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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 2023

ANNUAL RESULTS HIGHLIGHTS

	2023	2022	2023 VS
	RMB'000	*RMB'000*	2022
Revenue	**2,002,406**	2,178,409	–8.1%
Gross Profit	**341,418**	338,141	1.0%
Profit for the Year	**22,414**	22,821	–1.8%
Basic earnings per share (RMB)	**7 cents**	8 cents	–1.8%

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK$0.08 per share of the Company (Year 2022: HK$0.08) payable to Shareholders whose names appear on the register of members of the Company on 5 July 2024. 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**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**") together with the comparative figures for the year ended 31 December 2022 (the "**Year 2022**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*5*	**2,002,406**	2,178,409
Cost of sales		**(1,660,988)**	(1,840,268)
Gross profit		**341,418**	338,141
Other income and other gains and losses, net		**10,091**	8,124
Selling and distribution expenses		**(127,764)**	(120,824)
Administrative expenses		**(154,175)**	(156,524)
Impairment loss on trade receivables, net		**(2,509)**	(229)
Finance costs		**(30,206)**	(28,246)
Profit before income tax	*6*	**36,855**	40,442
Income tax expense	*7*	**(14,441)**	(17,621)
Profit for the Year		**22,414**	22,821
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of the Company's financial statements into its presentation currency		**103**	41
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(203)**	(10,074)
Total comprehensive income for the Year		**22,314**	12,788
Basic earnings per share (RMB)	*8*	**7 cents**	8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**753,928**	794,579
Prepayments for purchase of property, plant and equipment		**14,643**	5,407
Deferred tax assets		**18,541**	15,969
		787,112	815,955
Current assets			
Inventories		**130,374**	111,483
Trade and other receivables	*9*	**587,789**	635,642
Pledged deposits	*10*	**11,250**	20,850
Bank balances and cash		**145,302**	98,769
		874,715	866,744
Current liabilities			
Trade and other payables	*11*	**322,372**	331,151
Contract liabilities		**3,110**	2,829
Bank and other borrowings	*12*	**307,608**	348,340
Loans from immediate holding company		**82,382**	69,771
Tax payable		**3,652**	12,896
Lease liabilities	*13*	**36,392**	29,970
		755,516	794,957
Net current assets		**119,199**	71,787
Total assets less current liabilities		**906,311**	887,742
Non-current liabilities			
Bank and other borrowings	*12*	**27,969**	—
Lease liabilities	*13*	**292,960**	285,196
		320,929	285,196
Net assets		**585,382**	602,546
Equity			
Share capital		**2,442**	2,442
Reserves		**582,940**	600,104
Total equity		**585,382**	602,546

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 ("IFRS ACCOUNTING STANDARDS")

(a) Adoption of new or amended IFRS Accounting Standards — effective on 1 January 2023

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

IFRS 17	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Except for amendments to IAS 1 and IFRS Practice Statement 2, the application of these new or amendments to IFRS Accounting Standards in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 17 — Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as the Group. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on these consolidated financial statements.

Amendments to IAS 8 — Definition of Accounting Estimates

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

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

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on these consolidated financial statements.

Amendments to IAS 12 — International Tax Reform — Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development ("**OECD**") released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform — Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

(b) Amended IFRS Accounting Standards that have been issued but are not yet effective

The following amended IFRS Accounting Standards, 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	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] Effective for annual periods beginning on or after 1 January 2025

Amendments to IAS 1 — Classification of Liabilities as Current or Non-current (the "2020 Amendment")

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 "2022 Amendment")

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 2023, 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 IAS 7 and IFRS 7 — Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

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

Amendments to IAS 21 — Lack of Exchangeability

The IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.

The amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

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

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

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 International Financial Reporting Standards and International Accounting Standards as issued by the IASB and Interpretations (collectively IFRS Accounting Standards) 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 all 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 2022.

