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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)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023; SPECIAL DIVIDEND; AND CLOSURE OF REGISTER OF MEMBERS**

#### **RESULTS HIGHLIGHTS**

- Revenue amounting to approximately RMB946.7 million was recorded for the Period (Corresponding Period: approximately RMB1,062.5 million), representing a decrease of approximately 10.9% as compared with the Corresponding Period.
- The net profit attributable to owners of the Company for the Period was approximately RMB3.7 million (Corresponding Period: approximately RMB8.9 million), representing a decrease of approximately 58.4% as compared with the Corresponding Period.
- The Board has resolved not to declare any interim dividend for the Period. Nonetheless the Board is pleased to announce that the declaration and payment of a special dividend of HK\$0.08 per Share to Shareholders whose names appear on the register of members of the Company on 27 October 2023 has been resolved by the Board in its meeting held on 29 August 2023. The special dividend is not reflected as dividend payables in these condensed consolidated interim financial statements. It is expected that the special dividend will be paid on or around 15 December 2023.

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Pacific Millennium Packaging Group Corporation (the “**Company**”, together with its subsidiaries the “**Group**”) hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023 (the “**Period**”), together with comparative figures for the corresponding period in 2022 (the “**Corresponding Period**”), are as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Revenue	4	946,719	1,062,501
Cost of sales		<u>(788,609)</u>	<u>(901,629)</u>
Gross profit		158,110	160,872
Other income and other gains and losses, net		5,590	4,084
Selling and distribution expenses		(59,151)	(56,345)
Administrative expenses		(77,140)	(80,300)
Impairment loss on trade receivables, net		(2,597)	(211)
Finance costs		<u>(15,553)</u>	<u>(13,927)</u>
Profit before income tax	5	9,259	14,173
Income tax expense	6	<u>(5,534)</u>	<u>(5,292)</u>
<b>Profit for the period</b>		<b>3,725</b>	<b>8,881</b>
<b>Item that will not be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of the Company’s financial statements into its presentation currency		247	(132)
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		<u>(2,276)</u>	<u>(4,735)</u>
<b>Total comprehensive income for the period</b>		<b><u>1,696</u></b>	<b><u>4,014</u></b>
<b>Earnings per Share (RMB)</b>	7	<b><u>1 cents</u></b>	<b><u>3 cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2022 <i>RMB'000</i> (audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>754,987</b>	794,579
Prepayments for purchase of property, plant and equipment		<b>2,232</b>	5,407
Deferred tax assets		<b>18,798</b>	15,969
		<b>776,017</b>	815,955
<b>Current assets</b>			
Inventories		<b>108,854</b>	111,483
Trade and other receivables	8	<b>554,073</b>	635,642
Pledged deposits	11	<b>20,046</b>	20,850
Bank balances and cash		<b>140,916</b>	98,769
		<b>823,889</b>	866,744
<b>Current liabilities</b>			
Trade and other payables	9	<b>300,147</b>	331,151
Contract liabilities		<b>2,623</b>	2,829
Dividend payable	12	<b>22,175</b>	—
Bank borrowings	10	<b>346,832</b>	348,340
Loans from immediate holding company		<b>37,870</b>	69,771
Tax payable		<b>5,248</b>	12,896
Lease liabilities		<b>33,040</b>	29,970
		<b>747,935</b>	794,957
<b>Net current assets</b>		<b>75,954</b>	71,787
<b>Total assets less current liabilities</b>		<b>851,971</b>	887,742
<b>Non-current liabilities</b>			
Lease liabilities		<b>268,792</b>	285,196
<b>Net assets</b>		<b>583,179</b>	602,546
<b>Equity</b>			
Share capital		<b>2,442</b>	2,442
Reserves		<b>580,737</b>	600,104
<b>Total equity</b>		<b>583,179</b>	602,546

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 laws 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.

### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated interim financial statements were authorised for issue on 29 August 2023.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements. The Group has not early adopted any new or amended International Financial Reporting Standards (“**IFRSs**”) that has been issued but is not yet effective.

For the Period, the Group has applied all the new or amended IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 January 2023. These applications do not have a material impact on the condensed consolidated interim financial statements of the Group.

These condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with IFRSs and should be read in conjunction with the 2022 annual financial statements.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

### 3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual financial statements.

### 4. REVENUE AND SEGMENT REPORTING

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Corrugated packaging products	860,252	958,961
Corrugated sheet boards	<u>86,467</u>	<u>103,540</u>
	<u><b>946,719</b></u>	<u><b>1,062,501</b></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 Period:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue by industry</b>		
Food and beverage	275,595	270,379
Paper and packaging	123,404	154,948
Non-food-and-beverage-consumables (Note (i))	140,394	159,737
Home furniture	71,921	79,118
Medical products	59,278	52,237
Supplier chain solution	21,095	46,439
E-commerce	14,137	14,583
Home electronics	18,845	15,257
Others (Note (ii))	<u>222,050</u>	<u>269,803</u>
	<u><b>946,719</b></u>	<u><b>1,062,501</b></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 computer and electronic devices such as mobile phones and cameras, textile, machinery, 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.

### **Segment Reporting**

The executive director of the Company 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 operation 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 assets and liabilities 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 Period and the Corresponding Period.

## 5. PROFIT BEFORE INCOME TAX

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Cost of inventories sold ( <i>Note (i)</i> )	<b>788,609</b>	901,629
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	<b>53,266</b>	47,444
Auditors' remuneration	<b>327</b>	911
Freight charges	<b>35,770</b>	37,824
Short-term lease expense	<b>441</b>	1,470
Impairment loss on inventories	<b>2,688</b>	2,249
Reversal of impairment loss on inventories	<b>(2,420)</b>	(1,620)
Impairment loss on trade receivables	<b>2,776</b>	534
Reversal of impairment loss on trade receivables	<b>(179)</b>	(323)
Exchange gain, net	<b>(208)</b>	(883)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	<b>109,242</b>	104,393
— Retirement benefit costs ( <i>Note (iii)</i> )	<b>13,966</b>	13,769
	<b>13,966</b>	13,769

*Notes:*

- (i) Cost of inventories sold for the Period includes RMB541,365,000, RMB48,087,000, RMB17,049,000, RMB64,739,000 and RMB43,109,000 (Corresponding Period: RMB664,299,000, RMB48,069,000, RMB18,568,000, RMB59,714,000 and RMB37,300,000), 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 Period includes depreciation of right-of-use assets amounted to RMB14,032,000 (Corresponding Period: RMB12,514,000).
- (iii) For the Period, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions (Corresponding Period: Nil). As at 30 June 2023, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit Scheme (Corresponding Period: Nil).

## 6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
— Provision for PRC enterprise income tax for the period	6,755	7,644
— Withholding tax on dividend	<u>1,607</u>	<u>—</u>
	8,362	7,644
Deferred tax		
— Origination and reversal of temporary differences	<u>(2,828)</u>	<u>(2,352)</u>
Income tax expense	<u><u>5,534</u></u>	<u><u>5,292</u></u>

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

Provision for PRC enterprise income tax is based on the statutory rate of 25% (Corresponding Period: same) of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the Period and Corresponding Period.

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.

## 7. EARNINGS PER SHARE

The basic earnings per share of the Company (the “Share(s)”) is calculated based on the profit for the Periods and the weighted average number of ordinary Shares during the Periods as follows.

	Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)
Profit for the period (RMB'000)	<u>3,725</u>	<u>8,881</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>1 cents</u>	<u>3 cents</u>

No diluted earnings per Share was presented as there were no potential ordinary Shares outstanding during the Period and the Corresponding Period.

## 8. TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
	Trade receivables	505,316
Bills receivables	20,585	24,767
Less: allowance for impairment loss	<u>(8,476)</u>	<u>(5,879)</u>
	517,425	595,112
Other receivables	2,590	6,549
Deposits	19,590	21,382
Prepayments	<u>14,468</u>	<u>12,599</u>
	<u>554,073</u>	<u>635,642</u>

As at the end of each reporting period, bills receivables matured within 180 days and were not past due.

The ageing analysis of trade and bills receivables (net of impairment loss) as at the end of each reporting period, based on invoice dates, is as follows:

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
Within 1 month	295,666	271,340
Over 1 month but within 3 months	167,073	258,848
Over 3 months but within 1 year	<u>54,686</u>	<u>64,924</u>
	<u><b>517,425</b></u>	<u><b>595,112</b></u>

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

The basis used by the Group in assessing of the expected credit losses for trade receivables is the same as 31 December 2022.

## 9. TRADE AND OTHER PAYABLES

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
Trade payable	185,361	187,549
Bills payables	52,230	56,250
Accruals and other payables	<u>62,556</u>	<u>87,352</u>
	<u><b>300,147</b></u>	<u><b>331,151</b></u>

As at 30 June 2023, the Group's bank deposits of RMB10,446,000 (31 December 2022: RMB11,250,000) and buildings with net carrying amount of RMB Nil (31 December 2022: RMB42,274,000) were pledged to secure certain bills payables (Note 11).

