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CPMC HOLDINGS LIMITED

中糧包裝控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 906)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Variance %
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Revenue	5,293,583	5,226,576	1.3%
Earnings before interest and taxes	436,812	336,927	29.6%
Profit attributable to equity holders of the Company	273,269	267,469	2.2%
Basic earnings per share	RMB0.245	RMB0.240	2.1%
Dividends (HK cents)			
– Interim dividend	<u>13.3</u>	<u>13.9</u>	(4.3%)

The Board declared an interim dividend of RMB0.122 (equivalent to HK13.3 cents) per ordinary share for the six months ended 30 June 2023 to shareholders whose names appear on the register of members of the Company on 7 September 2023.

INTERIM RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of CPMC Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Interim Financial Information**”) together with comparative figures for the corresponding period of the last year. The Interim Financial Information has been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	5,293,583	5,226,576
Cost of sales	6(a)	<u>(4,499,302)</u>	<u>(4,605,856)</u>
GROSS PROFIT		794,281	620,720
Other income and gains	5	57,335	110,921
Selling and marketing expenses		(196,748)	(196,403)
Administrative expenses		(219,390)	(199,964)
Finance costs		(101,356)	(35,848)
Share of results of joint ventures		<u>1,334</u>	<u>1,653</u>
PROFIT BEFORE INCOME TAX	6	335,456	301,079
Income tax expense	7	<u>(63,888)</u>	<u>(38,618)</u>
PROFIT FOR THE PERIOD		<u>271,568</u>	<u>262,461</u>
Attributable to:			
Equity holders of the Company		273,269	267,469
Non-controlling interests		<u>(1,701)</u>	<u>(5,008)</u>
		<u>271,568</u>	<u>262,461</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB)		<u>0.245</u>	<u>0.240</u>
Diluted (RMB)		<u>0.245</u>	<u>0.240</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>271,568</u>	<u>262,461</u>
OTHER COMPREHENSIVE EXPENSE		
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>		
– Exchange differences on translation of foreign operations (with nil tax effect)	<u>(120,977)</u>	<u>(191,994)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	<u>(120,977)</u>	<u>(191,994)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>150,591</u>	<u>70,467</u>
Attributable to:		
Equity holders of the Company	148,540	77,409
Non-controlling interests	<u>2,051</u>	<u>(6,942)</u>
	<u>150,591</u>	<u>70,467</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June	31 December
	2023	2022
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	5,900,568	5,730,086
Right-of-use assets	418,113	420,458
Goodwill	233,973	233,973
Other intangible assets	19,412	20,270
Interests in joint ventures	41,154	20,917
Deposits for purchase of items of property, plant and equipment	184,954	189,129
Prepayments	39,793	44,299
Deferred tax assets	18,777	24,811
	6,856,744	6,683,943
TOTAL NON-CURRENT ASSETS		
CURRENT ASSETS		
Inventories	1,503,632	1,770,419
Trade and bills receivables	<i>10</i> 3,323,443	2,738,201
Prepayments, other receivables and other assets	371,681	386,109
Tax recoverable	3,771	24
Pledged deposits and restricted deposit	56,973	115,743
Cash and cash equivalents	1,938,933	2,380,067
	7,198,433	7,390,563
TOTAL CURRENT ASSETS		
CURRENT LIABILITIES		
Trade and bills payables	<i>11</i> 2,217,388	2,422,478
Other payables and accruals	497,408	504,894
Lease liabilities	10,377	12,002
Interest-bearing bank borrowings	4,800,455	3,824,249
Tax payable	44,198	64,770
	7,569,826	6,828,393
TOTAL CURRENT LIABILITIES		

