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PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1820)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS HIGHLIGHTS

	2022	2021	2022 VS
	RMB'000	RMB'000	2021
Revenue	2,178,409	2,400,426	-9.2%
Gross Profit	338,141	366,725	-7.8%
Profit for the Year	22,821	43,629	-47.7%
Basic earnings per share (RMB)	8 cents	15 cents	-47.7%

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK\$0.08 per share of the Company (Year 2021: HK\$0.08) payable to Shareholders whose names appear on the register of members of the Company on 7 July 2023. 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 2022 (the “**Year**”) together with the comparative figures for the year ended 31 December 2021 (the “**Year 2021**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Revenue	5	2,178,409	2,400,426
Cost of sales		<u>(1,840,268)</u>	<u>(2,033,701)</u>
Gross profit		338,141	366,725
Other income and other gains and losses, net		8,124	7,777
Selling and distribution expenses		(120,824)	(124,507)
Administrative expenses		(156,524)	(159,293)
Impairment loss on trade receivables, net		(229)	(846)
Finance costs		<u>(28,246)</u>	<u>(27,526)</u>
Profit before income tax	6	40,442	62,330
Income tax expense	7	<u>(17,621)</u>	<u>(18,701)</u>
Profit for the Year		22,821	43,629
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of the Company’s financial statements into presentation currency		41	—
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		<u>(10,074)</u>	<u>(422)</u>
Total comprehensive income for the Year		<u>12,788</u>	<u>43,207</u>
Basic earnings per share (RMB)	8	<u>8 cents</u>	<u>15 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		794,579	695,730
Prepayments for purchase of property, plant and equipment		5,407	13,343
Deferred tax assets		15,969	12,752
		815,955	721,825
Current assets			
Inventories		111,483	164,781
Trade and other receivables	9	635,642	683,690
Pledged deposits	10	20,850	13,250
Bank balances and cash		98,769	58,799
		866,744	920,520
Current liabilities			
Trade and other payables	11	331,151	342,190
Contract liabilities		2,829	3,744
Bank and other borrowings	12	348,340	347,616
Loans from immediate holding company		69,771	61,489
Tax payable		12,896	7,029
Lease liabilities	13	29,970	20,566
		794,957	782,634
Net current assets		71,787	137,886
Total assets less current liabilities		887,742	859,711
Non-current liabilities			
Bank and other borrowings	12	—	11,791
Lease liabilities	13	285,196	217,525
		285,196	229,316
Net assets		602,546	630,395
Equity			
Share capital		2,442	2,442
Reserves		600,104	627,953
Total equity		602,546	630,395

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, comprising the Company and its subsidiaries, 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 new or amended IFRSs — effective on 1 January 2021

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	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The application of the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 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.

The Group has applied amendments prospectively to business combinations that occurred on or after 1 January, 2022. As there were no business combinations during the Year, the adoption of these amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16 Property, Plant and Equipment: 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.

Since there was no sale of items produced prior to the property, plant and equipment being available for use, the adoption of these amendments did not have any impact on the financial position or performance of the Group.

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).

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January, 2022 and no onerous contracts were identified. Therefore, the adoption of these amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2018–2020

The annual improvements make amendments to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
- 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.
- IAS 41 Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The adoption of these amendments did not have any impact on the financial position or performance of the Group.

(b) New or amended IFRSs that have been issued but are not yet effective

The following amended 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 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”) ²
Amendments to IAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”) ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (amendments) ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group expected that the adoption of these amendments will not have any significant impact on these consolidated financial statements.

Amendments to IAS 8 — Definition of Accounting Estimates

Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Group expected that the adoption of these amendments will not have any significant impact on these consolidated financial statements.

Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening

balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group expected that the adoption of these amendments will not have any significant impact on these consolidated financial statements.

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

The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

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

Amendments to IAS 1 — Non-current Liabilities with Covenants

The 2020 Amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

Based on Group's outstanding liabilities as at 31 December 2022, the directors of the Company do not anticipate that the application of the amendments will result in the reclassification of the Group's liabilities.

Amendments to IFRS 16 — Lease Liabilities in a Sale and Leaseback (amendments)

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted.

The Group expected that the adoption of these amendments will not to have any significant impact on these 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 the People’s Republic of China (the “**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 Year and Year 2021.

