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

***Amendments to IFRS 3 — Reference to the Conceptual Framework***

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

***Amendments to IAS 1 — Classification of Liabilities as Current or Non-current***

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

***Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 — Interest Rate Benchmark Reform — Phase 2***

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

***Annual Improvements to IFRSs 2018–2020 — Amendment to IFRS 9 Financial Instruments, and Illustrative Examples accompanying IFRS 16 Leases***

Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9, Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the consolidated financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company's subsidiaries incorporated in PRC from which over 90% of the Group's revenue and operating profit were generated. The functional currency of the Company is United States dollars ("US$").

## 4. SEGMENT REPORTING

The executive Director during the Year has been identified as the chief operating decision-maker ("**CODM**") of the Group who reviews the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

### (a) Reportable segments

The Group is principally engaged in manufacture and sale of packaging materials. The CODM assesses the performance of the business based on a measure of operating results and considers the business as a single operating segment. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment which is manufacture and sale of packaging materials.

**(b) Geographical information**

Since over 90% of the Group's revenue and operating profit were generated from the manufacture and sale of packaging materials in the PRC and over 90% of the Group's identifiable non-current assets were located in the PRC, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

**(c) Information about major customers**

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2020 and 2019.

## 5. REVENUE

Revenue represents the net invoiced value of goods sold by the Group during the year, net of value-added tax.

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Corrugated packaging products | **1,866,773** | 1,901,830 |
| Corrugated sheet boards | **174,833** | 172,026 |
| | **2,041,606** | 2,073,856 |

**Disaggregation of revenue**

The following table sets out a breakdown of the Group's revenue all of which is recognised at a point in time categorised by the industries of the end products, in which the Group's products were applied, during the year:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue by industry** | | |
| Food and beverage | **518,504** | 504,486 |
| Paper and packaging | **296,694** | 267,131 |
| Non-food-and-beverage-consumables *(Note (i))* | **329,997** | 201,917 |
| Supplier chain solution | **95,622** | 148,178 |
| E-commerce | **49,445** | 90,797 |
| Home electronics | **54,465** | 55,238 |
| Others *(Note (ii))* | **696,879** | 806,109 |
| | **2,041,606** | 2,073,856 |

*Notes:*

(i) Non-food-and-beverage-consumables include, but not limited to, daily household products such as shampoo, detergent, skin care products.

(ii) Others include home furniture, computer and electronic device such as mobile phones, cameras, textile, machinery, medical products, etc.

The Group has applied the practical expedient under IFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts is not disclosed as such contracts have an original expected duration of one year or less.

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold *(Note (i))* | **1,660,943** | 1,678,100 |
| Depreciation of property, plant and equipment *(Note (ii))* | **79,411** | 77,440 |
| Auditors' remuneration | **1,707** | 1,883 |
| Freight charges | **76,325** | 76,430 |
| Short term lease expense | **4,296** | 3,844 |
| Impairment loss on inventories | **1,631** | 1,257 |
| Reversal of impairment loss on inventories | **(1,252)** | (1,400) |
| Impairment loss on trade receivables | **1,481** | 2,748 |
| Reversal of impairment loss on trade receivables | **(182)** | (841) |
| Impairment loss on trade receivables, net | **1,299** | 1,907 |
| Exchange gain, net | **(103)** | (416) |
| Employee benefits expenses (including directors' remuneration): | | |
| — Wages, salaries and benefits | **172,182** | 175,449 |
| — Retirement benefit costs | **14,086** | 23,822 |

*Notes:*

(i) Cost of inventories sold for the year ended 31 December 2020 includes RMB1,240,915,000, RMB82,931,000, RMB36,964,000, RMB97,446,000 and RMB64,107,000 (2019: RMB1,251,502,000, RMB78,293,000, RMB34,822,000, RMB107,272,000 and RMB62,914,000), relating to costs of raw materials consumed, costs of accessories, outsourced production costs, employee benefits expenses and depreciation of property, plant and equipment respectively. The amounts disclosed of employee benefits expenses and depreciation of property, plant and equipment included in cost of inventories sold are also included in the respective total amounts disclosed separately above.

