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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 2021

ANNUAL RESULTS HIGHLIGHTS

	2021	2020	2021 VS
	RMB'000	RMB'000	2020
Revenue	2,400,426	2,041,606	17.6%
Gross Profit	366,725	380,663	-3.7%
Profit for the Year	43,629	78,419	-44.4%
Basic earnings per share (RMB)	15 cents	26 cents	-42.3%

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK\$0.08 per share (Year 2020: HK\$0.16) payable to Shareholders whose names appear on the register of members of the Company on 8 July 2022. 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 2021 (the “**Year**”) together with the comparative figures for the year ended 31 December 2020 (the “**Year 2020**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2021 RMB’000	2020 RMB’000
Revenue	5	2,400,426	2,041,606
Cost of sales		<u>(2,033,701)</u>	<u>(1,660,943)</u>
Gross profit		366,725	380,663
Other income and other gains and losses, net		7,777	7,320
Selling and distribution expenses		(124,507)	(109,592)
Administrative expenses		(159,293)	(135,434)
Impairment loss on trade receivables, net		(846)	(1,299)
Finance costs		<u>(27,526)</u>	<u>(28,439)</u>
Profit before income tax	6	62,330	113,219
Income tax expense	7	<u>(18,701)</u>	<u>(34,800)</u>
Profit for the year		43,629	78,419
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		<u>(422)</u>	<u>(1,476)</u>
Total comprehensive income for the year		<u>43,207</u>	<u>76,943</u>
Basic earnings per share (RMB)	8	<u>15 cents</u>	<u>26 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		695,730	610,150
Prepayments for purchase of property, plant and equipment		13,343	3,455
Deferred tax assets		12,752	9,243
		<u>721,825</u>	<u>622,848</u>
Current assets			
Inventories		164,781	161,150
Trade receivables, bills receivables, other receivables, deposits and prepayments	<i>9</i>	683,690	596,592
Pledged deposits	<i>10</i>	13,250	11,250
Bank balances and cash		58,799	95,530
		<u>920,520</u>	<u>864,522</u>
Current liabilities			
Trade and other payables	<i>11</i>	342,190	357,258
Contract liabilities		3,744	3,251
Bank and other borrowings	<i>12</i>	347,616	291,252
Loans from immediate holding company		61,489	—
Tax payable		7,029	10,163
Lease liabilities	<i>13</i>	20,566	18,871
		<u>782,634</u>	<u>680,795</u>
Net current assets		<u>137,886</u>	<u>183,727</u>
Total assets less current liabilities		<u>859,711</u>	<u>806,575</u>
Non-current liabilities			
Bank and other borrowings	<i>12</i>	11,791	8,575
Lease liabilities	<i>13</i>	217,525	150,133
		<u>229,316</u>	<u>158,708</u>
Net assets		<u>630,395</u>	<u>647,867</u>
Equity			
Share capital		2,442	2,442
Reserves		627,953	645,425
Total equity		<u>630,395</u>	<u>647,867</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

(a) Adoption of revised IFRSs — effective on 1 January 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 IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 Interest Rate Benchmark Reform — Phase 2
- Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has not early applied any amended IFRSs that is not yet effective for the current accounting period, except the amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021. None of these amended IFRSs has a material impact on the Group’s results and financial position for the current or prior period.

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

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

Amendments to IAS 16	Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Annual Improvements to IFRSs 2018–2020	Amendment to IFRS 9 Financial Instruments, and Illustrative Examples accompanying IFRS 16 Leases ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³

¹ Effective for annual periods beginning on or after 1 January 2022.

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

³ Effective for annual periods beginning on or after 1 January 2023.

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

Amendments to IAS 16 — Proceeds before Intended Use

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

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

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

Amendments to IFRS 3 — Reference to the Conceptual Framework

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

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

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

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

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

- IFRS 9, Financial Instruments, which clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments introduce a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company’s subsidiaries incorporated in 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 2020.

