PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1820

Annual Report 2022

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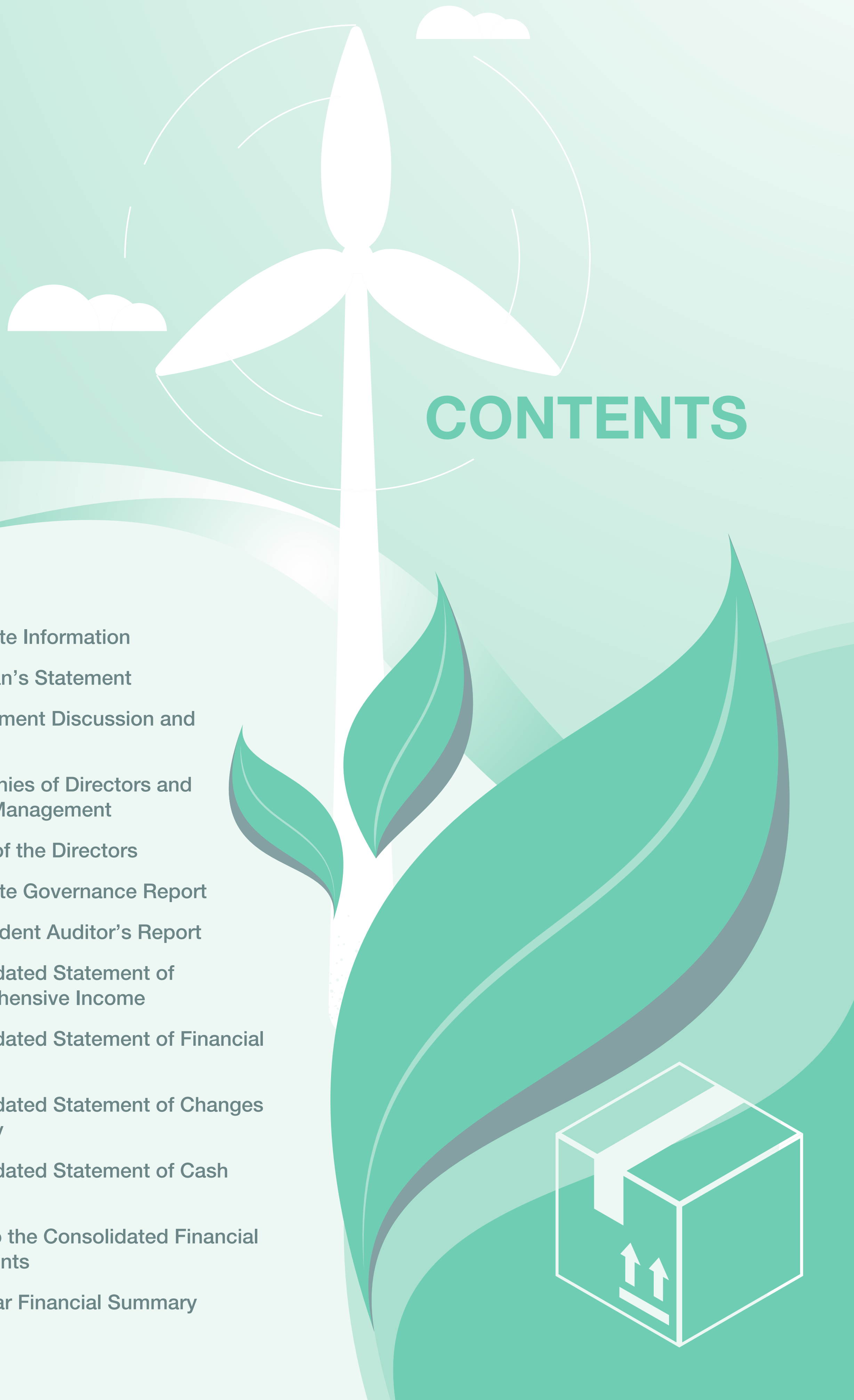

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Hsien-Chun *(Chairman)*
Mr. Philip Tan (re-designated from non-executive Director on 1 November 2022)

Non-executive Director

Mr. Chow Tien-Li

Independent Non-executive Directors

Mr. Wang Jisheng
Mr. Kiang Tien Sik David
Dr. Su Morley Chung Wu

AUDIT COMMITTEE

Mr. Kiang Tien Sik David *(Chairman)*
Mr. Chow Tien-Li
Dr. Su Morley Chung Wu
Mr. Wang Jisheng