5. REVENUE

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

	2023	2022
	RMB'000	*RMB'000*
Corrugated packaging products	**1,812,728**	1,970,039
Corrugated sheet boards	**189,678**	208,370
	2,002,406	2,178,409

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue by industry		
Food and beverage	**598,829**	601,865
Paper and packaging	**254,043**	297,027
Non-food-and-beverage-consumables *(Note (i))*	**310,199**	351,671
Supplier chain solution	**42,887**	72,386
E-commerce	**27,104**	33,614
Home electronics	**34,301**	24,811
Home furniture	**112,634**	132,148
Medical products	**117,275**	112,903
Chemical products	**78,424**	81,621
Mechanical manufacturing	**70,151**	78,498
Computer and electronic product manufacturing	**63,713**	55,004
Textiles	**63,390**	90,423
Others *(Note (ii))*	**229,456**	246,438
	2,002,406	2,178,409

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 logistics, architecture, automobile, 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):

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold *(Note (i))*	**1,660,988**	1,840,268
Depreciation of property, plant and equipment *(Note (ii))*	**107,359**	98,426
Auditors' remuneration:		
— audit services	**1,243**	1,191
— non-audit services	**119**	125
Freight charges	**78,174**	78,552
Short-term lease expense	**1,147**	2,741
Impairment loss on inventories	**1,937**	2,601
Reversal of impairment loss on inventories	**(2,635)**	(1,888)
Impairment loss on trade receivables	**2,737**	790
Reversal of impairment loss on trade receivables	**(227)**	(561)
Exchange loss/(gain), net	**608**	(351)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	**215,262**	209,349
— Retirement benefit costs *(Note (iii))*	**28,369**	27,975

Notes:

(i) Cost of inventories sold for the Year mainly included RMB1,141,206,000, RMB102,138,000, RMB39,762,000, RMB132,230,000 and RMB85,362,000 (Year 2022: RMB1,336,989,000, RMB101,928,000, RMB37,335,000, RMB125,743,000 and RMB78,216,000), 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 RMB29,593,000 (Year 2022: RMB26,203,000) and depreciation of plant and equipment held under finance lessees amount to RMB3,391,000 (Year 2022: RMB845,000).

(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 (2022: Nil). As at 31 December 2023, 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 (2022: Nil).

7. INCOME TAX EXPENSE

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

	2023	2022
	RMB'000	*RMB'000*
Current tax		
— Provision for PRC enterprise income tax for the Year	**15,406**	17,492
— Withholding tax on dividends	**1,607**	3,346
	17,013	20,838
Deferred tax		
— Origination and reversal of temporary differences	**(2,572)**	(3,217)
Income tax expense	**14,441**	17,621

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 2022.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (Year 2022: 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 2022.

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:

	2023	2022
Profit for the Year (RMB'000)	**22,414**	22,821
Weighted average number of ordinary shares in issue (in thousand)	**300,632**	300,632
Basic earnings per share (RMB)	**7 cents**	8 cents

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 RMB22,414,000 (Year 2022: RMB22,821,000) and weighted average number of ordinary shares of 300,632,000 in issue during the Year (Year 2022: 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 2022.

9. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**535,425**	576,224
Less: allowance for impairment losses	**(5,118)**	(5,879)
	530,307	570,345
Bills receivables	**17,128**	24,767
	547,435	595,112
Other receivables	**1,907**	6,549
Deposits	**21,083**	21,382
Prepayments	**17,364**	12,599
	587,789	635,642

As at 31 December 2023 and 2022, 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 2023 and 2022, based on invoice dates, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**257,698**	271,340
Over 1 month but within 3 months	**229,695**	258,848
Over 3 months but within 1 year	**60,042**	64,924
	547,435	595,112

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

10. PLEDGE OF ASSETS

As at 31 December 2023 and 2022, the Group pledged the following assets to secure bills payable, banking facilities granted to the Group and sale and leaseback arrangements with a related company. The carrying amounts of these assets are analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**77,962**	42,274
Right-of-use assets of leasehold land	**8,974**	9,258
Pledged deposits	**11,250**	20,850
	98,186	72,382

11. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**202,234**	187,549
Bills payables	**56,250**	56,250
Accruals and other payables	**63,888**	87,352
	322,372	331,151

As at 31 December 2023, the Group's pledged deposits of RMB11,250,000 (2022: 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 2023 and 2022 is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**154,724**	130,547
Over 1 month but within 3 months	**76,231**	79,685
Over 3 months but within 1 year	**27,529**	33,567
	258,484	243,799

12. BANK AND OTHER BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Bank loans, secured	*(a)*	**294,592**	348,340
Other borrowings, secured	*(b)*	**40,985**	—
		335,577	348,340
Categorised as:			
— Current liabilities		**307,608**	348,340
— Non-current liabilities		**27,969**	—
		335,577	348,340

Notes:

(a) During the Year, the average effective interest rates of the Group's bank loans ranged from 3.00% to 3.90% per annum (Year 2022: 3.52% to 3.90% per annum).