5. REVENUE

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Corrugated packaging products	2,171,436	1,866,773
Corrugated sheet boards	<u>228,990</u>	<u>174,833</u>
	<u><u>2,400,426</u></u>	<u><u>2,041,606</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue by industry		
Food and beverage	625,381	518,504
Paper and packaging	350,759	296,694
Non-food-and-beverage-consumables (<i>Note (i)</i>)	335,049	329,997
Supplier chain solution	110,651	95,622
E-commerce	38,678	49,445
Home electronics	58,070	54,465
Others (<i>Note (ii)</i>)	<u>881,838</u>	<u>696,879</u>
	<u><u>2,400,426</u></u>	<u><u>2,041,606</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):

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold (<i>Note (i)</i>)	2,033,701	1,660,943
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	87,363	79,411
Auditors' remuneration	2,099	1,707
Freight charges	84,843	76,325
Short-term lease expense	3,190	4,296
Impairment loss on inventories	1,827	1,631
Reversal of impairment loss on inventories	(1,479)	(1,252)
Impairment loss on trade receivables	980	1,481
Reversal of impairment loss on trade receivables	(134)	(182)
Impairment loss on trade receivables, net	846	1,299
Exchange gain, net	(2,026)	(103)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	208,755	172,182
— Retirement benefit costs	<u>26,469</u>	<u>14,086</u>

Notes:

- (i) Cost of inventories sold for the Year includes RMB1,536,759,000, RMB111,461,000, RMB41,417,000, RMB118,132,000 and RMB69,331,000 (Year 2020: RMB1,240,915,000, RMB82,931,000, RMB36,964,000, RMB97,446,000 and RMB64,107,000), 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 RMB23,882,000 (Year 2020: RMB19,341,000).

7. INCOME TAX EXPENSE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
— Provision for PRC enterprise income tax for the year	22,210	31,502
— Withholding tax on dividend	<u>—</u>	<u>2,585</u>
	22,210	34,087
Deferred tax		
— Origination and reversal of temporary differences	<u>(3,509)</u>	<u>713</u>
Income tax expense	<u>18,701</u>	<u>34,800</u>

- (a) 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 2020.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (Year 2020: 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 2020.

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.

- (b) The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>62,330</u>	<u>113,219</u>
Tax on profit before income tax, calculated at PRC enterprise income tax rate of 25%	15,582	28,305
Effect of different tax rate of subsidiary operating in Hong Kong	270	1,094
Tax effect of expenses not deductible for tax purposes	2,199	3,703
Tax effect of income not taxable for tax purposes	(133)	(1,719)
Tax effect of tax losses not recognised	783	832
Tax effect of withholding tax on dividend	<u>—</u>	<u>2,585</u>
Income tax expense	<u>18,701</u>	<u>34,800</u>

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.

	2021	2020
Profit for the year (RMB'000)	<u>43,629</u>	<u>78,419</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>15 cents</u>	<u>26 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 RMB43,629,000 (Year 2020: RMB78,419,000) and weighted average number of ordinary shares of 300,632,000 in issue during the Year (Year 2020: 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 2020.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	632,233	533,432
Bills receivables	12,832	18,387
Less: allowance for impairment losses	<u>(7,132)</u>	<u>(7,637)</u>
	637,933	544,182
Other receivables	15,973	20,479
Deposits	20,605	22,380
Prepayments	<u>9,179</u>	<u>9,551</u>
	<u>683,690</u>	<u>596,592</u>

As at 31 December 2021 and 2020, 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 2021 and 2020, based on invoice dates, is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	322,452	265,283
Over 1 month but within 3 months	267,008	238,290
Over 3 months but within 1 year	<u>48,473</u>	<u>40,609</u>
	<u>637,933</u>	<u>544,182</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 2021 and 2020, 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property, plant and equipment	116,908	115,381
Right-of-use assets of land and buildings	9,542	9,825
Pledged deposits	<u>13,250</u>	<u>11,250</u>
	<u><u>139,700</u></u>	<u><u>136,456</u></u>

- (a) As at 31 December 2021, the Group's buildings with carrying amounts of RMB47,823,000 (2020: RMB53,373,000) were pledged to secure bills payable and the banking facilities granted to the Group (Note 12(a)).
- (b) As at 31 December 2021, the net carrying amounts of the Group's plant and equipment pledged under sales and leaseback arrangements (Note 12(b)) were RMB69,085,000 (2020: RMB62,008,000).