REMUNERATION COMMITTEE

Mr. Wang Jisheng *(Chairman)*
Mr. Cheng Hsien-Chun
Dr. Su Morley Chung Wu

NOMINATION COMMITTEE

Mr. Cheng Hsien-Chun *(Chairman)*
Mr. Wang Jisheng
Mr. Kiang Tien Sik David

ENVIRONMENT COMMITTEE

Dr. Su Morley Chung Wu *(Chairman)*
Mr. Cheng Hsien-Chun
Mr. Kiang Tien Sik David

COMPANY SECRETARY

Ms. Fu Chanyi

AUDITOR

BDO Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
25th Floor, Wing On Centre
111 Connaught Road Central
Central, Hong Kong

PRINCIPAL BANKER

Shanghai Pudong Development Bank Co., Ltd.,
Jiading Sub-branch
No. 199, Bole Road
Shanghai, PRC

REGISTERED OFFICE

P.O. Box 472, 2nd Floor
Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

HEADQUARTERS AND HEAD OFFICE

A303, 3rd Floor
Block 2
No. 398 Tian Lin Road
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2104, 21st Floor, Tower 2
Lippo Centre, 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.
P.O. Box 472, 2nd Floor
Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

1820

COMPANY'S WEBSITE

http://www.pmpgc.com

Chairman's Statement

Dear Shareholders:

On behalf of the board of directors (the "**Board**" and the "**Director(s)**" respectively) of Pacific Millennium Packaging Group Corporation (the "**Company**" and together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2022 (the "**Year**").

BUSINESS OVERVIEW

2022 was another challenging year for many of the enterprises in the Mainland China including the Group. Resulting from global economic downturn and repeated local COVID-19 epidemic (the "**Epidemic**"), the overall revenue of many industries in the Mainland China had decreased, which had made the business performance of these enterprises unsatisfactorily. Nonetheless, the Group had eventually overcome the challenging year of 2022, despite the business performance of the Group for the Year may not shine.

Further, I am glad to see that the Group had two new production plants, which are located at Chuzhou (the "**Chuzhou Plant**") and Dalian (the "**Dalian Plant**") respectively, commenced production during the Year. I believe the Chuzhou Plant will produce synergy effect with Nanjing production plant as well as capturing more customers in the vicinity, while the Dalian Plant will enable us to provide a more efficient production compared to the production plant before the relocation.

I verily believe, driven by the strategy of expanding the domestic demand imposed by the nation, consumption and demand will be soon recovered, and the revenue and profitability of the paper packaging industry will be improved accordingly.

OUTLOOK

Looking forward, we believe the corrugated packaging industry will recover progressively and demand of our products will be increased constantly as a result of the relaxation of epidemic prevention measures in the Mainland China as well as other areas. We will focus on improving the utilization rate of our production plants through increasing our presence in the Central China with a view to promoting productivity.

APPRECIATION

I must take this opportunity to thank all of the shareholders of the Company (the "**Shareholders**") and all investors, customers, suppliers and partners of our Group for their unwavering support. I must also extend my appreciation to our management team and fellow staff members for their devoted commitment and contributions during the Year.

Mr. CHENG Hsien-Chun
Chairman

28 March 2023

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2022, the economy of the Mainland China had faced various uncertainties and increasing instability. Multiple factors such as the conflict between the Russia and Ukraine, overseas inflation, the international financial interest rate hike cycle, the European energy crisis and the trade protectionism had inevitably affected the global supply chain. Besides, the spread and the repeated Epidemic in the Mainland China had suppressed the non-contactless and congregated consumptions. Further, as a result of the unfavourable ambience, many of the consumer manufacturing industries other than drug manufacturers had experienced a downturn, real estate business had gone downhill as well, and the trade orders for home furnishing, electrical appliances, textiles, shoes and clothing as well as agricultural by-products were out of expectation. Meanwhile, logistics and transportation were also sometimes affected, which had made the daily life challenging.

As identified by the Company, insufficient investment, tightened budgets, weakened consumption confidence and sluggish market demand were the prominent problems faced in 2022. Due to the continuous pressure on both supply and demand as well as the declined demand in the peak season of the packaging market and the decreasing revenue of enterprises in the paper packaging industry in the Mainland China, there was a significant decline in profits in the paper packaging industry. However, with the relaxation of epidemic prevention measures in Mainland China, it is expected that, driven by the strategy of expanding the domestic demand imposed by the nation, consumption and demand are expected to recover in 2023, and the revenue and profitability of the paper packaging industry is expected to effectively improve accordingly.