Properties with net carrying amounts of RMB36,725,000 (2022: RMB42,274,000) 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 RMB8,974,000 (2022: RMB9,258,000) were pledged to secure certain bank loans.

As at 31 December 2023, no pledge deposit was pledged to secure certain bank loans (2022: RMB9,600,000).

As at 31 December 2023 and 2022, all bank loans were scheduled to be repaid within one year.

(b) As at 31 December 2023, other borrowings represented three 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 2023, 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 RMB41,237,000 as at 31 December 2023.

13. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2023 and 2022:

	2023		2022	
	Present value *RMB'000*	**Minimum lease payments** *RMB'000*	Present value *RMB'000*	Minimum lease payments *RMB'000*
Not later than 1 year	**36,392**	**51,998**	29,970	45,606
Later than 1 year and not later than 2 years	**24,349**	**38,119**	33,084	46,657
Later than 2 years and not later than 5 years	**79,169**	**113,009**	70,722	102,788
Over 5 years	**189,442**	**225,325**	181,390	216,875
	329,352	**428,451**	315,166	411,926
Less: total future interest expenses		**(99,099)**		(96,760)
Present value of lease liabilities		**329,352**		315,166

Note:

(i) The balance included lease liabilities of RMB13,116,000 (2022: RMB24,024,000) owing to Chongqing Stone Tan Financial Leasing Limited, a related party over which one of the controlling shareholders of the Company has significant influence.

(ii) As at 31 December 2023, the net carrying amounts of Group's plant and equipment held under finance leases were RMB31,456,000 (2022: RMB34,847,000).

14. DIVIDENDS

	RMB'000
Year ended 31 December 2023	
— Final dividend of HK$0.08 per share for 2022	21,064
— Special dividend of HK$0.08 per share	22,023
	43,087
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	21,082
	40,637

The Directors proposed a final dividend of HK$0.08 per share (Year 2022: HK$0.08) payable to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 5 July 2024. The final dividend is subject to approval by the Shareholders in the annual general meeting of the Company to be held on Tuesday, 18 June 2024 (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 2022 of HK$0.08 per share was approved by the Shareholders in the annual general meeting of the Company held on 21 June 2023 (Year 2022: final dividend of HK$0.08 per share). The final dividend in respect of the Year 2022 of HK$0.08 per share of RMB21,064,000 (after exchange realignment) was paid on 21 July 2023.

The special dividend of HK$0.08 per share of RMB22,023,000 (after exchange realignment) was declared on 29 August 2023 and was paid on 15 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The three-year COVID-19 epidemic control ultimately came to an end in 2023, which helps the recovery of economic development, but not as fast as expected. Internationally, given the conflict between Russia and Ukraine remains, the intensified conflict between Palestine and Israel, the reduced capacity in Panama Canal route as well as the suspended Suez Canal route which increased the risk of shipping, the international trade and global transportation have been adversely affected. Affected by geopolitics and the competition between major countries, the financial market is full of uncertainty leading to the rise of trade protectionism with the continuing restructuring of the global supply chain. Despite the weakened demand and the slump in export, in 2023, automobile and cross-border e-commerce exports rose significantly, which shows that the Mainland China was still able to materialize stable and quality exports under pressure.

Domestically, the real estate market is under adjustment and transformation which caused decline in investment in real estate development and accelerated integration in industries relating to decoration, hardware as well as home furnishing and appliance. Despite that business performance were generally weak and that domestic demand had shrunk with no sufficient large amount consumption, the consumption in food and beverages, daily chemicals, sanitary products, medicine and medical care as well as retail industries showed a strong tenacity and was outstanding. For the Year, the volume in China's express delivery exceeded 120 billion pieces. Besides, repackaging for express shipments had not been carried out by more than 95% of the local e-commerce, which greatly improved the recycling and reuse rate of quality corrugated cartons and green packaging and as a result, sustainable recycling packaging will become more and more popular.

In 2023, the production capacity of the paper packaging industry continued to grow and the use of high-tech automatic equipment was popular. Due to the fact that packaging orders for export products indicate a decline and that packaging orders for domestic products has become increasingly fragmented, fierce competition among packaging service providers is inevitable. However, taking into consideration (i) the promotion of development in technological innovation; (ii) the focus on expanding domestic demand; and (iii) the increase in the urbanization rate, the paper packaging industry is expected to stabilize and improve in 2024.