11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	212,804	231,212
Bills payables	56,250	56,250
Accruals and other payables	<u>73,136</u>	<u>69,796</u>
	<u><u>342,190</u></u>	<u><u>357,258</u></u>

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 2021 and 2020 is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	182,955	196,075
Over 1 month but within 3 months	59,068	62,813
Over 3 months but within 1 year	<u>27,031</u>	<u>28,574</u>
	<u><u>269,054</u></u>	<u><u>287,462</u></u>

12. BANK AND OTHER BORROWINGS

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Bank loans, secured	<i>(a)</i>	330,000	265,000
Other borrowings, secured	<i>(b)</i>	29,407	34,827
		<u>359,407</u>	<u>299,827</u>
Categorised as:			
— Current liabilities		347,616	291,252
— Non-current liabilities		11,791	8,575
		<u>359,407</u>	<u>299,827</u>

Notes:

- (a) During the year, the average effective interest rates of the Group's bank loans ranged from 3.85% to 3.90% per annum (Year 2020: 3.85% to 3.90% per annum).

Properties with net carrying amounts of RMB47,823,000 (2020: RMB53,373,000) were pledged for the Group's banking facilities in connection with the bank loans.

As at 31 December 2021 and 2020, all bank loans were scheduled to be repaid within one year.

- (b) As at 31 December 2021, other borrowings represented seven (2020: 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 are classified as secured loan financing instead of disposal of the underlying assets as the transfers of the plant and equipment to the buyer-lessor do not satisfy the requirements to be accounted for as a sale of the assets. The carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were RMB69,085,000 (2020: RMB62,008,000) as at 31 December 2021.

As at 31 December 2021, future lease payments are due to the buyer-lessor as follows:

	Minimum lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
Not later than 1 year	19,567	1,951	17,616
Later than 1 year and not later than 2 years	10,770	751	10,019
Later than 2 years and not later than 5 years	<u>1,795</u>	<u>23</u>	<u>1,772</u>
	<u>32,132</u>	<u>2,725</u>	<u>29,407</u>

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

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

13. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2021 and 2020:

	2021		2020	
	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	20,566	31,925	18,871	26,891
Later than 1 year and not later than 2 years	16,891	27,476	13,553	20,608
Later than 2 years and not later than 5 years	56,523	82,083	36,994	54,696
Over 5 years	<u>144,111</u>	<u>171,095</u>	<u>99,586</u>	<u>115,935</u>
	<u><u>238,091</u></u>	312,579	<u><u>169,004</u></u>	218,130
Less: total future interest expenses		<u>(74,488)</u>		<u>(49,126)</u>
Present value of lease liabilities		<u><u>238,091</u></u>		<u><u>169,004</u></u>

Note: The balance included lease liabilities of RMB12,493,000 (2020: RMB3,410,000) owing to Chongqing Stone Tan Financial Leasing Limited, a related party over which one of the controlling shareholders of the Company has significant influence.

14. DIVIDENDS

RMB'000

Year ended 31 December 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>
Year ended 31 December 2020	
— Final dividend of HK\$0.075 per share for 2019	20,486
— Special dividend of HK\$0.15 per share	<u>40,253</u>
	<u>60,739</u>

The Directors proposed a final dividend of HK\$0.08 per share (Year 2020: HK\$0.16) payable to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on 8 July 2022. The final dividend is subject to approval by the Shareholders in the annual general meeting of the Company to be held on Tuesday, 28 June 2022 (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 2020 amounted to HK\$0.16 per share was approved by the Shareholders in the annual general meeting of the Company held on 29 June 2021 (Year 2020: final dividend of HK\$0.075 per share for the year ended 31 December 2019). The final dividend of HK\$0.16 per share of RMB 40,612,000 (after exchange realignment) was paid on 16 July 2021.