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 the end of each reporting period is as follows:

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
Within 1 month	134,271	130,547
Over 1 month but within 3 months	74,464	79,685
Over 3 months but within 1 year	<u>28,856</u>	<u>33,567</u>
	<u><b>237,591</b></u>	<u><b>243,799</b></u>

## 10. BANK BORROWINGS

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
Bank loans, secured ( <i>Notes</i> )	<u><b>346,832</b></u>	<u>348,340</u>
Categorised as:		
Current liabilities	<u><b>346,832</b></u>	<u>348,340</u>

### *Notes:*

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

As at 30 June 2023, the Group's buildings with net carrying amount of RMB39,500,000 (31 December 2022: RMB42,274,000) were pledged to secure certain bank loans (Note 11).

As at 30 June 2023, right-of-use assets of leasehold land with net carry amount of RMB9,116,000 (31 December 2022: RMB9,258,000) were pledged by the Group to secure certain bank loans (Note 11).

As at 30 June 2023, the Group's bank deposits of RMB9,600,000 (31 December 2022: RMB9,600,000) were pledged to secure certain bank loans (Note 11).

As at 30 June 2023, all bank loans were scheduled to be repaid within one year (31 December 2022: same).

## 11. PLEDGE OF ASSETS

As at the end of each reporting period, the Group pledged the following assets to secure its bills payables and bank loans. The carrying amounts of these assets are analysed as follows:

	<b>30 June 2023 RMB'000 (unaudited)</b>	31 December 2022 RMB'000 (audited)
Property, plant and equipment ( <i>Note 10</i> )	<b>39,500</b>	42,274
Right-of-use assets of leasehold land ( <i>Note 10</i> )	<b>9,116</b>	9,258
Pledged deposits ( <i>Notes 9 &amp; 10</i> )	<u><b>20,046</b></u>	<u>20,850</u>
	<u><b>68,662</b></u>	<u>72,382</u>

## 12. DIVIDEND

Final dividend in relation to the fiscal year 2022 of HK\$8 cents per Share totalling RMB21,063,000 was approved by the shareholders of the Company (the “**Shareholders**”) in the annual general meeting held on 21 June 2023 (2022: final dividend of HK\$8 cents per Share totalling RMB19,555,000 for 2021). The unpaid final dividend of RMB22,175,000 (31 December 2022: Nil) was recognised as dividend payable in the condensed consolidated statement of financial position as at 30 June 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2023, the three-year epidemic control came to an end. Under the combined effect of the policy-oriented social economy and the gradual release of accumulated consumer demand as well as the economic recovery in 2023, the performance of paper packaging industry in the second quarter of 2023 was better than that of the first quarter and a downward trend in prices of main raw materials, such as boxboard and corrugated paper was seen in the Period. Coupled with the weak demand of orders, it is expected that the purchase price of paper packaging orders will be suppressed to a certain extent. In terms of paper packaging demand, the growth of popular consumption accelerated during the Period. The consumption of contact and gathering services such as catering and tourism has improved significantly. Furthermore, not only the demand for food, beverages and other categories boosted but also the domestic demand in textile, clothing, shoes and hats industry saw a relatively large recovery. Besides, as a result of seasonality effects, the production of home appliances increased and high-tech manufacturing industries such as new energy vehicles, medical equipment and instrumentation manufacturing, photovoltaics, and semiconductors have distinct advantages in developing towards high quality.

However, in general, the overall view of “strong expectation and weak reality” needs to be changed. The main manifestations are: the recovery of the industry is unbalanced, the effective demand is insufficient, the profits of enterprises are under pressure, and the endogenous recovery momentum of society still needs to be strengthened. It is believed that with the continuous enhancement of economic recovery capabilities and the consolidation of downstream customers’ confidence, the development of the paper packaging industry will become clearer at the end of 2023.

The Group strives to stable development and marginal improvement. During the Period, despite that the profit of the Group was affected by the decline in unit price of the Group’s products, the overall business performance and the sales volume remained stable. During the Period, the Group made good use of market resources and deployed them on product quality, research and development, multi-location production capacity layout and overall management. In addition, the Group actively optimized the structure of customer orders and promoted technology upgrades and service upgrades as well as improved the efficiency of regional collaboration with a view to gaining new innovation momentum and gradually entering into a new development stage.