BUSINESS REVIEW

The three-year epidemic control came to an end in 2023. Attributable to the lifting of COVID-19 epidemic prevention and control in the Mainland China, the business of the Group for the Year had gradually improved. During the Year, compared to the Year 2022, more orders were placed with the Group. However, due to the continuous dropping of the overall unit price of industrial products, there was a fall in unit price of the Group's products, which inevitably affected the Group's output value and profit margin for the Year.

For the purpose of capturing more customers with a view to improving the Group's performance, during the Year, the Group started establishing its new production plants in Xiaogan City of Hubei Province and Huzhou City of Zhejiang Province to serve the customers in the vicinity. As at 31 December 2023, the Group had 13 production plants with a total capacity of approximately of 842.4 million m^2.

During the Year, as the Group's customers were mainly from industries of food and beverage, essential livelihood commodities and daily necessities, the Group's business performance remained stable.

FINANCIAL REVIEW

For the Year, the Company recorded revenue of approximately RMB2,002.4 million, representing a decrease of approximately RMB176.0 million or approximately 8.1% as compared with approximately RMB2,178.4 million for the Year 2022. Consolidated gross profit margin was approximately 17.1%, representing an increase of approximately 1.6% as compared with approximately 15.5% for the Year 2022. Gross profit for the Year was approximately RMB341.4 million, representing an increase of approximately 1.0% as compared with approximately RMB338.1 million for the Year 2022. Basic earnings per share for the Year amounted to RMB0.07 representing a decrease of approximately 1.8% as compared with RMB0.08 in the Year 2022.

Revenue

During the Year, the Group recorded decrease in revenue of both the corrugated sheet boards and corrugated packaging products. For the Year, the Group recorded revenue of approximately RMB2,002.4 million, representing a decrease of approximately RMB176.0 million or approximately 8.1% as compared with that for the Year 2022.

Sales of corrugated packaging products

During the Year, revenue from sales of corrugated packaging products was approximately RMB1,812.7 million, representing a decrease of approximately 8.0% as compared with approximately RMB1,970.0 million for the Year 2022, and accounted for approximately 90.5% 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 average unit price.

Sales of corrugated sheet boards

During the Year, revenue from sales of corrugated sheet boards was approximately RMB189.7 million, representing a decrease of approximately 9.0% as compared with approximately RMB208.4 million for the Year 2022 and accounted for approximately 9.5% of the Group's total revenue for the Year. The decrease in sales of corrugated sheet boards was mainly attributable to the decrease in the average unit price.

Cost of Sales

For the Year, cost of sales of the Group was approximately RMB1,661.0 million, representing a decrease of approximately 9.7% as compared with approximately RMB1,840.3 million for the Year 2022, which was mainly attributable to the drop in raw paper costs.

Gross Profit

Gross profit of the Group during the Year was approximately RMB341.4 million, representing a slight increase of approximately 1.0% as compared with approximately RMB338.1 million for the Year 2022, of which gross profit from sales of corrugated packaging products increased by approximately 1.2% to RMB325.4 million, while gross profit from sales of corrugated sheet boards decreased by approximately 2.9% to RMB16.0 million. Gross profit margins of the Group for the Year and the Year 2022 reached 17.1% and 15.5%, respectively, of which gross profit margins of sales of corrugated packaging products for the Year and the Year 2022 were 18.0% and 16.3%, respectively, while gross profit margins of sales of corrugated sheet boards were 8.4% and 7.9%, respectively. The increase of gross profit margin for the Year as compared to the Year 2022 was mainly attributable to the drop in raw paper costs.

Selling and Distribution Expenses

Sales and distribution expenses increased by approximately 5.7% from approximately RMB120.8 million for the Year 2022 to approximately RMB127.8 million for the Year. The increase was mainly due to the increase in sales volume.

Administrative Expenses

For the Year, the Group's administrative expenses were approximately RMB154.2 million, representing a decrease of approximately 1.5% as compared with approximately RMB156.5 million for the Year 2022. The decrease was mainly due to the enhanced measures of costs control.

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 6.9% from approximately RMB28.2 million for the Year 2022 to approximately RMB30.2 million for the Year. The increase was primarily due to the increase in value of right-of-use assets of a production plant in Chuzhou City and a warehouse in Haiyan City.

Income Tax Expense

Income tax expense decreased by approximately 18.0% from approximately RMB17.6 million for the Year 2022 to approximately RMB14.4 million for the Year, primarily due to the decrease in the Group's profit before income tax and the decrease in dividend tax. The Group's effective income tax rate was 39.2% for the Year and 43.6% for the Year 2022.