(ii) Depreciation of property, plant and equipment for the year ended 31 December 2020 includes depreciation of right-of-use assets amounted to RMB19,341,000 (2019: RMB18,096,000).

## 7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| — Provision for PRC enterprise income tax for the year | **31,502** | 33,356 |
| — Withholding tax on dividend | **2,585** | 1,481 |
| | **34,087** | 34,837 |
| Deferred tax | | |
| — Origination and reversal of temporary differences | **713** | (1,766) |
| Income tax expense | **34,800** | 33,071 |

No provision of Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2020 and 2019.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (2019: 25%) of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2020 and 2019.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company incorporated in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. On 28 September 2018, China's Ministry of Finance, State Administration of Taxation and National Development and Reform Commission and Ministry of Commerce jointly issued Caishui 2018 No. 102 (Circular 102) to expand the scope of withholding tax deferral treatment on direct reinvestment to all non-prohibited foreign investments. Under the new policy, there is no withholding tax on dividend distributed by a PRC subsidiary if such dividend is reinvested in foreign investments that are not prohibited for foreign investors.

## 8. BASIC EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year and the weighted average number of ordinary shares during the year as follows.

| | **2020** | 2019 |
|---|---|---|
| Profit for the year (RMB'000) | **78,419** | 76,184 |
| Weighted average number of ordinary shares in issue (in thousand) | **300,632** | 300,632 |
| Basic earnings per share (RMB) | **26 cents** | 25 cents |

No diluted earnings per share is presented as the Group has no potential ordinary shares for the years ended 31 December 2020 and 2019.

## 9. TRADE RECEIVABLES, BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **533,432** | 524,627 |
| Bills receivables | **18,387** | 30,243 |
| Less: allowance for impairment losses | **(7,637)** | (7,657) |
| | **544,182** | 547,213 |
| Other receivables | **20,479** | 18,806 |
| Deposits | **22,380** | 16,138 |
| Prepayments | **9,551** | 6,336 |
| | **596,592** | 588,493 |

As at 31 December 2020 and 2019, bills receivables would mature within 180 days and were not past due.

The ageing analysis of trade and bills receivables (net of impairment losses) as at 31 December 2020 and 2019, based on invoice dates, is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **265,283** | 251,363 |
| Over 1 month but within 3 months | **238,290** | 248,327 |
| Over 3 months but within 1 year | **40,609** | 47,523 |
| | **544,182** | 547,213 |

The average credit period on sales of goods is 30–120 days from the invoice date.

## 10. PLEDGE OF ASSETS

As at 31 December 2020 and 2019, the Group pledged the following assets to secure bills payable, banking facilities granted to the Group and sale and leaseback arrangements with related company. The carrying amounts of these assets are analysed as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Property, plant and equipment *(Notes 12(a) and (b))* | **115,381** | 140,756 |
| Right-of-use assets of land and buildings | **9,825** | 10,106 |
| Pledged deposits | **11,250** | 11,250 |
| | **136,456** | 162,112 |

## 11. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | **231,212** | 292,960 |
| Bills payables | **56,250** | 56,250 |
| Accruals and other payables | **69,796** | 62,560 |
| | **357,258** | 411,770 |

All trade and other payables are due to be settled within twelve months.