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NET CURRENT (LIABILITIES)/ASSETS	<u>(371,393)</u>	<u>562,170</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,485,351</u>	<u>7,246,113</u>
NON-CURRENT LIABILITIES		
Government grants	13,675	13,604
Interest-bearing bank borrowings	564,184	1,387,199
Lease liabilities	70,607	64,852
Deferred tax liabilities	<u>67,007</u>	<u>52,056</u>
TOTAL NON-CURRENT LIABILITIES	<u>715,473</u>	<u>1,517,711</u>
NET ASSETS	<u><u>5,769,878</u></u>	<u><u>5,728,402</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	2,730,433	2,730,433
Reserves	<u>2,687,736</u>	<u>2,648,311</u>
	5,418,169	5,378,744
Non-controlling interests	<u>351,709</u>	<u>349,658</u>
TOTAL EQUITY	<u><u>5,769,878</u></u>	<u><u>5,728,402</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023	2022
<i>Note</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	335,456	301,079
Adjustments for:		
Finance costs	101,356	35,848
Interest income	<i>5</i> (19,122)	(13,791)
Loss/(gain) on disposal of property, plant and equipment	<i>5</i> 1,038	(1,017)
Committed dividend income from a former joint venture	<i>5</i> –	(68,643)
Share of results of joint ventures	(1,334)	(1,653)
Depreciation of property, plant and equipment	<i>6(c)</i> 231,739	221,686
Depreciation of right-of-use assets	<i>6(c)</i> 13,992	13,249
Amortisation of other intangible assets	<i>6(c)</i> 1,621	1,603
Impairment loss recognised/ (reversed) on trade and other receivables, net	<i>6(c)</i> 52	(253)
Amortisation of government grants	(625)	(592)
Foreign exchange differences, net	17,228	(4,820)
Operating profit before changes in working capital	681,401	482,696
Decrease in inventories	266,787	99,414
Increase in trade and bills receivables	(585,299)	(496,104)
Decrease/(increase) in prepayments, other receivables and other assets	19,084	(66,527)
Decrease/(increase) in pledged deposits and restricted deposit	42,565	(24,752)
Decrease in trade and bills payables	(205,090)	(226,885)
Increase in other payables and accruals	22,712	63,262
CASH GENERATED FROM/(USED IN)		
OPERATIONS	242,160	(168,896)
Interest paid	(123,140)	(38,586)
The PRC Enterprise Income Tax paid	(67,222)	(17,090)
NET CASH GENERATED FROM/(USED IN)		
OPERATING ACTIVITIES	51,798	(224,572)

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Interest received	19,122	13,791
Additions to prepayments, other receivables and other assets	(2,553)	(6,747)
Purchase of property, plant and equipment	(254,952)	(234,381)
Payment for right-of-use assets	–	(43,942)
Deposits paid for purchase of property, plant and equipment	(106,185)	(114,414)
Proceeds from disposal of property, plant and equipment	815	2,019
Additions to other intangible assets	(1,472)	(135)
Investments in joint ventures	(17,487)	(4,680)
Committed dividend received from a former joint venture	–	68,643
Receipt of government grants	–	444
Deposits paid for other non-current assets	–	(2,400)
	<u>(362,712)</u>	<u>(321,802)</u>
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
New bank loans raised	1,276,685	552,328
Repayments of bank loans	(1,312,567)	(88,690)
Repayments of lease liabilities	(8,231)	(2,651)
Interest paid on lease liabilities	(886)	(1,052)
Capital contribution from non- controlling shareholders of subsidiaries	–	8,100
Dividends paid	(99,823)	(100,492)
Loan advanced from a non- controlling shareholder of a subsidiary	–	65,369
	<u>–</u>	<u>65,369</u>
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(144,822)</u>	<u>432,912</u>

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(455,736)	(113,462)
Cash and cash equivalents at the beginning of period	2,380,067	1,917,295
Effect of foreign exchange rate changes, net	<u>14,602</u>	<u>5,719</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>1,938,933</u>	<u>1,809,552</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,048,933	919,552
Deposits in COFCO Finance Company Limited ("COFCO Finance"), a subsidiary of COFCO Corporation	<u>890,000</u>	<u>890,000</u>
CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	<u>1,938,933</u>	<u>1,809,552</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND INFORMATION OF THE GROUP

CPMC Holdings Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong. On 16 November 2009, the Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at 33/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacture of packaging products, including beverage cans, food cans, aerosol cans, metal caps, printed and coated tinplates, steel barrels, round and square shaped cans and plastic packaging in the People’s Republic of China (the “**PRC**”).

As at 30 June 2023, (i) COFCO (Hong Kong) Limited (“**COFCO (Hong Kong)**”) beneficially held approximately 29.70% (31 December 2022: 29.70%) of the issued shares of the Company, being the single largest shareholder of the Company; and (ii) 奧瑞金科技股份有限公司 (ORG Technology Co. Ltd.*) (“**ORG Technology**”) beneficially held approximately 24.40% (31 December 2022: 24.40%) of the issued shares of the Company, being the second largest shareholder of the Company. COFCO (Hong Kong) is a company incorporated in Hong Kong and ultimately held by COFCO Corporation (“**COFCO**”), a state-owned enterprise registered in the PRC. ORG Technology is a company established in the PRC and listed on the Shenzhen Stock Exchange.

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2022 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (“**HKCO**”).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the HKCO.