BUSINESS REVIEW

During the Year, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the repeated Epidemic within the local areas. Mainland China faced multiple tests in terms of economy in the first half of 2022, which caused a shift of the supply chain in the industries of textile and clothing, footwear, electronic products, auto parts and machinery and equipment. Such shift had adversely affected their respective daily productions and transportations and resulted in overall economic decline. As such, the revenue and profit of the paper packaging industry in 2022 had a severe challenge.

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 during the Year. For the purpose of producing synergy effect with Nanjing production plant as well as capturing more customers in the vicinity with a view to improving the Group's performance, during the Year, the Group established a new production plant in Chuzhou (the "**Chuzhou Plant**"), Anhui Province, which commenced production in August 2022. Besides, during the Year, the Groups' Dalian production plant (the "**Dalian Plant**") had been relocated to a new location due to expiry of lease in respect of the original location. Despite the decease in the Group's profits for the Year resulting from the newly established Chuzhou Plant and the relocation of Dalian Plant as well as the Epidemic, the Group's overall business performance for the Year had not been significantly affected.

FINANCIAL REVIEW

For the Year, the Company recorded revenue of approximately RMB2,178.4 million, representing a decrease of approximately RMB222.0 million or approximately 9.2% as compared with approximately RMB2,400.4 million for the Year 2021. Consolidated gross profit margin was approximately 15.5%, representing an increase of approximately 0.2% as compared with approximately 15.3% for the Year 2021. Gross profit for the Year was approximately RMB338.1 million, representing a decrease of approximately 7.8% as compared with approximately RMB366.7 million for the Year 2021. Basic earnings per share for the Year amounted to RMB0.08 representing a decrease of approximately 47.7% as compared with RMB0.15 in the Year 2021.

Management Discussion and Analysis

Revenue

During the Year, the Group recorded a decrease in sales of corrugated sheet boards and corrugated packaging products. For the Year, the Group recorded revenue of approximately RMB2,178.4 million, representing a decrease of approximately RMB222.0 million or approximately 9.2% as compared with that for the Year 2021.

Sales of corrugated packaging products

During the Year, revenue from sales of corrugated packaging products was approximately RMB1,970.0 million, representing a decrease of approximately 9.3% as compared with approximately RMB2,171.4 million for the Year 2021, and accounted for approximately 90.4% of the Group's total revenue for the Year. The decrease in performance of the sales of corrugated packaging products was mainly attributable to the decreased in sales volume.

Sales of corrugated sheet boards

During the Year, revenue from sales of corrugated sheet boards was approximately RMB208.4 million, representing a decrease of approximately 9.0% as compared with approximately RMB229.0 million for the Year 2021 and accounted for approximately 9.6% of the Group's total revenue for the Year. The decrease in sales of corrugated sheet boards was mainly attributable to (i) the decrease in sales volume; and (ii) the decrease in the average unit price.

Cost of Sales

For the Year, cost of sales of the Group was approximately RMB1,840.3 million, representing a decrease of approximately 9.5% as compared with approximately RMB2,033.7 million for the Year 2021, mainly attributable to the decrease in sales volume.

Gross Profit

Gross profit of the Group during the Year was approximately RMB338.1 million, representing a decrease of approximately 7.8% as compared with approximately RMB366.7 million for the Year 2021, of which gross profit from sales of corrugated packaging products decreased by approximately 6.6% to RMB321.6 million, while gross profit from sales of corrugated sheet boards decreased by approximately 26.0% to RMB16.5 million. Gross profit margins of the Group for the Year and the Year 2021 reached 15.5% and 15.3%, respectively, of which gross profit margins of sales of corrugated packaging products for the Year and the Year 2021 were 16.3% and 15.9%, respectively, while gross profit margins of sales of corrugated sheet boards were 7.9% and 9.7%, respectively. The increase of gross profit margin for the Year as compared to the Year 2021 was mainly attributable to (i) the slight increase in average unit price of corrugated packaging products and (ii) the slight decrease in raw paper cost.

Selling and Distribution Expenses

Sales and distribution expenses decreased by approximately 3.0% from approximately RMB124.5 million for the Year 2021 to approximately RMB120.8 million for the Year. The decrease was mainly due to the decrease in the freight charge.