The ageing analysis of trade and bills payables, based on the invoice dates, as at 31 December 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 month | **196,075** | 191,454 |
| Over 1 month but within 3 months | **62,813** | 129,014 |
| Over 3 months but within 1 year | **28,574** | 28,742 |
| | **287,462** | 349,210 |

## 12. BANK AND OTHER BORROWINGS

| | | 2020 | 2019 |
|---|---|---|---|
| | *Notes* | *RMB'000* | *RMB'000* |
| Bank loans, secured | *(a)* | **265,000** | 320,000 |
| Other borrowings, secured | *(b)* | **34,827** | 68,809 |
| | | **299,827** | 388,809 |
| Categorised as: | | | |
| — Current liabilities | | **291,252** | 349,012 |
| — Non-current liabilities | | **8,575** | 39,797 |
| | | **299,827** | 388,809 |

*Notes:*

(a) During the Year, the average effective interest rates of the Group's bank loans range from 3.85% to 3.90% per annum (2019: 4.79% to 5.00% per annum).

Properties with net carrying amounts of RMB53,373,000 (2019: RMB58,924,000) were pledged for the Group's banking facilities in connection with the bank loans.

As at 31 December 2020 and 2019, all bank loans were scheduled to be repaid within one year.

(b) As at 31 December 2020, other borrowings represented seven (2019: eight) sale and leaseback arrangements for plant and equipment entered into with Chongqing Stone Tan Financial Leasing Limited, a related company over which one of the controlling shareholders of the Company has significant influence. As at 31 December 2020, the transactions are classified as secured loan financing instead of disposal of the underlying assets as the transfers of the plant and equipment to the buyer-lessor do not satisfy the requirements to be accounted for as a sale of the assets. The carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were RMB62,008,000 (2019: RMB81,832,000) as at 31 December 2020.

As at 31 December 2020, future lease payments are due to the buyer-lessor as follows:

| | **Minimum lease payments** | **Interest** | **Present value** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Not later than 1 year | 28,515 | 2,263 | 26,252 |
| Later than 1 year and not later than 2 years | 8,797 | 222 | 8,575 |
| | 37,312 | 2,485 | 34,827 |

As at 31 December 2019, future lease payments are due to the buyer-lessor as follows:

| | **Minimum lease payments** | **Interest** | **Present value** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Not later than 1 year | 34,574 | 5,562 | 29,012 |
| Later than 1 year and not later than 2 years | 32,285 | 2,596 | 29,689 |
| Later than 2 years and not later than 5 years | 10,367 | 259 | 10,108 |
| | 77,226 | 8,417 | 68,809 |

## 13. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2020 and 2019:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Present value** | **Minimum lease payments** | **Present value** | **Minimum lease payments** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Not later than 1 year | 18,871 | 26,891 | 18,872 | 27,849 |
| Later than 1 year and not later than 2 years | 13,553 | 20,608 | 15,453 | 23,330 |
| Later than 2 years and not later than 5 years | 36,994 | 54,696 | 35,496 | 54,960 |
| Over 5 years | 99,586 | 115,935 | 113,675 | 135,304 |
| | 169,004 | 218,130 | 183,496 | 241,443 |
| Less: total future interest expenses | | (49,126) | | (57,947) |
| Present value of lease liabilities | | 169,004 | | 183,496 |

*Note:* The balance included lease liabilities of RMB3,410,000 (2019: RMB9,910,000) owing to Chongqing Stone Tan Financial Leasing Limited, a related party over which one of the controlling shareholders of the Company has significant influence.

## 14. DIVIDENDS

| | *RMB'000* |
|---|---|
| Year ended 31 December 2020 | |
| — Final dividend of HK$0.075 per share for 2019 | 20,486 |
| — Special dividend of HK$0.15 per share | 40,253 |
| | 60,739 |
| Year ended 31 December 2019 | |
| — Final dividend of HK$0.1 per share for 2018 | 25,646 |
| — Special dividend of HK$0.3 per share | 76,938 |
| — Special dividend of HK$0.15 per share | 40,504 |
| | 143,088 |

The Directors proposed a final dividend of HK$0.16 per share (2019: HK$0.075) payable to Shareholders whose names appear on the register of members of the Company on 16 July 2021. The final dividend is subject to approval by the Shareholders in the AGM. The final dividend of HK$0.16 per share proposed after the end of the reporting period has not been recognised as a liability in the consolidated statement of financial position.