* *For identification purpose only*

3 PRINCIPAL ACCOUNTING POLICIES

At 30 June 2023, a significant portion of the funding requirements of the Group for capital expenditures was satisfied by short-term borrowings. Consequently, at 30 June 2023, the Group had net current liabilities of approximately RMB371,393,000. The Group had sufficient undrawn borrowing facilities of approximately RMB1,454,938,000, subject to certain conditions, and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable. The directors of the Company are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these condensed consolidated financial statements on a going concern basis.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform- Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4 REVENUE AND OPERATING SEGMENT

For management purposes, the Group has one operating segment of packaging products, which can be analysed by three business units based on their products and services as follows:

- (a) Tinplate packaging – the Group uses tinplate as the main raw material for its tinplate packaging products, which include milk powder cans, aerosol cans, metal caps, steel barrels, and other metal packaging;

- (b) Aluminum packaging – the Group uses aluminum as the main raw material for its aluminum packaging products, which mainly consist of two-piece beverage cans and one-piece bottles; and
- (c) Plastic packaging – the Group’s plastic packaging products are mainly used for milk bottles, shampoo bottles, plastic devices of electronic products, daily use hardware, package printing, sports drink bottles and related plastic-made products.

Management monitors the results of the Group’s business units separately for the purpose of making decisions about resource allocation and performance assessment. Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period. The performance for each of the business unit is evaluated based on revenue, as explained below:

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
By type of goods		
Tinplate packaging	2,080,934	2,169,397
Aluminum packaging	2,891,628	2,748,790
Plastic packaging	<u>321,021</u>	<u>308,389</u>
	<u>5,293,583</u>	<u>5,226,576</u>
By geographical markets		
Mainland China	4,883,851	4,871,234
Overseas	<u>409,732</u>	<u>355,342</u>
	<u>5,293,583</u>	<u>5,226,576</u>
Timing of revenue recognition		
A point in time	<u>5,293,583</u>	<u>5,226,576</u>

5 OTHER INCOME AND NET GAINS

	For the six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Other income		
Bank interest income	12,184	6,236
Interest income from COFCO Finance	6,938	7,555
Committed dividend income from a former joint venture (<i>Note (i)</i>)	–	68,643
Government grants (<i>Note (ii)</i>)	14,269	17,582
Rental income	888	1,796
	<u>34,279</u>	<u>101,812</u>
Other gains		
(Loss)/gain on disposal of property, plant and equipment	(1,038)	1,017
Foreign exchange differences, net	18,700	(2,645)
Other gains	5,394	10,737
	<u>23,056</u>	<u>9,109</u>
	<u><u>57,335</u></u>	<u><u>110,921</u></u>

Notes:

- (i) During the six months ended 30 June 2022, the Group received committed dividend from a former joint venture, Qingyuan JDB Herbal Plant Technology Co., Ltd., amounting to RMB68,643,000.
- (ii) The government grants are mainly granted by the PRC's local authority to support local companies. There are no unfulfilled conditions or contingencies related to these grants.

6 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(a) Cost of sales		
Cost of inventories sold	4,511,146	4,613,699
Realised fair value gains on derivative financial instruments, net	<u>(11,844)</u>	<u>(7,843)</u>
	<u>4,499,302</u>	<u>4,605,856</u>
(b) Staff costs (including directors' and chief executive's remuneration)		
Wages and salaries	355,365	342,157
Pension scheme contributions	35,924	28,343
Other benefits	<u>35,686</u>	<u>16,533</u>
	<u>426,975</u>	<u>387,033</u>
(c) Other items		
Depreciation of property, plant and equipment	231,739	221,686
Depreciation of right-of-use assets	13,992	13,249
Amortisation of other intangible assets	1,621	1,603
Impairment loss recognised/ (reversed) on trade and other receivables under expected credit loss model, net	<u>52</u>	<u>(253)</u>

7 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
Charge for the period	73,162	57,358
Over-provision in respect of prior periods	(30,259)	(14,659)
	42,903	42,699
Deferred tax	20,985	(4,081)
	63,888	38,618

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the approvals issued by the State Administration of Taxation of the PRC during the year ended 31 December 2013, the Company and most of its subsidiaries incorporated in Hong Kong and the British Virgin Islands are regarded as Chinese Resident Enterprises (collectively the “CREs”) and the relevant enterprise income tax policies of the PRC are applicable to the CREs commencing from 1 January 2013.

Under the PRC income tax laws, enterprises are subject to Enterprise Income Tax (“EIT”) at the rate of 25% (six months ended 30 June 2022: 25%). Four (six months ended 30 June 2022: Four) of the Group’s subsidiaries are operating in a specific development zone in the PRC, and the relevant tax authority has granted the subsidiaries a preferential EIT rate of 15%. One (six months ended 30 June 2022: One) of the Group’s subsidiaries are qualified as high-tech enterprises in the PRC, and the relevant tax authorities have granted the subsidiary a preferential EIT rate of 15%. Two (six months ended 30 June 2022: One) of the Group’s subsidiaries are qualified as small enterprises earning low profits in the PRC, and the relevant tax authorities have granted the subsidiary preferential EIT rate of 5% (six months ended 30 June 2022: 2.5%).