5. REVENUE

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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Corrugated packaging products	1,970,039	2,171,436
Corrugated sheet boards	<u>208,370</u>	<u>228,990</u>
	<u><u>2,178,409</u></u>	<u><u>2,400,426</u></u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue by industry		
Food and beverage	601,865	625,381
Paper and packaging	297,027	350,759
Non-food-and-beverage-consumables (<i>Note (i)</i>)	351,671	335,049
Supplier chain solution	72,386	110,651
E-commerce	33,614	38,678
Home electronics	24,811	58,070
Others (<i>Note (ii)</i>)	<u>797,035</u>	<u>881,838</u>
	<u><u>2,178,409</u></u>	<u><u>2,400,426</u></u>

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):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold (<i>Note (i)</i>)	1,840,268	2,033,701
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	98,426	87,363
Auditors' remuneration	1,316	1,341
Freight charges	78,552	84,843
Short-term lease expense	2,741	3,190
Impairment loss on inventories, net	713	348
Impairment loss on trade receivables, net	229	846
Exchange gain, net	(351)	(2,026)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	209,349	208,755
— Retirement benefit costs (<i>Note (iii)</i>)	<u>27,975</u>	<u>26,469</u>

Notes:

- (i) Cost of inventories sold for the Year includes RMB1,336,989,000, RMB101,928,000, RMB37,335,000, RMB125,743,000 and RMB78,216,000 (Year 2021: RMB1,536,759,000, RMB111,461,000, RMB41,417,000, RMB118,132,000 and RMB69,331,000), 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 includes depreciation of right-of-use assets amounted to RMB26,203,000 (Year 2021: RMB23,882,000) and depreciation of plant and equipment held under finance lessees amount to RMB845,000 (Year 2021: RMB760,000).
- (iii) For the Year, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions (2021: Nil). As at 31 December 2022, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit scheme (2021: Nil).

7. INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
— Provision for PRC enterprise income tax for the Year	17,492	22,210
— Withholding tax on dividends	<u>3,346</u>	<u>—</u>
	20,838	22,210
Deferred tax		
— Origination and reversal of temporary differences	<u>(3,217)</u>	<u>(3,509)</u>
Income tax expense	<u><u>17,621</u></u>	<u><u>18,701</u></u>

No provision of Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the Year and the Year 2021.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (Year 2021: 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 Year and Year 2021.

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:

	2022	2021
Profit for the Year (RMB'000)	<u>22,821</u>	<u>43,629</u>
Weighted average number of ordinary shares in issue (in thousand)	<u>300,632</u>	<u>300,632</u>
Basic earnings per share (RMB)	<u>8 cents</u>	<u>15 cents</u>

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the Year in the sum of RMB22,821,000 (Year 2021: RMB43,629,000) and weighted average number of ordinary shares of 300,632,000 in issue during the Year (Year 2021: 300,632,000 ordinary shares).

No diluted earnings per share is presented as the Group has no potential ordinary shares for the Year and Year 2021.

9. TRADE AND OTHER RECEIVABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	576,224	632,233
Bills receivables	24,767	12,832
Less: allowance for impairment losses	<u>(5,879)</u>	<u>(7,132)</u>
	595,112	637,933
Other receivables	6,549	15,973
Deposits	21,382	20,605
Prepayments	<u>12,599</u>	<u>9,179</u>
	<u>635,642</u>	<u>683,690</u>

As at 31 December 2022 and 2021, 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 2022 and 2021, based on invoice dates, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	271,340	322,452
Over 1 month but within 3 months	258,848	267,008
Over 3 months but within 1 year	64,924	48,473
	<u>595,112</u>	<u>637,933</u>

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

10. PLEDGE OF ASSETS

As at 31 December 2022 and 2021, 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Property, plant and equipment	42,274	116,908
Right-of-use assets of leasehold land	9,258	9,542
Pledged deposits	20,850	13,250
	<u>72,382</u>	<u>139,700</u>

11. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	187,549	212,804
Bills payables	56,250	56,250
Accruals and other payables	87,352	73,136
	<u>331,151</u>	<u>342,190</u>

As at 31 December 2022, the Group's pledged deposits of RMB11,250,000 (2021: RMB11,250,000) was pledged to secure certain bills payables.

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 2022 and 2021 is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	130,547	182,955
Over 1 month but within 3 months	79,685	59,068
Over 3 months but within 1 year	33,567	27,031
	243,799	269,054

12. BANK AND OTHER BORROWINGS

	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Bank loans, secured	<i>(a)</i>	348,340	330,000
Other borrowings, secured	<i>(b)</i>	—	29,407
		348,340	359,407
Categorised as:			
— Current liabilities		348,340	347,616
— Non-current liabilities		—	11,791
		348,340	359,407

Notes:

- (a) During the Year, the average effective interest rates of the Group's bank loans ranged from 3.52% to 3.90% per annum (Year 2021: 3.85% to 3.90% per annum).