Final dividend in respect of the year ended 31 December 2019 amounted to HK$0.075 per share was approved by the shareholders in the annual general meeting held on 23 June 2020 (2019: final dividend of HK$0.1 per share for the year ended 31 December 2018). The final dividend of HK$0.075 per share of RMB20,486,000 (after exchange realignment) was paid on 16 July 2020.

The special dividend of HK$0.15 per share of RMB40,253,000 (after exchange realignment) was declared on 25 August 2020 and paid on 31 December 2020.

## 15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD AND EFFECT OF COVID-19

(a) After the end of the reporting period, the Directors proposed a final dividend of HK$0.16 per share as detailed in the section headed "Final Dividend" of this announcement.

(b) The World Health Organisation declared coronavirus (COVID-19) as a global health emergency on 30 January 2020. There was no material disruption to the Group's operations during the year. As at the date of this announcement, COVID-19 has not resulted in material impact to the Group's operations and financial position. Depending on the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results and positions of the Group, the extent of which could not be estimated as at the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

Various uncertainties within the paper packaging industry resulting from the ambience of global economic downturn and the global outbreak of the COVID-19 (the "**Pandemic**") still exist. However, with the rapid development of e-commerce and the growth in domestic demand on food and beverages and basic necessities in the Mainland China, the paper packaging market in the Mainland China had been relatively stable during the Year, as compared with other manufacturing industries. It is also worth remarking that the rise of e-commerce giants are the boosters of the paper packaging industry and is expected to drive the paper packaging market. Meanwhile, the growing per capita income in the Mainland China is also one of the factors which may influence the paper packaging industry in the Mainland China.

## BUSINESS REVIEW

During the Year, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the Pandemic. Inevitably, businesses of many industries including the paper packaging industry have been more or less affected by the Pandemic. However, with the efforts of the Group's employees and the great leadership of the senior management and Directors, despite the decrease in revenue from approximately RMB2,073.9 million for the Year 2019 to approximately RMB2,041.6 million for the Year, the Group's net profit increased by approximately 2.9% for the Year as compared with the Year 2019. In order to strengthen the Group's market position in the corrugated packaging industry in the Mainland China and reduce the strain on production capacity of other production plants, the Company has established two production plants in Shandong province and Foshan city (the "**Shandong Plant**" and "**Foshan Plant**" respectively). The Shandong Plant obtained production permit in November 2020 and its annual production capacity is approximately 78 million square meters of corrugated sheet boards and corrugated packaging products. The construction of the Foshan Plant was commenced in October 2020 and it is expected that the construction would be completed in July 2021.

## FINANCIAL REVIEW

For the Year, the Company recorded revenue of approximately RMB2,041.6 million, representing a slight decrease of approximately RMB32.3 million or approximately 1.6% as compared with approximately RMB2,073.9 million for the Year 2019. Consolidated gross profit margin was approximately 18.6%, representing a decrease of approximately 0.5% as compared with approximately 19.1% for the Year 2019. Gross profit for the Year was approximately RMB380.7 million, representing a slight decrease of approximately 3.8% as compared with approximately RMB395.8 million for the Year 2019. Basic earnings per share for the Year amounted to RMB0.26, representing an increase of 4.0% as compared with RMB0.25 in 2019.

**Revenue**

During the Year, the Group achieved growth in sales of corrugated sheet boards and slightly decline in sales of corrugated packaging products. For the Year, the Group recorded revenue of approximately RMB2,041.6 million, representing a decrease of approximately RMB32.3 million or approximately 1.6% as compared with that for the Year 2019.

*Sales of corrugated packaging products*

During the Year, revenue from sales of corrugated packaging products was approximately RMB1,866.8 million, representing a decrease of approximately 1.8% as compared with approximately RMB1,901.8 million in 2019, and accounted for approximately 91.4% of the Group's total revenue for the Year. The decrease in performance of the sales of corrugated packaging products was mainly attributable to the decrease in the unit price of the Group's products due to the Pandemic.