8 DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Proposed interim – RMB0.122 (six months ended 30 June 2022: RMB0.120) per ordinary share	<u>135,838</u>	<u>133,611</u>

9 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on the following data:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>273,269</u>	<u>267,469</u>
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,113,423</u>	<u>1,113,423</u>

The diluted earnings per share for both the six months ended 30 June 2023 and 2022 were the same as the respective basic earnings per share as there were no potential dilutive ordinary shares in existence of both periods.

10 TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables		
– From third parties	3,009,602	2,481,450
– From related parties	171,622	80,065
	3,181,224	2,561,515
Less: Impairments	(3,598)	(3,535)
	3,177,626	2,557,980
Bill receivables	145,817	180,221
Trade and bill receivables	3,323,443	2,738,201

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's trade receivables from related parties are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	2,629,070	1,855,754
3 to 12 months	691,104	881,735
Over 1 year	3,269	712
	3,323,443	2,738,201

11 TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	1,747,694	1,849,725
3 to 12 months	465,205	565,169
Over 1 year	<u>4,489</u>	<u>7,584</u>
	<u>2,217,388</u>	<u>2,422,478</u>

Trade and bills payables are non-interest-bearing and the credit terms are normally 30 to 180 days.

As at 30 June 2023, certain of the Group's bills payables were secured by the Group's bank deposits amounting to RMB43,869,000 (31 December 2022: RMB86,263,000).

As at 30 June 2023, included in the trade and bills payables were trade payables of RMB385,000 (31 December 2022: RMB246,000) due to ORG Technology and its subsidiaries and trade payables of RMB207,000 (31 December 2022: Nil) due to COFCO, which are related parties to the Group, and trade payables of RMB70,667,000 (31 December 2022: RMB32,658,000) due to a joint venture of the Group. These payables are repayable within 90 days, a credit term similar to those offered to its major customers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS INTRODUCTION

The Group is principally engaged in the manufacturing and sale of packaging products used for consumer goods such as food, beverages and household chemical products, extensively covering the packaging markets of tea beverages, carbonated beverages, fruit and vegetable beverages, beer, dairy products, household chemical products and other consumer goods. In addition, the Group provides comprehensive packaging solutions including high technological packaging design, printing, logistics and comprehensive customer services. As a leading metal packaging provider in the PRC, the Group is committed to developing into the leader of the comprehensive consumer goods packaging industry in the PRC. The products of the Group mainly include aluminium packaging, tinplate packaging and plastic packaging. The Group carries out operations through 37 operating subsidiaries and their branches, 2 joint ventures (which are strategically located in different regions of the PRC), 1 offshore operating subsidiary and 1 offshore joint venture in order to serve customers more efficiently. Ranking first in multiple market segments, the Group has earned the appreciation and trust of many well-known brands domestically and abroad, and established a solid customer base, including domestically and internationally renowned high-end consumer goods enterprises.

ALUMINIUM PACKAGING

The Group uses aluminium as the main raw material for its aluminium packaging products, which mainly include two-piece beverage cans (“**two-piece cans**”) and one-piece cans. Aluminium packaging products are characterised by a high degree of automatic production, product recyclability, etc., and has been one of the core businesses of the Company in recent years.

As the domestic epidemic eased and the economy gradually recovered, the demand for beer and other downstream products recovered, and the aluminium packaging capacity was further released. The Group’s sales revenue from aluminium packaging was approximately RMB2,892 million (same period in 2022: approximately RMB2,749 million), representing an increase of approximately 5.2% over 2022, accounting for approximately 54.6% of the total sales (same period in 2022: approximately 52.6%), which was a further increase. The gross profit margin of the aluminium packaging business in the first half of 2023 was approximately 14.0%, representing a year-on-year increase (same period in 2022: approximately 12.1%).

Two-piece Beverage Cans (Two-piece Cans)

Two-piece cans products are primarily used for the packaging of beers, carbonated drinks and tea beverages. In the first half of 2023, the Group's sales revenue from the two-piece cans business was approximately RMB2,785 million (same period in 2022: approximately RMB2,655 million), representing an increase of approximately 4.9% from the previous year. The Group continued to optimise and improve the domestic and overseas layout of two-piece cans, and effectively increased the production capacity in key areas such as Southwest and Northeast China. The new plant in Kunming and the third production line in Chengdu have been put into operation, expanding the coverage of other customers in the surrounding provinces and cities in Southwest China and Southeast Asia. The new plant in Shenyang will be put into operation during the year, which will effectively fill the regional gap and form regional complementary advantages with Tianjin linkage. Renowned customers of the Group's two-piece cans business include Anheuser-Busch InBev, Coca-Cola, CR Snow Beer, JDB, Carlsberg, Tsingtao Brewery and PepsiCo.

