

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2022; SPECIAL DIVIDEND; AND CLOSURE OF REGISTER OF MEMBERS**

#### **RESULTS HIGHLIGHTS**

- Revenue amounting to approximately RMB1,062.5 million was recorded for the Period (Corresponding Period: approximately RMB1,116.7 million), representing a decrease of approximately 4.9% as compared with the Corresponding Period.
- The net profit attributable to owners of the Company for the Period was approximately RMB8.9 million (Corresponding Period: approximately RMB23.3 million), representing a decrease of approximately 61.9% 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 28 October 2022 has been resolved by the Board in its meeting held on 30 August 2022. 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 2022.

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Pacific Millennium Packaging Group Corporation (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with comparative figures for the corresponding period in 2021 (the “**Corresponding Period**”), are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB’000</b>	<b>RMB’000</b>
	<i>Notes</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>1,062,501</b>	1,116,667
Cost of sales		<u><b>(901,629)</b></u>	<u>(938,598)</u>
Gross profit		<b>160,872</b>	178,069
Other income and other gains and losses, net		<b>4,084</b>	5,178
Selling and distribution expenses		<b>(56,345)</b>	(59,397)
Administrative expenses		<b>(80,300)</b>	(77,480)
Impairment loss on trade receivables, net		<b>(211)</b>	(619)
Finance costs		<u><b>(13,927)</b></u>	<u>(12,947)</u>
Profit before income tax	5	<b>14,173</b>	32,804
Income tax expense	6	<u><b>(5,292)</b></u>	<u>(9,509)</u>
<b>Profit for the period</b>		<b>8,881</b>	23,295
<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		<u><b>(4,867)</b></u>	<u>(369)</u>
<b>Total comprehensive income for the period</b>		<u><b>4,014</b></u>	<u>22,926</u>
<b>Earnings per Share (RMB)</b>	7	<u><b>3 cents</b></u>	<u>8 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2022</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		710,372	695,730
Prepayments for purchase of property, plant and equipment		37,792	13,343
Deferred tax assets		<u>15,104</u>	<u>12,752</u>
		<u>763,268</u>	<u>721,825</u>
<b>Current assets</b>			
Inventories		148,157	164,781
Trade receivables, bills receivables, other receivables, deposits and prepayments	8	604,261	683,690
Pledged deposits	11	18,250	13,250
Bank balances and cash		<u>118,377</u>	<u>58,799</u>
		<u>889,045</u>	<u>920,520</u>
<b>Current liabilities</b>			
Trade and other payables	9	334,558	342,190
Contract liabilities		5,991	3,744
Dividend payable	12	20,564	—
Bank and other borrowings	10	330,000	347,616
Loans from immediate holding company		69,450	61,489
Tax payable		9,527	7,029
Lease liabilities		<u>33,359</u>	<u>20,566</u>
		<u>803,449</u>	<u>782,634</u>
<b>Net current assets</b>		<u>85,596</u>	<u>137,886</u>
<b>Total assets less current liabilities</b>		<u>848,864</u>	<u>859,711</u>
<b>Non-current liabilities</b>			
Bank and other borrowings	10	—	11,791
Lease liabilities		<u>234,010</u>	<u>217,525</u>
		<u>234,010</u>	<u>229,316</u>
<b>Net assets</b>		<u>614,854</u>	<u>630,395</u>
<b>Equity</b>			
Share capital		2,442	2,442
Reserves		<u>612,412</u>	<u>627,953</u>
<b>Total equity</b>		<u>614,854</u>	<u>630,395</u>

# 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 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.

## 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 Main Board Listing 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 30 August 2022.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the Period, the Group has applied all the new and revised International Financial Reporting Standard (“**IFRSs**”) as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 January 2022. 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 2021 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 2021 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 2021 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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Corrugated packaging products	958,961	1,012,716
Corrugated sheet boards	<u>103,540</u>	<u>103,951</u>
	<u><u>1,062,501</u></u>	<u><u>1,116,667</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 Period:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue by industry</b>		
Food and beverage	270,379	273,850
Paper and packaging	154,948	164,178
Non-food-and-beverage-consumables (Note (i))	159,737	158,156
Supplier chain solution	46,439	55,020
E-commerce	14,583	16,966
Home electronics	15,257	40,441
Others (Note (ii))	<u>401,158</u>	<u>408,056</u>
	<u><u>1,062,501</u></u>	<u><u>1,116,667</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.