Properties with net carrying amounts of RMB42,274,000 (2021: RMB47,823,000) were pledged for the Group's banking facilities in connection with the bank loans.

Right-of-use assets of leasehold land with carry amounts of RMB9,258,000 (2021: RMB9,542,000) were pledged to secure certain bank loans.

As at 31 December 2022, the Group's pledge deposits of RMB9,600,000 (2021: RMB2,000,000) was pledged to secure certain bank loans.

As at 31 December 2022 and 2021, all bank loans were scheduled to be repaid within one year.

- (b) As at 31 December 2021, other borrowings represented seven 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 2021, the transactions were 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 RMB69,085,000 as at 31 December 2021. During the Year, all these other borrowings were fully settled.

13. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2022 and 2021:

	2022		2021	
	Present value <i>RMB'000</i>	Minimum lease payments <i>RMB'000</i>	Present value <i>RMB'000</i>	Minimum lease payments <i>RMB'000</i>
Not later than 1 year	29,970	45,606	20,566	31,925
Later than 1 year and not later than 2 years	33,084	46,657	16,891	27,476
Later than 2 years and not later than 5 years	70,722	102,788	56,523	82,083
Over 5 years	<u>181,390</u>	<u>216,875</u>	<u>144,111</u>	<u>171,095</u>
	<u>315,166</u>	411,926	<u>238,091</u>	312,579
Less: total future interest expenses		<u>(96,760)</u>		<u>(74,488)</u>
Present value of lease liabilities		<u>315,166</u>		<u>238,091</u>

Note: The balance included lease liabilities of RMB24,024,000 (2021: RMB12,493,000) 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

	<i>RMB'000</i>
Year ended 31 December 2022	
— Final dividend of HK\$0.08 per share for 2021	19,555
— Special dividend of HK\$0.08 per share	<u>21,082</u>
	<u>40,637</u>
Year ended 31 December 2021	
— Final dividend of HK\$0.16 per share for 2020	40,612
— Interim dividend of HK\$0.08 per share	<u>20,067</u>
	<u>60,679</u>

The Directors proposed a final dividend of HK\$0.08 per share (Year 2021: HK\$0.08) payable to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on 7 July 2023. The final dividend is subject to approval by the Shareholders in the annual general meeting of the Company to be held on Wednesday, 21 June 2023 (the “**AGM**”). The final dividend of HK\$0.08 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 2021 of HK\$0.08 per share was approved by the Shareholders in the annual general meeting of the Company held on 28 June 2022 (Year 2021: final dividend of HK\$0.16 per share). The final dividend in respect of the Year 2021 of HK\$0.08 per share of RMB19,555,000 (after exchange realignment) was paid on 20 July 2022.

The special dividend of HK\$0.08 per share of RMB21,082,000 (after exchange realignment) was declared on 30 August 2022 and was paid on 18 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2022, the economy of the Mainland China had faced various uncertainties and increasing instability. Multiple factors such as the conflict between the Russia and Ukraine, overseas inflation, the international financial interest rate hike cycle, the European energy crisis and the trade protectionism had inevitably affected the global supply chain. Besides, the spread and the repeated COVID-19 epidemic (the “**Epidemic**”) in the Mainland China had suppressed the non-contactless and congregated consumptions. Further, as a result of the unfavourable ambience, many of the consumer manufacturing industries other than drug manufacturers had experienced a downturn, real estate business had gone downhill as well, and the trade orders for home furnishing, electrical appliances, textiles, shoes and clothing as well as agricultural by-products were out of expectation. Meanwhile, logistics and transportation were also sometimes affected, which had made the daily life challenging.

As identified by the Company, insufficient investment, tightened budgets, weakened consumption confidence and sluggish market demand were the prominent problems faced in 2022. Due to the continuous pressure on both supply and demand as well as the declined demand in the peak season of the packaging market and the decreasing revenue of enterprises in the paper packaging industry in the Mainland China, there was a significant decline in profits in the paper packaging industry. However, with the relaxation of epidemic prevention measures in Mainland China, it is expected that, driven by the strategy of expanding the domestic demand imposed by the nation, consumption and demand are expected to recover in 2023, and the revenue and profitability of the paper packaging industry is expected to effectively improve accordingly.

BUSINESS REVIEW

During the Year, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the repeated Epidemic within the local areas. Mainland China faced multiple tests in terms of economy in the first half of 2022, which caused a shift of the supply chain in the industries of textile and clothing, footwear, electronic products, auto parts and machinery and equipment. Such shift had adversely affected their respective daily productions and transportations and resulted in overall economic decline. As such, the revenue and profit of the paper packaging industry in 2022 had a severe challenge.