*Sales of corrugated sheet boards*

During the Year, revenue from sales of corrugated sheet boards was approximately RMB174.8 million, representing an increase of approximately 1.6% as compared with approximately RMB172.0 million in 2019, and accounted for approximately 8.6% of the Group's total revenue for the Year. The increase in sales of corrugated sheet boards was mainly attributable to the increase in sales volume.

**Cost of Sales**

For the Year, cost of sales of the Group was approximately RMB1,660.9 million, representing a decrease of approximately 1.0% as compared with approximately RMB1,678.1 million for the Year 2019, mainly attributable to (i) the decrease in labour cost benefited from the social security exemption policy; and (ii) the decrease of raw paper price.

**Gross Profit**

Due to the above reasons, gross profit of the Group during the Year was approximately RMB380.7 million, representing a decrease of approximately 3.8% as compared with approximately RMB395.8 million for the Year 2019, of which gross profit from sales of corrugated packaging products decreased by approximately 5.0% to RMB364.8 million, while gross profit from sales of corrugated sheet boards increased by approximately 34.7% to RMB15.9 million. Gross profit margins of the Group in 2020 and 2019 reached 18.6% and 19.1%, respectively, of which gross profit margins of sales of corrugated packaging products in 2020 and 2019 were 19.5% and 20.2%, respectively, while gross profit margins of sales of corrugated sheet boards were 9.1% and 6.9%, respectively. The decrease of gross profit margin in 2020 as compared to 2019 was mainly attributable to (i) the decrease in the unit price due to the Pandemic; and (ii) the launch of the new Shandong plant offset by the decrease in employee benefits expenses from the social security exemption policy.

### Selling and Distribution Expenses

Sales and distribution expenses decreased by approximately 4.2% from approximately RMB114.4 million for the Year 2019 to approximately RMB109.6 million for the Year. The decrease was mainly due to (i) the decrease in travelling and entertainment expenses and (ii) the decrease in staff cost benefits from the social security exemption policy.

### Administrative Expenses

For the Year, the Group's administrative expenses were approximately RMB135.4 million, representing a decrease of approximately 3.6% as compared with approximately RMB140.4 million for the Year 2019. The decrease was mainly due to the decrease in travelling expenses and employee benefits expenses from the social security exemption policy.

### Finance Costs

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans and interest on sale and leaseback arrangements. Finance costs decreased by approximately 12.1% from approximately RMB32.4 million for the Year 2019 to approximately RMB28.4 million for the Year. The decrease was primarily due to the decrease in interest on bank loans as a result of the decrease in the Group's average bank borrowing as well as interest rate.

### Income Tax Expense

Income tax expense increased by approximately 5.2% from approximately RMB33.1 million for the Year 2019 to approximately RMB34.8 million for the Year, primarily due to the increase in the Group's profit before income tax and the increase of withholding tax for dividend. The Group's effective income tax rate remained stable, which was 30.7% in 2020 and 30.3% in 2019.

### Profit for the Year and Net Profit Margin

As a result of the foregoing, the Group's profit increased by approximately 2.9% from approximately RMB76.2 million for the Year 2019 to approximately RMB78.4 million for the Year. The Group's net profit margin increased from 3.7% in 2019 to 3.8% in 2020.

### Profit attributable to Equity Holders of the Company

During the Year, profit attributable to equity holders of the Company was RMB78.4 million, representing an increase of approximately 2.9% or approximately RMB2.2 million as compared with approximately RMB76.2 million for the Year 2019.

**Liquidity and Capital Resources**

*Working Capital*

As at 31 December 2020, cash and cash equivalents of the Group amounted to approximately RMB95.5 million.

*Cash Flow*

Cash inflows of the Group were principally generated from proceeds from operating activities, namely (i) sales of corrugated packaging products and corrugated sheet boards in the PRC; and (ii) financial leasing and bank and other borrowings.