One-piece Cans

One-piece cans products are primarily used for the packaging of household chemical products, beers, carbonated drinks and medical products. In 2023, as the impact of the pandemic eased, the demand for one-piece cans further increased. In the first half of 2023, the Group's sales revenue from one-piece cans products was approximately RMB106 million (same period in 2022: approximately RMB94 million), representing a year-on-year increase of approximately 12.8%. Renowned customers of the Group's one-piece cans business include Anheuser-Busch InBev, China Resources Snow Breweries and Sinochem Group etc.

TINPLATE PACKAGING

The Group uses tinplate as the primary raw material for its tinplate packaging, the products of which include steel barrels, milk powder cans, aerosol cans, metal caps and other metal packaging. The Group is in a leading position in a number of market segments, with steel barrels, milk powder cans, twist caps and spray cans ranking No. 1 in market shares nationwide.

In the first half of 2023, the Group seized external market opportunities, consolidated cooperation with core customers, further expanded its market share, explored the application of new technologies internally, developed differentiated products, and improved the level of automated manufacturing. In the first half of 2023, the sales revenue from the Group's tinplate packaging business amounted to approximately RMB2,081 million (same period in 2022: approximately RMB2,169 million), representing a year-on-year decrease of approximately 4.1%, and accounted for approximately 39.3% of the total sales (same period in 2022: approximately 41.5%).

Steel Barrels

The Group produces steel barrels with a volume of 200 litres or above, which are mainly used for carrying chemical products and raw food ingredients (e.g. bulk edible oil). In the first half of 2023, the steel barrel business focused on the operating strategy of “expanding scale, optimising structure, increasing profitability and strengthening management” to effectively improve profitability. In the first half of 2023, the Group’s sales revenue from the steel barrels business was approximately RMB737 million (same period in 2022: approximately RMB713 million), representing a year-on-year increase of approximately 3.4%. Renowned customers of the Group’s steel barrels business include Wanhua Chemical, Sinopec, PetroChina, BASF, Covestro, Nippon, Shell, ExxonMobil, AkzoNobel and Yihai Kerry.

Milk Powder Cans

Milk powder cans are mainly used for the packaging of infant formula milk powder, health food and other products. The Group deepened technological innovation in research and development, improved the application level of digital chain coding technology for easy-to-tear covers and enhanced the comprehensive competitiveness of the products. In the first half of 2023, the sales revenue from the milk powder cans business amounted to approximately RMB369 million (same period in 2022: approximately RMB376 million), representing a year-on-year decrease of approximately 1.9%. Renowned customers of the Group’s milk powder cans business include Feihe, Yili, Mengniu and Nestle.

Aerosol Cans

Aerosol cans products are primarily used for the packaging of household chemical products (e.g. alcohol disinfectant spray, car maintenance products, air fresheners, personal care products and pesticides) and other chemical products. In the first half of 2023, the Group recorded sales revenue of approximately RMB297 million (same period in 2022: approximately RMB298 million). Renowned customers of the Group’s aerosol cans business include Gunuo Tianjin, Johnson Shanghai, Shanghai Daizo and Zhongshan Lanju.

Metal Caps

Metal caps products include twist caps and crown caps. In the first half of 2023, the sales revenue of metal caps products was approximately RMB244 million (same period in 2022: approximately RMB289 million), representing a decrease by 15.6% compared with the same period in previous year. Through the differentiated advantages of a series of innovative products such as TPE, anti-slide cap and QR code cap, the Group stabilised the orders from major customers, and promoted the internal effective improvement in product quality and delivery time to improve customer experience. Renowned customers of the Group's metal caps business include Haiday, Jiajiahong, Huanlejia, Lao Gan Ma, Chubang, China Resources Snow Breweries, Anheuser-Busch InBev and Tsingtao Brewery.

PLASTIC PACKAGING

The Group's plastic packaging products are mainly used for the packaging of personal care, household chemical and food and beverage products. The Group continued to focus on key customers, consolidated cooperation with customers of household chemical products, and increased the share of food products supply such as Heinz; We will promote the application of intelligent manufacturing in the plastic business, promote R & D and innovation, and meet customer needs with differentiated products. In the first half of 2023, the Group achieved sales revenue from the plastic packaging business of approximately RMB321 million (same period in 2022: approximately RMB308 million), representing a year-on-year increase of approximately 4.1%. Renowned customers of the Group's plastic packaging business include P&G, Blue Moon, Unilever, Haiday, Reckitt Benckiser, SC Johnson, Lee Kum Kee and Heinz.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the sales revenue of the Group amounted to approximately RMB5,294 million (same period in 2022: approximately RMB5,227 million), representing an increase of approximately RMB67 million or 1.3%. The gross profit margin in the first half of 2023 was approximately 15.0% (same period in 2022: approximately 11.9%), representing an increase from the same period of last year, which was mainly due to the reduction of unit cost through technology research and development and cost reduction.