As the Group’s customers are mainly from industries of food and beverage, essential livelihood commodities and daily necessities, the Group’s business had been less affected during the Year. For the purpose of producing synergy effect with Nanjing production plant as well as capturing more customers in the vicinity with a view to improving the Group’s performance, during the Year, the Group established a new production plant in Chuzhou (the “**Chuzhou Plant**”), Anhui Province, which commenced production in August 2022. Besides, during the Year, the Groups’ Dalian production plant (the “**Dalian Plant**”) had been relocated to a new location due to expiry of lease in respect of the original location. Despite the decrease in the Group’s profits for the Year resulting from the newly established Chuzhou Plant and the relocation of Dalian Plant as well as the Epidemic, the Group’s overall business performance for the Year had not been significantly affected.

FINANCIAL REVIEW

For the Year, the Company recorded revenue of approximately RMB2,178.4 million, representing a decrease of approximately RMB222.0 million or approximately 9.2% as compared with approximately RMB2,400.4 million for the Year 2021. Consolidated gross profit margin was approximately 15.5%, representing an increase of approximately 0.2% as compared with approximately 15.3% for the Year 2021. Gross profit for the Year was approximately RMB338.1 million, representing a decrease of approximately 7.8% as compared with approximately RMB366.7 million for the Year 2021. Basic earnings per share for the Year amounted to RMB0.08 representing a decrease of approximately 47.7% as compared with RMB0.15 in the Year 2021.

Revenue

During the Year, the Group recorded decrease in sales of corrugated sheet boards and corrugated packaging products. For the Year, the Group recorded revenue of approximately RMB2,178.4 million, representing a decrease of approximately RMB222.0 million or approximately 9.2% as compared with that for the Year 2021.

Sales of corrugated packaging products

During the Year, revenue from sales of corrugated packaging products was approximately RMB1,970.0 million, representing a decrease of approximately 9.3% as compared with approximately RMB2,171.4 million for the Year 2021, and accounted for approximately 90.4% 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 decreased in sales volume.

Sales of corrugated sheet boards

During the Year, revenue from sales of corrugated sheet boards was approximately RMB208.4 million, representing a decrease of approximately 9.0% as compared with approximately RMB229.0 million for the Year 2021 and accounted for approximately 9.6% of the Group's total revenue for the Year. The decrease in sales of corrugated sheet boards was mainly attributable to (i) the decrease in sales volume; and (ii) the decrease in the average unit price.

Cost of Sales

For the Year, cost of sales of the Group was approximately RMB1,840.3 million, representing a decrease of approximately 9.5% as compared with approximately RMB2,033.7 million for the Year 2021, mainly attributable to the decrease in sales volume.

Gross Profit

Gross profit of the Group during the Year was approximately RMB338.1 million, representing a decrease of approximately 7.8% as compared with approximately RMB366.7 million for the Year 2021, of which gross profit from sales of corrugated packaging products decreased by approximately 6.6% to

RMB321.6 million, while gross profit from sales of corrugated sheet boards decreased by approximately 26.0% to RMB16.5 million. Gross profit margins of the Group for the Year and the Year 2021 reached 15.5% and 15.3%, respectively, of which gross profit margins of sales of corrugated packaging products for the Year and the Year 2021 were 16.3% and 15.9%, respectively, while gross profit margins of sales of corrugated sheet boards were 7.9% and 9.7%, respectively. The increase of gross profit margin for the Year as compared to the Year 2021 was mainly attributable to (i) the slight increase in average unit price of corrugated packaging products and (ii) the slight decrease in raw paper cost.

Selling and Distribution Expenses

Sales and distribution expenses decreased by approximately 3.0% from approximately RMB124.5 million for the Year 2021 to approximately RMB120.8 million for the Year. The decrease was mainly due to the decrease in the freight charge.

Administrative Expenses

For the Year, the Group's administrative expenses were approximately RMB156.5 million, representing a decrease of approximately 1.7% as compared with approximately RMB159.3 million for the Year 2021. The decrease was mainly due to the increased labor cost of the new launched Chuzhou Plant which was offset by the fact that there was no employees' compensation incurred for the Year.

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 increased by approximately 2.6% from approximately RMB27.5 million for the Year 2021 to approximately RMB28.2 million for the Year. The increase was primarily due to the increase of the interest on the right-of-use assets of our new production plants.