The Group's primary cash expenditures were used to purchase property, plant and equipment and to repay bank and other borrowings. The following table sets out the Group's cash flows from operating activities, investing activities and financing activities for the years ended 31 December 2020 and 2019:

| | **As at 31 December** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB million*** | *RMB million* |
| | **(approximately)** | (approximately) |
| Net cash generated from operating activities | **112.1** | 135.9 |
| Net cash (used in)/ generated from investing activities | **(49.9)** | 76.7 |
| Net cash used in financing activities | **(241.0)** | (283.3) |
| Cash and cash equivalents at the beginning of the year | **277.2** | 347.9 |
| Effect of exchange rate changes on cash and cash equivalents | **(3.0)** | 0.01 |
| Cash and cash equivalents at the end of the year | **95.5** | 277.2 |

*Net cash generated from operating activities*

During the Year, our net cash generated from operating activities was approximately RMB112.1 million, which comprised cash generated from operations of approximately RMB147.5 million, offset by income tax of approximately RMB35.4 million. Net cash generated from operating activities decreased by approximately RMB23.8 million or approximately 17.5% as compared with the net cash generated from operating activities of approximately RMB135.9 million for the Year 2019, which was mainly due to the decrease in trade payables to our suppliers.

*Net cash (used in)/generated from investing activities*

During the Year, the Group's net cash used in investing activities was approximately RMB49.9 million while net cash of approximately RMB76.7 million was generated from investing activities for the Year 2019. The net cash used in investing activities was primarily due to the establishment of the Shandong Plant.

*Net cash used in financing activities*

During the Year, the Group's net cash used in financing activities was approximately RMB241.0 million, representing a decrease of approximately RMB42.3 million as compared with the net cash used in financing activities of approximately RMB283.3 million for the Year 2019. The net cash used in financing activities was mainly attributable to loan repayment and distribution of dividend during the Year.

**Major Acquisitions and Disposals**

During the Year, the Group had no major acquisition and disposal.

**Pledge of Assets**

Details of the pledged assets of the Group were set out in Note 10 to this announcement.

**Contingent Liabilities**

As at 31 December 2020, the Group had no material contingent liabilities.

**Human Resources**

As at 31 December 2020, the Group had 1,774 full-time employees. The Group has implemented a number of initiatives to enhance the productivity of our employees. The Group conducts periodic performance reviews of most of the Group's employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivise its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

**Future Plan**

Looking forward, the Group will focus on reviewing its production plants network with a view to further strengthening its market position in the corrugated packaging industry in the Mainland China and improve revenue and profitability through broadening geographical coverage and market penetration. With the rapid development of e-commerce and the growth in domestic demand on food and beverages and basic necessities in the PRC, the Board believes that there will be sufficient demand for the Group's products. Besides, with a view to enhancing production efficiency, reducing production lead time and increasing the level of automation of production process, the Group will streamline and enhance the level of automation of its production process by upgrading its production facilities and purchasing new machinery and equipment for its existing production plants.

The Company identified certain risks and uncertainties which may affect the Group's business and operations. Such risks and uncertainties include the continuing increase of prices on key raw materials required by the Group for its production; uncertainty in obtaining external financing and significant level of borrowings to support the Group's operations; unexpected increase in lending interest rates; decline in utilisation rates due to breakdown of the Group's production equipment; and the ongoing Pandemic.

The Group will ensure that all such inherent risks and uncertainties pertaining to the Group's business and operations will be monitored on a timely basis and take all necessary steps to mitigate the risk and cope with any change.

## LISTING AND USE OF PROCEEDS

Upon listing on the Stock Exchange on 21 December 2018 (the "**Listing**"), the Company issued 75,158,000 new shares at the offer price of HK$3.98 per share, with the net proceeds amounting to approximately HK$262.5 million (equivalent to approximately RMB233.4 million) after deducting all related underwriting commission and expenses.