### **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>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Cost of inventories sold ( <i>Note (i)</i> )	<b>901,629</b>	938,598
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	<b>47,444</b>	42,318
Auditors' remuneration	<b>1,182</b>	1,211
Freight charges	<b>37,824</b>	40,428
Short-term lease expense	<b>1,470</b>	1,594
Impairment loss on inventories	<b>2,249</b>	2,007
Reversal of impairment loss on inventories	<b>(1,620)</b>	(1,333)
Impairment loss on trade receivables	<b>534</b>	732
Reversal of impairment loss on trade receivables	<b>(323)</b>	(113)
Impairment loss on trade receivables, net	<b>211</b>	619
Exchange gain, net	<b>(883)</b>	(841)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	<b>104,393</b>	100,090
— Retirement benefit costs	<b>13,769</b>	12,432
	<b><u>13,769</u></b>	<u>12,432</u>

*Notes:*

- (i) Cost of inventories sold for the Period includes RMB664,299,000, RMB48,069,000, RMB18,568,000, RMB59,714,000 and RMB37,300,000 (Corresponding Period: RMB705,970,000, RMB50,072,000, RMB19,613,000, RMB56,390,000 and RMB33,433,000), 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 RMB12,514,000 (Corresponding Period: RMB11,401,000).

## 6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
— Provision for PRC enterprise income tax for the period	<u>7,644</u>	<u>10,547</u>
Deferred tax		
— Origination and reversal of temporary differences	<u>(2,352)</u>	<u>(1,038)</u>
Income tax expense	<u><u>5,292</u></u>	<u><u>9,509</u></u>

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (Corresponding Period: 25%) on the estimated assessable profits of the Group for the period determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (Corresponding Period: 7.5%, 12.5% or 15%).

## 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	
	2022	2021
	(unaudited)	(unaudited)
Profit for the period (RMB'000)	<u><u>8,881</u></u>	<u><u>23,295</u></u>
Weighted average number of ordinary Shares in issue (in thousand)	<u><u>300,632</u></u>	<u><u>300,632</u></u>
Basic earnings per Share (RMB)	<u><u>3 cents</u></u>	<u><u>8 cents</u></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 RECEIVABLES, BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade receivables	546,543	632,233
Bills receivables	24,701	12,832
Less: allowance for impairment loss	<u>(7,343)</u>	<u>(7,132)</u>
	<b>563,901</b>	637,933
Other receivables	2,270	15,973
Deposits	21,781	20,605
Prepayments	<u>16,309</u>	<u>9,179</u>
	<b><u>604,261</u></b>	<b><u>683,690</u></b>

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 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Within 1 month	315,597	322,452
Over 1 month but within 3 months	180,532	267,008
Over 3 months but within 1 year	<u>67,772</u>	<u>48,473</u>
	<b><u>563,901</u></b>	<b><u>637,933</u></b>

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

## 9. TRADE AND OTHER PAYABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade payable	198,835	212,804
Bills payables	56,250	56,250
Accruals and other payables	<u>79,473</u>	<u>73,136</u>
	<b><u>334,558</u></b>	<b><u>342,190</u></b>

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 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Within 1 month	150,594	182,955
Over 1 month but within 3 months	78,155	59,068
Over 3 months but within 1 year	<u>26,336</u>	<u>27,031</u>
	<b><u>255,085</u></b>	<b><u>269,054</u></b>

## 10. BANK AND OTHER BORROWINGS

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Bank loans, secured	(a) 330,000	330,000
Other borrowings, secured	(b) —	29,407
	<u>330,000</u>	<u>359,407</u>
Categorised as:		
Current liabilities	330,000	347,616
Non-current liabilities	<u>—</u>	<u>11,791</u>
	<b><u>330,000</u></b>	<b><u>359,407</u></b>

Notes:

- (a) During the Period, the average effective interest rates of the Group's bank loans ranged from 3.85% to 3.90% per annum (Corresponding Period: 3.85% to 3.90% per annum).
- (b) As at 31 December 2021, other borrowings represented seven sale and leaseback arrangements for plant and equipment entered into with Chongqing Stone Tan Financial Leasing Limited, a related company over which one of the controlling shareholders of the Company has significant influence. The transactions were classified as secured loan financing instead of disposal of the underlying assets as the transfer of the plant and equipment to the buyer-lessor do not satisfy the requirements to be accounted for as a sale of the assets. The carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were RMB69,085,000 as at 31 December 2021. All the sale and leaseback arrangements have been terminated during the Period.