Administrative Expenses

For the Year, the Group's administrative expenses were approximately RMB156.5 million, representing a decrease of approximately 1.7% as compared with approximately RMB159.3 million for the Year 2021. The decrease was mainly due to the increased labor cost of the new launched Chuzhou Plant which was offset by the fact that there was no employees' compensation incurred for the Year.

Management Discussion and Analysis

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 2.6% from approximately RMB27.5 million for the Year 2021 to approximately RMB28.2 million for the Year. The increase was primarily due to the increase of the interest on the right-of-use assets of our new production plants.

Income Tax Expense

Income tax expense decreased by approximately 5.8% from approximately RMB18.7 million for the Year 2021 to approximately RMB17.6 million for the Year, primarily due to the decrease in the Group's profit before income tax. The Group's effective income tax rate remained stable, which was 43.6% for the Year and 30.0% for the Year 2021.

Profit for the Year and Net Profit Margin

The Group's profit decreased by approximately 47.7% from approximately RMB43.6 million for the Year 2021 to approximately RMB22.8 million for the Year. The Group's net profit margin decreased from 1.8% in 2021 to 1.0% in 2022.

Profit attributable to Equity Holders of the Company

During the Year, profit attributable to equity holders of the Company was RMB22.8 million, representing a decrease of approximately 47.7% or approximately RMB20.8 million as compared with approximately RMB43.6 million for the Year 2021.

Liquidity and Capital Resources

Working Capital
As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately RMB98.8 million.

Cash Flow
Cash inflows of the Group were principally generated from proceeds from operating activities, namely (i) sales of corrugated packaging products and corrugated sheet boards in the PRC; and (ii) financial leasing and bank and other borrowings.

The Group's primary cash expenditures were used to purchase property, plant and equipment and to repay bank and other borrowings. The following table sets out the Group's cash flows from operating activities, investing activities and financing activities for the Year and the Year 2021:

	As at 31 December	
	2022 RMB million (approximately)	2021 RMB million (approximately)
Net cash generated from operating activities	**238.0**	49.0
Net cash used in investing activities	**(70.3)**	(91.5)
Net cash (used in)/generated from financing activities	**(128.4)**	8.9
Cash and cash equivalents at the beginning of the Year	**58.8**	95.5
Effect of exchange rate changes on cash and cash equivalents	**0.6**	(3.2)
Cash and cash equivalents at the end of the Year	**98.8**	58.8

Net cash generated from operating activities

During the Year, the Group's net cash generated from operating activities was approximately RMB238.0 million, which comprised cash generated from operations of approximately RMB253.0 million, offset by income tax paid of approximately RMB15.0 million. Net cash generated from operating activities increased by approximately RMB189.0 million or approximately 385.6% as compared with the net cash generated from operating activities of approximately RMB49.0 million for the Year 2021, which was mainly due to (i) the collection of receivables and (ii) the decrease in inventories.

Net cash used in investing activities

During the Year, the Group's net cash used in investing activities was approximately RMB70.3 million while net cash of approximately RMB91.5 million was used in investing activities for the Year 2021. Net cash used in investing activities was primarily due to the equipment purchase in current plants and the new Plant in Chuzhou and Dalian.

Net cash (used in)/generated from financing activities

During the Year, the Group's net cash used in financing activities was approximately RMB128.4 million while net cash of approximately RMB8.9 million was generated from financing activities for the Year 2021. The net cash used in financing activities was mainly attributable to (i) repayment of leaseback arrangement; (ii) the dividend payment and (iii) the interest payment.

Major Acquisitions and Disposals

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

Pledge of Assets

Details of the pledged assets of the Group were set out in Note 19 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

Human Resources

As at 31 December 2022, the Group had 1,761 full-time employees. The Group has implemented a number of initiatives to enhance the productivity of our employees. The Group conducts periodic performance reviews of most of the Group's employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivise its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

Future Plan

Looking forward, attributable to the relaxation of epidemic prevention measures in the Mainland China, it is expected that the corrugated packaging industry will recover progressively and as a result, the Group's business performance is likely to be improved gradually. In the future, the Group will focus on improving the utilization rate of its production plants through increasing its presence in the Central China with a view to promoting its productivity. Alongside with the increasing domestic demand market, the Board believes that demand of the Group's products will be further increased in 2023.