As disclosed in the 2019 Annual Report of the Company, given that the Group was unable to identify a suitable site in Haiyan city and that the business opportunity and growth potential in Foshan city was better than Zhongshan city after further assessment of the Board, the Company has decided to establish the Shandong Plant and the Foshan Plant instead. As the construction area of the Shandong Plant and the Foshan Plant is not as large as in Haiyan city and Zhongshan city, the construction costs for the Shandong Plant and the Foshan Plant have been reduced and a sum of approximately HK$55 million (the "**Surplus**") has been conserved. As such, the Board has resolved to reallocate the Surplus for repayment of certain bank loans with a view to saving financing costs of the Group. Details of which are set out in the announcement of the Company dated 23 July 2020.

As at 31 December 2020, the net proceeds were used for the following purposes:

| | **Net proceeds from the Listing** *HK$ million* (approximately) | | |
|---|---|---|---|
| **Use of proceeds** | **Proceeds available for use** | **Proceeds used** | **Proceeds unused** |
| For expansion of production plants network | 138.2 | 68.0 | 70.2 |
| For upgrading production facilities and purchasing new machinery and equipment | 44.4 | 44.4 | — |
| For repayment of certain bank loans | 55.0 | 55.0 | — |
| For general working capital | 24.9 | 24.9 | — |
| **Total** | **262.5** | **192.3** | **70.2** |

As disclosed in the section headed "Business Review", it is expected that the construction of the Foshan Plant would be completed in July 2021. As such, the unused proceeds of approximately RMB70.2 million (the "**Unused Proceeds**") would be substantially used by the end of July 2021 and it is expected that the Unused Proceeds would be fully utilised by the end of 2021.

## CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF ATTENDING AND VOTING AT THE ANNUAL GENERAL MEETING OF THE COMPANY

The register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021, both days inclusive, in order to determine the identity of the shareholders of the Company (the "**Shareholders**") who are entitled to attend the forthcoming annual general meeting to be held on Tuesday, 29 June 2021 (the "**AGM**"). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch 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 before 4:30 p.m. on Wednesday, 23 June 2021.

## FINAL DIVIDEND

The Directors proposed a final dividend of HK$0.16 per share (2019: HK$0.075) payable to Shareholders whose names appear on the register of members of the Company on 16 July 2021. The final dividend is subject to approval by the Shareholders in the AGM. It is expected that the final dividend will be paid on or around 30 July 2021.

## CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

In order to determine the identity of the Shareholders who are entitled to the final dividend, the register of members of the Company will be closed from Wednesday, 14 July 2021 to Friday, 16 July 2021 (both dates inclusive), during which period no transfer of shares will be effected. The final dividend will be paid in Hong Kong dollars. In order to qualify for the final dividend, all transfers 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 13 July 2021.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Except for deviation from provision A.2.1 of the Corporate Governance Code (the "**CG Code**"), the Company no material deviation from the CG Code as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Year.

Under code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Hsien-Chun ("**Mr. Cheng**") is the only executive Director, who performs similar function to that of a chief executive officer, and he also performs as the chairman of the Board. As Mr. Cheng has considerable experience in the corrugated packaging industry and has been assuming day-to-day responsibilities of managing and leading the Group since 1995, the Board believes that Mr. Cheng, being the executive Director and the chairman of the Board has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning of the Group which is the best interest of the Group.

The Board considers that the deviation from provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations, and sufficient checks and balances are in place.

The Company will continue reviewing and enhancing its corporate governance practices to ensure compliance with the CG Code.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") is comprised of five Directors, namely being Mr. Kiang Tien Sik David (chairman), Mr. Chow Tien-Li, Mr. Wang Jisheng, Dr. Su Morley Chung Wu and Mr. Philip Tan. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee had reviewed the audited annual results of the Group for the Year.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the Year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the Annual Report of the Group for the Year containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 March 2021

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