## 11. PLEDGE OF ASSETS

As at the end of each reporting period, the Group pledged the following assets to secure bills payables, banking facilities granted to the Group and sale and leaseback arrangements with related company. The carrying amounts of these assets are analysed as follows:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Property, plant and equipment	54,449	126,450
Pledged deposits	<u>18,250</u>	<u>13,250</u>
	<u><b>72,699</b></u>	<u>139,700</u>

## 12. DIVIDEND

Final dividend in relation to the fiscal year 2021 of HK\$8 cents per Share totalling RMB19,555,000 was approved by the shareholders of the Company (the "Shareholders") in the annual general meeting held on 28 June 2022 (2021: final dividend of HK\$16 cents per Share totalling RMB40,612,000 for 2020). The final dividend was reflected as dividend payable in the condensed consolidated statement of financial position.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2022, affected by the continuous international conflict between Russia and Ukraine and the high inflation in Europe and the United States, as well as the repeated COVID-19 pandemic within the local areas, Mainland China faced multiple tests in terms of economy, which caused a shift of the supply chain in the industries of textile and clothing, footwear, electronic products, auto parts and machinery and equipment; their respective daily productions and transportations were adversely affected, which resulted in overall economic decline.

Due to the increase in uncertainties, upstream and downstream enterprises have slowed down their expansion and investment, which caused reduction of their orders and weakened consumers' confidence. The sluggish market exerted additional pressure on the development of manufacturers. As such, the production and profit of the paper packaging industry in the first half of 2022 had a severe challenge.

During the Period, as the Group's customers are mainly from industries of food and beverage, essential livelihood commodities and daily necessities, the Group's business had been less affected. For the Period, there was only a slight decrease in the Group's production; but a greater drop in the Group's profit was seen as a result of the launch of a production plant in Foshan.

### **FINANCIAL REVIEW**

For the Period, the Company recorded revenue of approximately RMB1,062.5 million, representing a decrease of approximately RMB54.2 million or approximately 4.9% as compared with approximately RMB1,116.7 million for the Corresponding Period. Consolidated gross profit margin for the Period was approximately 15.1%, representing a decrease of approximately 0.8% as compared with approximately 15.9% for Corresponding Period. Gross profit for the Period was approximately RMB160.9 million, representing a decrease of approximately 9.7% as compared with approximately RMB178.1 million for the Corresponding Period. Basic earnings per Share for the Period amounted to RMB0.03, representing a decrease of 62.5% as compared with RMB0.08 for the Corresponding Period.

Having considered that the second half of each year is traditionally a peak season and that the COVID-19 pandemic would be subsided in the second half of 2022, the Directors maintain a cautiously optimistic view as to the market recovery and the results of the Group in the second half of 2022. 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 RMB1,062.5 million, representing a decrease of approximately RMB54.2 million or approximately 4.9% as compared with that for the Corresponding Period.

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

During the Period, revenue from sales of corrugated packaging products was approximately RMB959.0 million, representing a decrease of approximately 5.3% as compared with approximately RMB1,012.7 million during the Corresponding Period, and accounted for approximately 90.3% 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 decreased in sales volume.

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

During the Period, revenue from sales of corrugated sheet boards was approximately RMB103.5 million, representing a slight decrease of approximately 0.4% as compared with approximately RMB104.0 million during the Corresponding Period, and accounted for approximately 9.7% of the Group's total revenue for the Period. The decrease in sales of corrugated sheet boards was mainly attributable to the slight decrease in the average unit price.

### **COST OF SALES**

For the Period, cost of sales of the Group was approximately RMB901.6 million, representing a decrease of approximately 3.9% as compared with approximately RMB938.6 million for the Corresponding Period, mainly attributable to the decrease in sales volume.