The interim dividend of HK\$0.08 per share of RMB20,067,000 (after exchange realignment) was declared on 27 August 2021 and was paid on 17 December 2021.

15. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There was no significant event which took place after 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2021, the national economy in the Mainland China had continued to recover, and many of the industries in the Mainland China, such as food and beverage and home appliance and electronics industries, had recorded increase in sales. Besides, both the domestic and exported sales had achieved good results while the e-commerce logistics index had reached a level which was close to the average value before the COVID-19 pandemic in 2019 (the “**Pandemic**”). The local economy in 2021 was basically in an upward trend, which had provided a guarantee for the steady development of the paper packaging industry.

However, as a result of the tight supply of raw materials of waste paper and the limitation of power supply implemented by the PRC Government, the upstream paper suppliers were facing continuous rise of costs in raw materials, which had further exerted costs pressure on the operation of paper packaging business. Along with the increase in energy costs and transportation costs, the profit margin of paper packaging business had been inevitably lowered.

In 2021, leading paper packaging enterprises had increased their production capacity by way of mergers and acquisitions or investment in new production plants. With a view to saving the operation costs such as transportation costs so as to improving the profit margin, there was a trend for those paper packaging enterprises to set up their production plants in multiple locations.

In any event, with the goal in achieving “double carbon” and the implementation of plastics ban or restrictions as well as the growing number of internet shoppers, the demand of paper packaging would gradually increase.

BUSINESS REVIEW

During the Year, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the Pandemic. However, given the growth in domestic demand on food and beverages as well as the development of new business in supply chain, which had led to the increasing demand of the Group’s products, the Group’s revenue increased by approximately 17.6% but the Group’s net profit decreased by approximately 44.4% for the Year as compared with the Year 2020 due to the continuous rise in costs. To cope with the Group’s growing demand, the Group will acquire more machinery and equipment or upgrade its production equipment, with a view to simplifying the Group’s production process and enhancing the level of automated production line. During the Year, in view of the newly established production plant in the Shandong Province (the “**Shandong Plant**”), the Group had switched its production plant in Qingdao City (the “**Qingdao Plant**”) into a training and maintenance center of the Group. Besides, certain areas of the Qingdao Plant will be used for storage leasing business.

FINANCIAL REVIEW

For the Year, the Company recorded revenue of approximately RMB2,400.4 million, representing an increase of approximately RMB358.8 million or approximately 17.6% as compared with approximately RMB2,041.6 million for the Year 2020. Consolidated gross profit margin was approximately 15.3%, representing a decrease of approximately 3.3% as compared with approximately 18.6% for the Year 2020. Gross profit for the Year was approximately RMB366.7 million, representing a decrease of approximately 3.7% as compared with approximately RMB380.7 million for the Year 2020. Basic earnings per share for the Year amounted to RMB0.15 representing a decrease of approximately 42.3% as compared with RMB0.26 in the Year 2020.

Revenue

During the Year, the Group achieved growth in sales of corrugated sheet boards and corrugated packaging products. For the Year, the Group recorded revenue of approximately RMB2,400.4 million, representing an increase of approximately RMB358.8 million or approximately 17.6% as compared with that for the Year 2020.

Sales of corrugated packaging products

During the Year, revenue from sales of corrugated packaging products was approximately RMB2,171.4 million, representing an increase of approximately 16.3% as compared with approximately RMB1,866.8 million for the Year 2020, and accounted for approximately 90.5% of the Group's total revenue for the Year. The increase in performance of the sales of corrugated packaging products was mainly attributable to (i) the increased sales volume contributed by the Group's production plants including the new Shandong Plant; and (ii) the increase of average unit price.

Sales of corrugated sheet boards

During the Year, revenue from sales of corrugated sheet boards was approximately RMB229.0 million, representing an increase of approximately 31.0% as compared with approximately RMB174.8 million for the Year 2020 and accounted for approximately 9.5% of the Group's total revenue for the Year. The increase in sales of corrugated sheet boards was mainly attributable to (i) the increased sales volume contributed by the Group's production plants including the new Shandong Plant and the production plant in Foshan (the "**Foshan Plant**"); and (ii) the increase of average unit price.