Profit for the Year and Net Profit Margin

The Group's profit slightly decreased by approximately 1.8% from approximately RMB22.8 million for the Year 2022 to approximately RMB22.4 million for the Year, whilst the Group's net profit margin had a slight increase from 1.0% in 2022 to 1.1% in 2023.

Profit attributable to Equity Holders of the Company

For the Year, profit attributable to equity holders of the Company was RMB22.4 million, representing a slight decrease of approximately 1.8% or approximately RMB0.4 million as compared with approximately RMB22.8 million for the Year 2022.

Liquidity and Capital Resources

Working Capital

As at 31 December 2023, cash and cash equivalents of the Group amounted to approximately RMB145.3 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 2022:

	As at 31 December	
	2023	2022
	RMB million	*RMB million*
	(approximately)	(approximately)
Net cash generated from operating activities	**167.6**	238.0
Net cash used in investing activities	**(22.3)**	(70.3)
Net cash used in financing activities	**(98.8)**	(128.4)
Cash and cash equivalents at the beginning of the Year	**98.8**	58.8
Effect of exchange rate changes on cash and cash equivalents	**0.1**	0.6
Cash and cash equivalents at the end of the Year	**145.3**	98.8

Net cash generated from operating activities

During the Year, the Group's net cash generated from operating activities was approximately RMB167.6 million, which comprised cash generated from operations of approximately RMB193.9 million, offset by income tax paid of approximately RMB26.3 million. Net cash generated from operating activities decreased by approximately RMB70.4 million or approximately 29.6% as compared with the net cash generated from operating activities of approximately RMB238.0 million for the Year 2022. The decrease in net cash generated from operating activities was mainly due to the increase in inventory level.

Net cash used in investing activities

During the Year, the Group's net cash used in investing activities was approximately RMB22.3 million while net cash of approximately RMB70.3 million was used in investing activities for the Year 2022. Net cash used in investing activities was primarily due to the equipment purchase for current production plants.

Net cash used in financing activities

During the Year, the Group's net cash used in financing activities was approximately RMB98.8 million while net cash of approximately RMB128.4 million was used in financing activities for the Year 2022. The net cash used in financing activities was mainly attributable to (i) the repayment of certain principal amount and interest under finance leases; (ii) the repayment of certain bank loans and interest; and (iii) the dividend 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 2023, the Group had no material contingent liabilities.

Human Resources

As at 31 December 2023, the Group had 1,752 full-time employees. The Group has implemented a number of initiatives to enhance the productivity of its 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 lifting of COVID-19 epidemic control world-wide, it is expected that the corrugated packaging industry would further gradually recover and as a result, it is expected that the Group's business performance would be better than the Year 2022 and the Year. At the end of the Year, with a view to enhancing the production capacity of the Group's existing production plants whilst carrying on exploring new markets to avoid excess capacity, it was resolved by the Group to reorient its productions plants by expending more effort on developing "Eastern China" and "Southern China" districts as well as seven other areas, namely Shenyang, Dalian, Tianjin, Shandong, Taicang, Suzhou and Hubei so as to expanding its presence in the market.

The Company identified certain risks and uncertainties which may affect the Group's business and operations. Such risks and uncertainties include whether the Group could obtain external financing with sufficient 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 closely monitored and take all necessary steps to mitigate the risk and to cope with any change in the market.

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, 13 June 2024 to Tuesday, 18 June 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Tuesday, 18 June 2024. 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, 12 June 2024.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

There was no important event which took place after 31 December 2023.

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK$0.08 per share (Year 2022: HK$0.08) payable to Shareholders whose names appear on the register of members of the Company on 5 July 2024. The final dividend is subject to approval by the Shareholders in the AGM. It is expected that the final dividend will be paid on 19 July 2024 if the final dividend is approved in the AGM.

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, 2 July 2024 to Friday, 5 July 2024 (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 Friday, 28 June 2024.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the 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 C1 (formerly 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 C1 (formerly 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 C3 (formerly 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

On 25 May 2023, the Board approved certain amendments to the Articles of Association in order to bring the articles of association in line with the then Appendix 3 (now Appendix A1) of the Listing Rules, which came into effect on 1 January 2022. A special resolution for the adoption of new Memorandum and Articles of Association ("**New M&A**") was passed by the Shareholders at the annual general meeting of the Company held on 21 June 2023. The New M&A is available on the respective websites of the Stock Exchange and the Company.

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, 26 March 2024

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.