The Company identified certain risks and uncertainties which may affect the Group's business and operations. Such risks and uncertainties include the continuing increase of prices on key raw materials required by the Group for its production; uncertainty in obtaining external financing and significant level of borrowings to support the Group's operations; unexpected increase in lending interest rates; decline in utilization rates due to breakdown of the Group's production equipment. The Group will ensure that all such inherent risks and uncertainties pertaining to the Group's business and operations will be monitored on a timely basis and take all necessary steps to mitigate the risk and cope with any change.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheng Hsien-Chun (鄭顯俊), aged 67, is our executive Director and the chairman of the Board appointed on 29 January 2018. He was appointed as a Director on 20 July 2017 and re-designated as our executive Director and the chairman of our Board on 29 January 2018. He is in charge of the overall management, strategic planning and development of the Group. He first joined our Group in 1994 as a senior management of Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd.* (上海濟豐包裝紙業有限公司) ("**SHBP**"), an indirect wholly-owned subsidiary of the Company, and was appointed as the general manager and chairman of SHBP in 1995. He is also a director of all subsidiaries and the general manager of certain subsidiaries of our Group.

Mr. Cheng is currently the sole shareholder and director of Lead Forward Limited (領前有限公司) ("**Lead Forward**"). Lead Forward is a substantial Shareholder holding 5.18% interest in the Company as at the date of this report. Mr. Cheng is also a member of the remuneration committee and environment committee and the chairman of the nomination committee of the Board. Mr. Cheng possesses over 20 years of experience in the corrugated packaging industry. He obtained a bachelor of law majoring in economic from the College of Chinese Culture (中國文化學院) (currently known as Chinese Culture University (中國文化大學)), Taiwan in June 1978.

Mr. Philip Tan (談大成) aged 40, is our executive Director. He has been re-designated from a non-executive Director to an executive Director with effect from 1 November 2022 and has served as a director of PMPG(HK), an indirect wholly-owned subsidiary of the Company, since November 2020. Mr. Tan holds a master of business administration from University of Nebraska, the United States of America ("**US**") and the degree of bachelor of science from School of Business, Babson College, US. Mr. Tan is a son of Mr. Tan Richard Lipin who is the sole director of PMHC and a controlling shareholder of the Company ("**Controlling Shareholder(s)**").

Prior to joining the Company, Mr. Tan worked for Nestle Group in US, France and Shanghai, respectively, during the period from 2004 to 2008 and held various positions including global sales development project manager and regional sales manager. He also served various positions including operational manager, project manager, technical manager, general manager and regional operational manager in certain subsidiaries of the Company in the period between 2008 and 2009.

Mr. Tan is an independent non-executive director of Daphne International Holding Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code 210) ("**DIH**"), the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the board of DIH.

Mr. Tan is currently the finance service product and project director of Stone Tan China Finance and Investment Company Limited (Hong Kong). Besides, he is also a director of the following companies: (i) Chongqing Stone Tan Financial Leasing Company Limited ("**Chongqing Stone Tan**"); (ii) Chongqing Stone Tan Credit Guarantee Company Limited; (iii) Chongqing Stone Tan Small Business Loans Company Limited; (iv) Shanghai Pacific Millennium Asiacorp Communications Company Limited; and (v) Shanghai Asiacorp Communications Company Limited.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Chow Tien-Li (周天力), aged 66, is our non-executive Director appointed on 29 January 2018. Mr. Chow was a director of Pacific Millennium Paper Group Limited (國際濟豐紙業集團有限公司) ("**PMPG(HK)**"), an indirect wholly-owned subsidiary of the Company, from January 2013 to November 2020. He first joined our Group in 2008 and served as a director and general manager of Pacific Millennium Packaging Corporation* (濟豐包裝(上海)有限公司) ("**PMPC**") and Kunshan Pacific Millennium Packaging Co., Ltd.* (昆山濟豐包裝有限公司) ("**KSBP**"), both are indirect wholly-owned subsidiaries of the Company, during the period from October 2008 to March 2014 and the period from May 2010 to March 2013, respectively. During his previous tenure with our Group, he was mainly responsible for domestic trading in the PRC. Mr. Chow is also a member of the audit committee of the Board.