### **GROSS PROFIT**

Gross profit of the Group was approximately RMB160.9 million during the Period, representing a decrease of approximately 9.7% as compared with approximately RMB178.1 million for the Corresponding Period, of which gross profit from sales of corrugated packaging products decreased by approximately 9.1% to RMB151.7 million, while gross profit from sales of corrugated sheet boards decreased by approximately 18.7% to approximately RMB9.1 million. Gross profit margins of the Group for the Corresponding Period and the Period reached 15.9% and 15.1%, respectively, of which gross profit margins of sales of corrugated packaging products for the Corresponding Period and the Period were 16.5% and 15.8%, respectively, while gross profit margins of sales of corrugated sheet boards for the Corresponding Period and the Period were 10.8% and 8.8%, respectively. The decrease of gross profit margin in the Period as compared to the Corresponding Period was mainly attributable to (i) the launch of a production plant in Foshan; and (ii) the decreased in sale volume of the existing production plants.

### **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by approximately 5.1% from approximately RMB59.4 million for the Corresponding Period to approximately RMB56.3 million for the Period. The decrease was mainly due to the decrease in the freight charge.

## **ADMINISTRATIVE EXPENSES**

For the Period, the Group's administrative expenses were approximately RMB80.3 million, representing an increase of approximately 3.6% as compared with approximately RMB77.5 million for the Corresponding Period. The increase was mainly due to the launch of a production plant in Foshan.

## **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 7.6% from approximately RMB12.9 million for the Corresponding Period to approximately RMB13.9 million for the Period. The increase was primarily due to (i) the increase in borrowings; and (ii) the increase in value of the right-of-use assets of a production plant in Foshan.

## **INCOME TAX EXPENSE**

Income tax expense decreased by approximately 44.3% from approximately RMB9.5 million for the Corresponding Period to approximately RMB5.3 million for the Period, primarily due to the decrease in the Group's profit before income 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 37.5% for the Period and 29.0% for the Corresponding Period.

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

The Group's profit decreased by approximately 61.9% from approximately RMB23.3 million for the Corresponding Period to approximately RMB8.9 million for the Period. The Group's net profit margin decreased from 2.1% for the Correspondence Period to 0.8% for the Period.

## **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

During the Period, profit attributable to equity holders of the Company was approximately RMB8.9 million, representing a decrease of approximately 61.9% or approximately RMB14.4 million as compared with approximately RMB23.3 million for the Corresponding Period.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working Capital**

As at 30 June 2022, cash and cash equivalents of the Group amounted to approximately RMB118.4 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 and other 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:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash generated from operating activities	<b>161.0</b>	7.1
Net cash used in investing activities	<b>(44.3)</b>	(73.8)
Net cash (used in)/generated from financing activities	<b>(57.2)</b>	23.2
Cash and cash equivalents at beginning of the period	<b>58.8</b>	95.5
Effect of exchange rate changes on cash and cash equivalents	<b>0.1</b>	0.7
Cash and cash equivalents at end of the period	<b>118.4</b>	52.7

### **Net cash generated from operating activities**

During the Period, our net cash generated from operating activities was approximately RMB161.0 million, which comprised cash generated from operations of approximately RMB166.1 million, offset by income tax of approximately RMB5.1 million. Net cash generated from operating activities increased by approximately RMB153.9 million as compared with the net cash generated from operating activities of approximately RMB7.1 million for the Corresponding Period, mainly due to (i) the collection of receivables; and (ii) the decrease in inventories of raw paper and finished products.

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

During the Period, the Group's net cash used in investing activities was approximately RMB44.3 million, representing an increase of approximately RMB29.5 million as compared with net cash used in investing activities of approximately RMB73.8 million for the Corresponding Period. The net cash used in investing activities was mainly attributable to the equipment purchase in current plants and the new plants in Chuzhou and Dalian.

## **Net cash (used in)/generated from financing activities**

During the Period, the Group's net cash used in financing activities was approximately RMB57.2 million, representing a decrease of approximately RMB80.4 million as compared with the net cash generated from financing activities of RMB23.2 million for the Corresponding Period. The net cash generated from financing activities was mainly attributable to repayment of sales and leaseback arrangement.

## **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 2022, 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 28 October 2022 has been resolved by the Board in its meeting held on 30 August 2022. 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 2022.

## **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 Tuesday, 25 October 2022 to Friday, 28 October 2022 (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 Monday, 24 October 2022.

## **IMPORTANT EVENTS**

After 30 June 2022, 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 enhance 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 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. 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, 30 August 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.*