For the six months ended 30 June 2023, the net profit of the Group amounted to approximately RMB272 million (same period in 2022: approximately RMB262 million), representing an increase of approximately RMB10 million or 3.5% over the same period of last year, which was mainly due to the increase in gross profit margin.

GROUP'S PROFIT

For the six months ended 30 June 2023, the profit before tax of the Group was approximately RMB335 million (same period in 2022: approximately RMB301 million), representing an increase of approximately RMB34 million or 11.4% as compared to the same period of last year.

The financial costs were approximately RMB101 million (same period in 2022: approximately RMB36 million), representing an increase of approximately RMB65 million or 182.7% as compared to the same period of last year, which was mainly due to the impact of rising in financing cost.

Tax expense was approximately RMB64 million (same period in 2022: approximately RMB39 million). The effective income tax rate of the Group in the first half of 2023 was approximately 19.0% (same period in 2022: approximately 12.8%), representing an increase of 6.2 percentage points over the same period of last year.

OUTLOOK FOR 2023

In the first half of 2023, the society will resume normal, and the domestic economy will gradually stabilise and improve. In the second half of the year, under the background of adhering to the general tone of economic work of making progress while maintaining stability, more consumption promotion policies will further stimulate domestic demand, and the consumption potential is expected to be further released.

In the context of the “dual carbon” goal, the concept of green development is deeply rooted in people’s hearts. Practising low-carbon and green development will inevitably become the focus of the development of the packaging industry in the future, which puts forward higher requirements for the low emissions and the application of environmentally friendly materials in the packaging industry. The Group has built a “3 + N” technology innovation system and established a technology-oriented business philosophy. On the basis of traditional packaging technology, the Group optimises the process flow, improves the level of intelligent manufacturing, deepens the application of digital simulation technology, focus on the research of environmentally friendly materials and recyclable materials, promotes the construction of a comprehensive energy technology platform, implements the goal of sustainable development, and continuously improves value creation.

Looking forward, the Group will closely follow the market demand and continue to explore new development opportunities. Based on the domestic market, the Group will coordinate overseas markets, consolidate and expand the existing market share, optimise investment strategies, promote differentiated business development, and meet customer needs in a more comprehensive and timely manner with high-quality and differentiated high-quality product portfolio.

CASH FLOW, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2023, the Group's source of funding was mainly cash generated from operating activities and bank loans.

	30 June 2023	31 December 2022
	<i>RMB million</i>	<i>RMB million</i>
Net assets	5,770	5,728
Cash and cash equivalents	1,939	2,380
Total borrowings	5,365	5,211
Equity attributable to equity holders of the Company	5,418	5,379
Current ratio	1.0	1.1
Gearing ratio*	<u>63.2%</u>	<u>52.6%</u>

* The gearing ratio is calculated as the net borrowings divided by equity attributable to equity holders of the Company, in which the net borrowings are calculated as the total borrowings minus cash and cash equivalents.

As at 30 June 2023, the net assets of the Group was approximately RMB5,770 million (31 December 2022: approximately RMB5,728 million). Equity attributable to equity holders of the Company was approximately RMB5,418 million, representing an increase of 0.7% as compared to approximately RMB5,379 million as at 31 December 2022.

The current ratio and gearing ratio as at 30 June 2023 were approximately 1.0 and approximately 63.2% (as at 31 December 2022: approximately 1.1 and 52.6%, respectively). As at 30 June 2023, the current ratio was approximately 1.0, decreased by 0.1 as compared to 31 December 2022. As at 30 June 2023, the gearing ratio was approximately 63.2%, increased by 10.6 percentage points as compared to 31 December 2022, which was mainly due to increase in bank borrowings. Interest-bearing bank loans were approximately RMB5,365 million as at 30 June 2023 (31 December 2022: RMB5,211 million). As at 30 June 2023, certain of the Group's bank loans are secured by mortgages over the Group's properties, plants and equipments, which had a net carrying value at the end of the reporting period of approximately RMB352 million (31 December 2022: RMB325 million).

CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

For the six months ended 30 June 2023, the Group's capital expenditure was approximately RMB383 million, which was as follows:

	<i>RMB million</i>	Percentage of capital expenditure
Belgium project	22	5.7%
Two-piece cans project	249	65.0%
Tinplate project	37	9.7%
Plastics project	31	8.1%
Steel barrels project	10	2.6%
Other equipment purchases	34	8.9%
Total	<u>383</u>	<u>100.0%</u>

As at 30 June 2023, the Group had the following capital commitments:

	30 June 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Contracted, but not provided for:		
property, plant and equipment	313,500	463,023
capital contribution payable to a joint venture	<u>51,359</u>	<u>–</u>

As at 30 June 2023, save as mentioned above, the Group had no other significant commitments and contingent liabilities.

FOREIGN EXCHANGE RISK

The Group's main operations are located in China. Other than some of the bank loans and bank deposits which are denominated in U.S. dollars and Hong Kong dollars, most of the assets, income, payments and cash balances are denominated in RMB. The Directors consider that exchange rate fluctuations have no significant impact on the Company's results.

HUMAN RESOURCES

As at 30 June 2023, the Group had 6,292 full-time employees (same period in the previous year: 5,776), of which approximately 1,767 were engineers and technical staff or employees with higher education backgrounds. The table below shows the number of employees of the Group by function as at 30 June 2023:

Function	No. of employees	Percentage of total no. of employees
Management and Administration	662	10.5%
Sales and Marketing	211	3.3%
Research and Development Technology and Engineering	886	14.1%
Production and Quality Control	<u>4,533</u>	<u>72.1%</u>
Total	<u><u>6,292</u></u>	<u><u>100.00%</u></u>

As of 30 June 2023, the Group's total staff cost was approximately RMB427 million (unaudited), as compared to RMB387 million in the same period last year. The Group determined the salary of employees based on their performance, the standard of salary in the respective regions, and the industry and market conditions. The benefits of the employees in Mainland China include pension insurance, medical insurance, unemployment insurance, maternity insurance and employment-related injury insurance and housing fund contributions. In addition to the requirements of the PRC law, the Group has made voluntary contributions to an annuity plan, which was implemented with effect from 1 January 2009, for benefits of the Group's employees when they reach certain seniority. The benefits of employees in Hong Kong included mandatory provident fund, life insurance and medical insurance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

UPDATES ON DIRECTORS' INFORMATION

At the annual general meeting ("**AGM**") of the Company held on 29 May 2023, ordinary resolutions were passed to re-elect Messrs. Zhang Xin and Zhang Ye as executive Directors; and Mr. Cheng Yuk Wo as independent non-executive Director. Please refer to Appendix II to the Company's circular dated 18 April 2023 for the biographies of the above Directors re-elected at the AGM.

Save for those disclosed above, there is no other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDENDS

On 22 August 2023, the Board declared an interim dividend of RMB0.122 (equivalent to HK13.3 cents) (the "**2023 Interim Dividend**") (2022 interim dividend: RMB0.120 (equivalent to HK13.9 cents)) per ordinary Share to shareholders whose names appear on the register of members of the Company on Thursday, 7 September 2023 (the "**Record Date**").

The declared 2023 Interim Dividend will be distributed on or after Monday, 25 September 2023 to shareholders whose names appear on the register of members of the Company on the Record Date.

Pursuant to “Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore incorporated Enterprises under Rules of Effective Management” (《關於境外註冊中資控股企業依據實際管理機構標準確定為居民企業有關問題的通知》) (The “**Notice**”), which was issued by the State Administration of Taxation (the “**SAT**”) of the People’s Republic of China (the “**PRC**” or “**China**”) on 22 April 2009 and implemented on 1 January 2008. Enterprises controlled by Chinese enterprises or enterprises groups and registered outside China shall be regarded as resident enterprises with de facto management bodies located in China, or “offshore-registered resident enterprises” (非境內註冊居民企業). Provide that all of the following criteria are present or effected in the PRC; (1) senior management in charge of daily operations and offices; (2) decision-making or authorized departments regarding financial management and human resources; (3) primary assets, accounting books, seals, records and files of shareholders’ meetings or board of directors’ meetings; and (4) directors or senior management with 50% or more voting rights ordinarily reside in China. Whether or not a Chinese-controlled offshore enterprise is an offshore-registered resident enterprise is subject to preliminary review by the local tax bureau where the de facto management body of Chinese-controlled offshore enterprise or its controller is based and is subject to final confirmation by SAT.

As disclosed in the announcement of the Company dated 9 June 2013, the Company had received the SAT approvals which confirmed that the Company is a Chinese Resident Enterprise effective from 1 January 2013. Therefore, the Company will implement enterprise income tax withholding arrangement for the declared 2023 Interim Dividend.