He obtained a bachelor degree of physics in applied mathematics from Fu Jen Catholic University (輔仁大學), Taiwan in June 1980. Prior to joining our Group, he had worked for Pacific Millennium Holdings Corporation ("**PMHC**"), our controlling Shareholder, and its subsidiaries during the period from 1990 to 2002 (excluding the year 1999) including serving as a sales manager in PMHC's Taiwan, PRC and Southeast Asia trading offices, and a director of business development in PMHC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Jisheng (王計生), aged 69, is our independent non-executive Director appointed on 30 November 2018. Prior to acting as an independent non-executive Director, Mr. Wang was an independent director of PMPG (HK), an indirect wholly-owned subsidiary of the Company, during the period from January 2013 to January 2018, responsible for providing independent advice to the Group. He was not involved in the day-to-day management of the Group while he was an independent director of PMPG (HK). He completed the Senior Executive Program organised by the Faculty of Business Administration of National University of Singapore in November 2001.

Mr. Wang is an executive director and the general manager of Fu Shou Yuan International Group Limited (福壽園國際集團有限公司) whose shares are listed on the Stock Exchange (stock code: 1448). Mr. Wang has been the managing director of Shanghai FSY Industry Development Co., Ltd. since 1996, and he is also serving as a senior management in various subsidiaries of Fu Shou Yuan International Group Limited. Mr. Wang is a member of the audit committee and the nomination committee, and the chairman of the remuneration committee of the Board.

Mr. Kiang Tien Sik David (江天錫), aged 76, is our independent non-executive Director appointed on 30 November 2018. He obtained a Bachelor of Science in Aeronautics and Astronautics from Massachusetts Institute of Technology, US in June 1969 and a degree of Master in Business Administration from Harvard University, Boston, US in June 1975. Mr. Kiang had extensive experience in the banking and financial industry from his past and current work experience. He is currently an independent director of Bank of China Travel Service Co., Ltd. Jiaozuo (焦作中旅銀行股份有限公司), a director of Thai Jiang Jin Properties (Shanghai) Co. Ltd. (泰江金置業(上海)有限公司) and a director of East West Bank (China) Limited (華美銀行(中國)有限公司).

Mr. Kiang had also held various senior management positions in different banks. He was appointed as the chief executive, China/Macau of Standard Chartered Bank, a group company of Standard Chartered PLC, a company listed in the London Stock Exchange and the Stock Exchange, in 1993, the chief executive of Bangkok Bank Public Company Limited, Hong Kong Branch, a company listed on The Stock Exchange of Thailand, in 1996 and the managing director and chief executive of N M Rothschild & Sons (Hong Kong) Limited in 1998 and was the chief executive of Da Tang Xi Shi International Group Limited* (大唐西市國際集團有限公司). Through his experience in the senior management positions held in different banks and financial institutions, Mr. Kiang has experience in internal controls and reviewing and analysing audited financial statements of public companies.

Mr. Kiang is a member of the nomination committee and the environment committee, and the chairman of the audit committee of the Company.

Dr. Su Morley Chung Wu (蘇崇武), aged 67, is our independent non-executive Director appointed on 30 November 2018. During the period from March 1994 to January 1995, Dr. Su served as the general manager and a director of SHBP. Dr. Su obtained a Ph.D. in education from East China Normal University (華東師範大學), the PRC, in January 2007 and a Master degree of business administration in December 1983 from the University of Chicago, US. He was a certified public accountant of the Illinois State of US during the period from September 1984 to September 1988. Dr. Su is currently the chairman of Creative Manger Ventures (上海馬槽投資管理有限公司) and the general manager of Shanghai Care Corner Counseling Center (關懷心理諮詢有限公司—上海分公司). He also held various senior management position with different companies under Golden Ford Investments Limited or its affiliates including the vice president and corporate strategy director of Pacific Millennium Investment Corporation from 2006 to 2012 and a director of International Paper Manufacturing & Distribution Limited (formerly known as Future's Safe Company Limited) from 1987 to 1999. Through his management experience, he was involved in the reviewing and analysing of the financial books of the respective companies for his budget planning and formation of business strategies. Dr. Su is a member of the audit committee and the remuneration committee, and the chairman of the environment committee of the Board.

SENIOR MANAGEMENT

Ms. Long Yanping (龍艷萍), aged 59, is our corporate controller appointed on 29 January 2018. She joined the Group in 1994 and has been mainly responsible for accounting and financial control. She is currently the corporate controller of the Company and is responsible for the accounting and financial control function of the Group. She is also a director of all existing operating subsidiaries of the Group in the PRC. She graduated from China University of Mining and Technology (中國礦業大學) (formerly known as Institute for Coal Mining Management of Beijing (北京煤炭管理幹部學院)), the PRC majoring in financial management and accounting of coal in July 1988.