Income Tax Expense

Income tax expense decreased by approximately 5.8% from approximately RMB18.7 million for the Year 2021 to approximately RMB17.6 million for the Year, primarily due to the decrease in the Group's profit before income tax. The Group's effective income tax rate remained stable, which was 43.6% for the Year and 30.0% for the Year 2021.

Profit for the Year and Net Profit Margin

The Group's profit decreased by approximately 47.7% from approximately RMB43.6 million for the Year 2021 to approximately RMB22.8 million for the Year. The Group's net profit margin decreased from 1.8% in 2021 to 1.0% in 2022.

Profit attributable to Equity Holders of the Company

During the Year, profit attributable to equity holders of the Company was RMB22.8 million, representing a decrease of approximately 47.7% or approximately RMB20.8 million as compared with approximately RMB43.6 million for the Year 2021.

Liquidity and Capital Resources

Working Capital

As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately RMB98.8 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 Year and the Year 2021:

	As at 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
	(approximately)	(approximately)
Net cash generated from operating activities	238.0	49.0
Net cash used in investing activities	(70.3)	(91.5)
Net cash (used in)/generated from financing activities	(128.4)	8.9
Cash and cash equivalents at the beginning of the Year	58.8	95.5
Effect of exchange rate changes on cash and cash equivalents	0.6	(3.2)
Cash and cash equivalents at the end of the Year	98.8	58.8

Net cash generated from operating activities

During the Year, the Group's net cash generated from operating activities was approximately RMB238.0 million, which comprised cash generated from operations of approximately RMB253.0 million, offset by income tax paid of approximately RMB15.0 million. Net cash generated from operating activities increased by approximately RMB189.0 million or approximately 385.6% as compared with the net cash generated from operating activities of approximately RMB49.0 million for the Year 2021, which was mainly due to (i) the collection of receivables and (ii) the decrease in inventories.

Net cash used in investing activities

During the Year, the Group's net cash used in investing activities was approximately RMB70.3 million while net cash of approximately RMB91.5 million was used in investing activities for the Year 2021. Net cash used in investing activities was primarily due to the equipment purchase in current plants and the new Plant in Chuzhou and Dalian.

Net cash (used in)/generated from financing activities

During the Year, the Group's net cash used in financing activities was approximately RMB128.4 million while net cash of approximately RMB8.9 million was generated from financing activities for the Year 2021. The net cash used in financing activities was mainly attributable to (i) repayment of leaseback arrangement; (ii) the dividend payment and (iii) the interest payment.

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 2022, the Group had no material contingent liabilities.

Human Resources

As at 31 December 2022, the Group had 1,761 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, attributable to the relaxation of epidemic prevention measures in the Mainland China, it is expected that the corrugated packaging industry will recover progressively and as a result, the Group's business performance is likely to be improved gradually. In the future, the Group will focus on improving the utilization rate of its production plants through increasing its presence in the Central China with a view to promoting its productivity. Alongside with the increasing domestic demand market, the Board believes that demand of the Group's products will be further increased in 2023.

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 utilization rates due to breakdown of the Group's production equipment. 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.

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 Friday, 16 June 2023 to Wednesday, 21 June 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Wednesday, 21 June 2023. 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 Thursday, 15 June 2023.

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK\$0.08 per share (Year 2021: HK\$0.08) payable to Shareholders whose names appear on the register of members of the Company on 7 July 2023. The final dividend is subject to approval by the Shareholders in the AGM. It is expected that the final dividend will be paid on 21 July 2023.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

There was no important event which took place after 31 December 2022.

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 Tuesday, 4 July 2023 to Friday, 7 July 2023 (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 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 3 July 2023.

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 C.2.1 of the Corporate Governance Code (the “**CG Code**”) the Company had complied with all the code provisions set out in the Corporate Governance Code as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the Year.

Under code provision C.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**”), an executive Director, has been performing similar function to that of a chief executive officer and has been performing 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 an 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 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 four Directors, namely Mr. Kiang Tien Sik David (chairman), Mr. Chow Tien-Li, Mr. Wang Jisheng and Dr. Su Morley Chung Wu. The primary duties of the audit committee are 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.

CONSTITUTIONAL DOCUMENTS

During the Year, the Company had not made any changes to its Memorandum and Articles of Association (“M&A”). However, the Company proposes to make certain amendments to its existing M&A to, among other things, (i) conform the existing M&A to the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules; (ii) reflect certain updates in relation to the Listing Rules and the applicable laws of the Cayman Islands; and (iii) make other consequential and housekeeping improvements in the AGM. The Company will publish an announcement as and when appropriate.

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, 28 March 2023

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