Cost of Sales

For the Year, cost of sales of the Group was approximately RMB2,033.7 million, representing an increase of approximately 22.4% as compared with approximately RMB1,660.9 million for the Year 2020, mainly attributable to (i) the increase in sales volume; (ii) the increase in labour cost; and (iii) the increase in raw paper price.

Gross Profit

Notwithstanding the increase in revenue, gross profit of the Group during the Year was approximately RMB366.7 million, representing a decrease of approximately 3.7% as compared with approximately RMB380.7 million for the Year 2020, of which gross profit from sales of corrugated packaging products decreased by approximately 5.6% to RMB344.4 million, while gross profit from sales of corrugated sheet boards increased by approximately 40.4% to RMB22.3 million. Gross profit margins of the Group for the Year and the Year 2020 reached 15.3% and 18.6%, respectively, of which gross profit margins of sales of corrugated packaging products for the Year and the Year 2020 were 15.9% and 19.5%, respectively, while gross profit margins of sales of corrugated sheet boards were 9.7% and 9.1%, respectively. The decrease of gross profit margin for the Year as compared to the Year 2020 was mainly attributable to (i) the launch and contribution of the new Shandong Plant and the Foshan Plant; (ii) no exemption from social insurance; and (iii) the increase in raw paper cost.

Selling and Distribution Expenses

Sales and distribution expenses increased by approximately 13.6% from approximately RMB109.6 million for the Year 2020 to approximately RMB124.5 million for the Year. The increase was mainly due to (i) the increase of sales volumes; (ii) the launch and contribution of the new Shandong Plant and the Foshan Plant; and (iii) no exemption from social insurance.

Administrative Expenses

For the Year, the Group's administrative expenses were approximately RMB159.3 million, representing an increase of approximately 17.6% as compared with approximately RMB135.4 million for the Year 2020. The increase was mainly due to (i) the increase in labour cost; (ii) no exemption from social insurance; (iii) the launch and contribution of the new Shandong Plant and the Foshan Plant; and (iv) the employees' compensation for Qingdao Plant.

Finance Costs

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans and interest on sale and leaseback arrangements. Finance costs decreased by approximately 3.2% from approximately RMB28.4 million for the Year 2020 to approximately RMB27.5 million for the Year. The decrease was primarily due to (i) the decrease in financial leasing; and (ii) the decrease in bank interest rate.

Income Tax Expense

Income tax expense decreased by approximately 46.3% from approximately RMB34.8 million for the Year 2020 to approximately RMB18.7 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 30.0% for the Year and 30.7% for the Year 2020.

Profit for the Year and Net Profit Margin

The Group's profit decreased by approximately 44.4% from approximately RMB78.4 million for the Year 2020 to approximately RMB43.6 million for the Year. The Group's net profit margin decreased from 3.8% in 2020 to 1.8% in 2021.

Profit attributable to Equity Holders of the Company

During the Year, profit attributable to equity holders of the Company was RMB43.6 million, representing a decrease of approximately 44.4% or approximately RMB34.8 million as compared with approximately RMB78.4 million for the Year 2020.

Liquidity and Capital Resources

Working Capital

As at 31 December 2021, cash and cash equivalents of the Group amounted to approximately RMB58.8 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 2020:

	As at 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
	(approximately)	(approximately)
Net cash generated from operating activities	49.0	112.1
Net cash used in investing activities	(91.5)	(49.9)
Net cash generated from/(used in) financing activities	8.9	(241.0)
Cash and cash equivalents at the beginning of the year	95.5	277.2
Effect of exchange rate changes on cash and cash equivalents	(3.2)	(3.0)
Cash and cash equivalents at the end of the year	58.8	95.5

Net cash generated from operating activities

During the Year, the Group's net cash generated from operating activities was approximately RMB49.0 million, which comprised cash generated from operations of approximately RMB74.3 million, offset by income tax paid of approximately RMB25.3 million. Net cash generated from operating activities decreased by approximately RMB63.1 million or approximately 56.3% as compared with the net cash generated from operating activities of approximately RMB112.1 million for the Year 2020, which was mainly due to (i) the decrease of profit; (ii) the increase of receivables; and (iii) the decrease of payables.