### **FINANCIAL REVIEW**

For the Period, the Company recorded revenue of approximately RMB946.7 million, representing a decrease of approximately RMB115.8 million or approximately 10.9% as compared with approximately RMB1,062.5 million for the Corresponding Period. Consolidated gross profit margin for the Period was approximately 16.7%, representing an increase of approximately 1.6% as compared with approximately 15.1% for the Corresponding Period. Gross profit for the Period was approximately RMB158.1 million,

representing a decrease of approximately 1.7% as compared with approximately RMB160.9 million for the Corresponding Period. Basic earnings per Share for the Period was RMB0.01, representing a decrease of approximately 66.7% as compared with RMB0.03 for the Corresponding Period.

Having considered that the second half of each year is traditionally a peak season and that the three-year epidemic control ended in the first half of 2023, the Directors maintain a cautiously optimistic view as to the results of the Group in the second half of 2023. The management of the Group will continue monitoring the market condition and take appropriate steps to cope with the changing demand of the market.

## **REVENUE**

During the Period, the Group recorded a decrease in revenue in both sales of corrugated packaging products and corrugated sheet boards. For the Period, the Group recorded revenue of approximately RMB946.7 million, representing a decrease of approximately RMB115.8 million or approximately 10.9% as compared with that for the Corresponding Period.

### **Sales of corrugated packaging products**

For the Period, revenue from sales of corrugated packaging products was approximately RMB860.3 million, representing a decrease of approximately 10.3% as compared with approximately RMB959.0 million for the Corresponding Period, and accounted for approximately 90.9% of the Group's total revenue for the Period. The decrease in performance of the sales of corrugated packaging products was mainly attributable to the decrease in the average unit price.

### **Sales of corrugated sheet boards**

For the Period, revenue from sales of corrugated sheet boards was approximately RMB86.5 million, representing a decrease of approximately 16.4% as compared with approximately RMB103.5 million for the Corresponding Period, and accounted for approximately 9.1% of the Group's total revenue for the Period. The decrease in sales of corrugated sheet boards was mainly attributable to the decrease in the average unit price.

## **COST OF SALES**

For the Period, cost of sales of the Group was approximately RMB788.6 million, representing a decrease of approximately 12.5% as compared with approximately RMB901.6 million for the Corresponding Period, mainly attributable to the decrease in raw paper cost.

## **GROSS PROFIT**

Gross profit of the Group was approximately RMB158.1 million for the Period, representing a slight decrease of approximately 1.7% as compared with approximately RMB160.9 million for the Corresponding Period, of which gross profit from sales of corrugated packaging products increased by approximately 0.1% to RMB151.9 million, while gross profit from sales of corrugated sheet boards

decreased by approximately 31.9% to approximately RMB6.2 million. Gross profit margins of the Group for the Corresponding Period and the Period reached 15.1% and 16.7% respectively, of which gross profit margins of sales of corrugated packaging products for the Corresponding Period and the Period were 15.8% and 17.7% respectively, while gross profit margins of sales of corrugated sheet boards for the Corresponding Period and the Period were 8.8% and 7.1% respectively. The increase of gross profit margin for the Period as compared to the Corresponding Period was mainly attributable to the drop of raw paper cost, partially offset by the new plant's fixed cost.

#### **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses increased by approximately 5.2% from approximately RMB56.3 million for the Corresponding Period to approximately RMB59.2 million for the Period. The increase was mainly due to the increase of selling expenses of our new plants.

#### **ADMINISTRATIVE EXPENSES**

For the Period, the Group's administrative expenses were approximately RMB77.1 million, representing a decrease of approximately 4.0% as compared with approximately RMB80.3 million for the Corresponding Period. The decrease was mainly due to the enhanced measures of cost control.

#### **FINANCE COSTS**

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans and interest on sale and leaseback arrangements. Finance costs increased by approximately 12.2% from approximately RMB13.9 million for the Corresponding Period to approximately RMB15.6 million for the Period. The increase was primarily due to the increase in value of the right-of-use assets of a production plant in Chuzhou.

#### **INCOME TAX EXPENSE**

Income tax expense increased by approximately 3.8% from approximately RMB5.3 million for the Corresponding Period to approximately RMB5.5 million for the Period, primarily due to the increase in the dividend tax. The Group's effective tax rate calculated by dividing the Group's income tax expense by the Group's profit before income tax, was 59.8% for the Period and 37.3% for the Corresponding Period.

#### **PROFIT FOR THE PERIOD AND NET PROFIT MARGIN**

The Group's profit decreased by approximately 58.4% from approximately RMB8.9 million for the Corresponding Period to approximately RMB3.7 million for the Period. The Group's net profit margin decreased from 0.8% for the Corresponding Period to 0.4% for the Period.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the Period, profit attributable to equity holders of the Company was approximately RMB3.7 million, representing a decrease of approximately 58.4% as compared with approximately RMB8.9 million for the Corresponding Period.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital

As at 30 June 2023, cash and cash equivalents of the Group amounted to approximately RMB140.9 million mainly comprised the cash generated from the Group's operating activities during the Period and accumulated cash and bank balances at the beginning of the Period.