Pursuant to the Notice, the Enterprise Income Tax Law and the Implementation Rules, the Company is likely to be required to withhold 10% enterprise income tax when it distributes the declared 2023 Interim Dividend to its non-resident enterprise shareholders. In respect of all shareholders whose names appear on the register of members of the Company on the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the declared 2023 Interim Dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the declared 2023 Interim Dividend payable to any natural person shareholders whose names appear on the register of members of the Company on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company’s register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it should lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled at or before 4:30 p.m. on Tuesday, 5 September 2023.

Investors should read the above carefully. If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the register of members of the Company on the Record Date. The Company assumes no liability whatsoever and will not entertain any claims arising from any delay in, or inaccurate confirmation of, the status of the shareholders or any disputes over the mechanism of withholding.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 September 2023 to Thursday, 7 September 2023 (both dates inclusive). In order to qualify for the 2023 Interim Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 September 2023. It is expected that the 2023 Interim Dividend will be paid on or around Monday, 25 September 2023.

REMUNERATION COMMITTEE

On 23 October 2009, the Company approved the formation of the remuneration committee upon the listing of the Shares on the Stock Exchange with written terms of reference to state its authority and duties. A majority of the members of the Remuneration Committee are independent non-executive Directors.

The duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; (ii) determine the specific remuneration packages of Directors and senior management; and (iii) review and approve performance based remuneration by reference to corporate goals and objectives resolved by the Board. The Remuneration Committee may have access to independent professional advice at the Company's expense if considered necessary.

The Remuneration Committee is comprised two independent non-executive Directors and one non-executive Director. The Remuneration Committee is chaired by Mr. Pun Tit Shan. The other Remuneration Committee members are Mr. Shen Tao and Mr. Cheng Yuk Wo.

AUDIT COMMITTEE

On 23 October 2009, the Company approved the formation of the Audit Committee upon the listing of the Shares on the Stock Exchange with written terms of reference stating its authority and duties. A majority of the members of the Audit Committee are independent non-executive Directors.

The Audit Committee is primarily responsible for (i) reviewing and supervising of the Group's financial reporting process and completeness of financial reports; (ii) monitoring the effectiveness of the Group's internal control system; and (iii) considering the independence of the external auditors.

The Audit Committee is comprised two independent non- executive Directors and one non-executive Director. The Audit Committee is chaired by Mr. Cheng Yuk Wo, who possesses the professional qualifications and/or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules. The other Audit Committee members are Mr. Zhou Yuan and Mr. Chen Jihua.

NOMINATION COMMITTEE

On 23 October 2009, the Company approved the formation of the nomination committee upon the listing of the Shares on the Stock Exchange. The Board has also adopted the terms of reference for the Nomination Committee which are in line with the code provisions set out in the CG Code and are published on the Stock Exchange's website and the Company's website. A majority of the members of the Nomination Committee are independent non-executive Directors.

The principal duties of the Nomination Committee are mainly to (i) review the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes; (ii) make recommendations to the Board on the nominees for appointment as Director and senior management of the Group; and (iii) assess the independence of the independent non-executive Directors.

The Nomination Committee is comprised of two independent non-executive Directors and the Chairman of the Board. The Nomination Committee is chaired by Mr. Zhang Xin. The other Nomination Committee members are Mr. Cheng Yuk Wo and Mr. Pun Tit Shan.

RISK MANAGEMENT COMMITTEE

The risk management committee was established on 22 December 2016 and the Board has adopted the terms of reference for the Risk Management Committee which are in line with the code provisions set out in the CG Code and are published on the Stock Exchange's website and the Company's website.

The principal duties of the Risk Management Committee are mainly to (i) review the Group's enterprise risk management framework, and the guidelines, policies and procedures for risk assessment and risk management; (ii) review the Group's major risks and key emerging risks and the controls in place to mitigate such risks; and (iii) review the effectiveness of the enterprise risk management function.

The Risk Management Committee is comprised of one independent non-executive Director, one non-executive Director and one executive Director. The Risk Management Committee is chaired by Mr. Chen Jihua. The other Risk Management Committee members are Mr. Zhang Ye and Mr. Meng Fanjie.

By order of the Board
CPMC Holdings Limited
Zhang Xin
Chairman and Executive Director

Hong Kong, 22 August 2023

As at the date of this announcement, the chairman of the Board and executive Director is Mr. Zhang Xin, the executive Director is Mr. Zhang Ye, the non-executive Directors are Dr. Zhao Wei, Messrs. Meng Fanjie, Zhou Yuan and Shen Tao, and the independent non-executive Directors are Messrs. Cheng Yuk Wo, Pun Tit Shan and Chen Jihua.