Net cash used in investing activities

During the Year, the Group's net cash used in investing activities was approximately RMB91.5 million while net cash of approximately RMB49.9 million was used in investing activities for the Year 2020. Net cash used in investing activities was primarily due to the equipment purchase in current plants and the new Foshan Plant.

Net cash generated from/(used in) financing activities

During the Year, the Group's net cash generated from financing activities was approximately RMB8.9 million while net cash of approximately RMB241.0 million was used in financing activities for the Year 2020. The net cash generated from financing activities was mainly attributable to the increase of loans.

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 2021, the Group had no material contingent liabilities.

Human Resources

As at 31 December 2021, the Group had 1,721 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 change in life style, it is expected that internet shoppers will continue to rise rapidly and as a result, demand of the Group's product will increase constantly. At the same time, the Group will also focus on monitoring the growth in demand for household necessities such as food and beverages. Therefore, the Group will continue to review its production plants network with a view to further strengthening its market position in the corrugated packaging industry in the Mainland China and improve revenue and profitability through broadening geographical coverage and market penetration.

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

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

LISTING AND USE OF PROCEEDS

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

As at 31 December 2021, all the net proceeds from the Listing were used up for the following purposes:

Use of Proceeds	Net proceeds from the Listing		
	<i>HK\$ million</i> (approximately)		
	Proceeds available for use	Proceeds used	Proceeds unused
For expansion of production plants network	138.2	138.2	—
For upgrading production facilities and purchasing new machinery and equipment	44.4	44.4	—
For repayment of certain bank loans	55.0	55.0	—
For general working capital	24.9	24.9	—
Total	262.5	262.5	0.0

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, 23 June 2022 to Tuesday, 28 June 2022, 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, 28 June 2022. 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, 22 June 2022.

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK\$0.08 per share (Year 2020: HK\$0.16) payable to Shareholders whose names appear on the register of members of the Company on 8 July 2022. The final dividend is subject to approval by the Shareholders in the AGM. It is expected that the final dividend will be paid on 20 July 2022.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Continuing Connected Transactions

On 24 January 2022, for the better management of the lease transactions between the Group and Chongqing Stone Tan Financial Leasing Company Limited (重慶談石融資租賃有限公司) (“**Chongqing Stone Tan**”) and in view that the Group is required to purchase more machinery and equipment through finance and/or operating lease to cope with its growing business, the Company and Chongqing Stone Tan entered into a new framework agreement, pursuant to which Chongqing Stone Tan agreed to continue providing machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business for a term commencing on the date of the new framework agreement and ending on 31 December 2024. The new annual caps for the lease transactions under the new framework agreement for the three years ending 31 December 2024 are RMB140.0 million (equivalent to approximately HK\$166.3 million), RMB82.0 million (equivalent to approximately HK\$97.4 million) and RMB94.0 million (equivalent to approximately HK\$111.7 million) respectively. The new framework agreement and the transactions contemplated thereunder (including the new annual caps) had been approved in the extraordinary general meeting of the Company held on 29 March 2022. For details of the continuing connected transactions, please refer to the circular of the Company dated 8 March 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, 5 July 2022 to Friday, 8 July 2022 (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, 4 July 2022.

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 the code provisions set out in the CG 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**”) is the only executive Director, who performs similar function to that of a chief executive officer, and he also performs as the chairman of the Board. As Mr. Cheng has considerable experience in the corrugated packaging industry and has been assuming day-to-day responsibilities of managing and leading the Group since 1995, the Board believes that Mr. Cheng, being the executive Director and the chairman of the Board has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning of the Group which is the best interest of the Group.

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

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

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

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

Hong Kong, 29 March 2022

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