### Cash Flows

Cash inflows of the Group were principally generated from cash inflow from operating activities, namely sales of corrugated packaging products and corrugated sheet boards in the PRC and from financing activities, namely proceeds from bank borrowings. The Company's primary cash expenditures were used to purchase property, plant and equipment and to make prepayment for the purchase of property, plant and equipment. The following table sets out the Group's cash flows from operating activities, investing activities and financing activities for the Corresponding Period and the Period:

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	115.2	161.0
Net cash used in investing activities	(6.5)	(44.3)
Net cash used in financing activities	(66.3)	(57.2)
Cash and cash equivalents at beginning of the period	98.8	58.8
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.1
Cash and cash equivalents at end of the period	140.9	118.4

### Net cash generated from operating activities

During the Period, our net cash generated from operating activities was approximately RMB115.2 million, which comprised cash generated from operations of approximately RMB131.2 million, offset by income tax of approximately RMB16.0 million. Net cash generated from operating activities decreased by approximately RMB45.8 million as compared with the net cash generated from operating activities of approximately RMB161.0 million for the Corresponding Period, mainly due to (i) the decrease of amount payables; and (ii) the decline in inventory level, partially offset by the cash flow in profit and depreciation.

### **Net cash used in investing activities**

During the Period, the Group's net cash used in investing activities decreased by approximately RMB37.8 million from approximately RMB44.3 million for the Corresponding Period to approximately RMB6.5 million for the Period. The decrease in investing activities was mainly attributable to the equipment purchase in current plants.

### **Net cash used in financing activities**

During the Period, the Group's net cash used in financing activities increased by approximately RMB9.1 million from RMB57.2 million for the Corresponding Period to approximately RMB66.3 million for the Period. The increase in net cash used in financing activities was mainly attributable to (i) the repayment of loans advanced by immediate holding company; (ii) the repayment of certain principal amount and interest under finance lease; and (iii) the repayment of certain bank loans and interest.

### **MAJOR ACQUISITIONS AND DISPOSALS**

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

### **PLEDGE OF ASSETS**

Details of the pledged assets of the Group are set out in note 11 to the condensed consolidated interim financial statements in this announcement.

### **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any significant contingent liabilities.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Period, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

### **INTERIM DIVIDEND AND SPECIAL DIVIDEND**

The Board has resolved not to declare any interim dividend for the Period. Nonetheless the Board is pleased to announce that the declaration and payment of a special dividend of HK\$0.08 per Share to Shareholders whose names appear on the register of members of the Company on 27 October 2023 has been resolved by the Board in its meeting held on 29 August 2023. The special dividend is not reflected as dividend payables in these condensed consolidated interim financial statements. It is expected that the special dividend will be paid on or around 15 December 2023.

## **CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF SPECIAL DIVIDEND**

In order to determine the identity of the Shareholders who are entitled to the special dividend, the register of members of the Company will be closed from Wednesday, 25 October 2023 to Friday, 27 October 2023 (both days inclusive), during which period no transfer of Shares will be effected. The special dividend will be paid in Hong Kong dollars. In order to qualify for the special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 24 October 2023.

## **IMPORTANT EVENTS AFTER THE PERIOD**

After the Period and up to the date of this announcement, no important events have occurred.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Except for deviation from provision C.2.1 of the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix 14 to the Listing Rules, the Company had no material deviation from the CG Code since the Shares were listed on the Main Board of the Stock Exchange on 21 December 2018.

Under code provision C.2.1 of the CG Code, 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 in 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.

## **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 during the Period and up to the date of this announcement.

## **REVIEW OF INTERIM RESULTS**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the accounting principles and practices adopted by the Group and has also reviewed and confirmed the Group’s unaudited financial results for the Period and discussed auditing, internal control, risk management systems and financial reporting matters of the Group. The Audit Committee comprises four directors, namely Mr. Kiang Tien Sik David (chairman), Mr. Chow Tien-Li, Mr. Wang Jisheng and Dr. Su Morley Chung Wu. None of them is employed by or otherwise affiliated with the former or current independent auditor of the Company. In addition, BDO Limited, the independent auditor of the Company, has reviewed the condensed consolidated interim financial statements for the Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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

This interim results announcement is published on the websites of the Stock Exchange and the Company, and the interim report of the Group for the Period containing all the information required by the Listing Rules will be dispatched to the Shareholders 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 August 2023

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