Mr. Liu Mingming (劉鳴鳴), aged 52, is our corporate human resources & administration director appointed on 1 January 2021. He joined our Group in 1998 , and he mainly engaged in software development and IT project research & development management. In addition, he has been our management information systems (MIS) director since 2012, responsible for the management of our information technology and enterprise resource planning system. Mr. Liu graduated from Shanghai Jiaotong University with a bachelor degree in Applied Physics. Prior to joining the Group, he had worked for Yangtze Computer Group from 1994 to 1997.

Mr. Lan Tsung Hsien (藍宗賢), aged 67, is our corporate technical director appointed on 29 January 2018 and also the supervisor of all subsidiaries of our Group in the PRC. Mr. Lan is also our project director and central scheduling director appointed on 1 January 2021. He joined the Group in 1996 as the production manager of certain production plants of the Group. He graduated from the National Cheng Kung University (國立成功大學), Taiwan majoring in Mechanical Engineering in June 1977. As the corporate technical director, Mr. Lan is responsible for the Group's equipment and facilities management, including supervising the installation project of equipment in new production plans and conducting maintenance and safety check of the current equipment.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Year.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 31 July 2014 as an exempted company with limited liability under the Companies Act of the Cayman Islands (the "**Companies Act**"). The shares of the Company (the "**Shares**") were listed on the Stock Exchange on 21 December 2018 by way of global offering (the "**Listing**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacturing and sale of (i) corrugated packaging products including corrugated boxes, pallets, display stands, heavy duty packaging and specialised packaging products; and (ii) corrugated sheet boards in the PRC.

BUSINESS REVIEW

The business review as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) including a fair view of the Group's business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Year and an indication of likely future development in the Group's business are set out in "Chairman's Statement" on page 3, "Management Discussion and Analysis" on pages 4 to 7 and Note 33 to the consolidated financial statements on pages 86 to 92. These discussions form part of this Report of the Directors.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 35 of this annual report.

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK$0.08 per share (Year 2021: HK$0.08) payable to Shareholders whose names appear on the register of members of the Company on 7 July 2023. The final dividend is subject to approval by the Shareholders in the annual general meeting of the Company to be held on 21 June 2023 (the "**2023 AGM**"). It is expected that the final dividend will be paid on 21 July 2023.

CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

In order to determine the identity of the Shareholders who are entitled to the final dividend, the register of members of the Company will be closed from Tuesday, 4 July 2023 to Friday, 7 July 2023 (both dates inclusive), during which period no transfer of Shares will be effected. The final dividend will be paid in Hong Kong dollars. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 3 July 2023.

THE DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Second Amended Articles of Association of the Company (the "**Articles**"). Provided there are distributable profits and without affecting the operations of the Group, the Company may consider to declare and pay dividends to the Shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, included but not limited to: (i) the general financial condition of the Group; (ii) working capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate. The payment of the dividend by the Company is also subject to any restrictions under the Companies Act and the Articles.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 98 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the top five customers in aggregate and the single largest customer accounted for approximately 12.6% and 3.3%, respectively, of the Group's total sales. During the Year, the top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 61.6% and 30.3%, respectively, of the Group's total purchases. None of our Directors or any of their respective associates or, so far as our Directors were aware, any Shareholder who owned 5% or more of our issued share capital as at 31 December 2022, had any interest in any of our five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 26 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 27 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 38 to 39 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act, amounted to approximately RMB429.3 million.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors:

Mr. Cheng Hsien-Chun *(Chairman)*
Mr. Philip Tan (re-designated from non-executive Director on 1 November 2022)

Non-executive Director:

Mr. Chow Tien-Li

Independent non-executive Directors:

Mr. Wang Jisheng
Mr. Kiang Tien Sik David
Dr. Su Morley Chung Wu

In accordance with Article 16.2 of the Articles, each of the Directors shall hold office until the next following annual general meeting of the Company (the "**AGM**") and, being eligible, offer themselves for election as Directors at the AGM. The Company's forthcoming circular for the 2023 AGM will contain the detailed information of the Directors standing for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 8 to 10 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors and the Company considers such Directors to be independent during the Year.

DIRECTOR'S SERVICE AGREEMENT AND LETTER OF APPOINTMENT

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in Notes 23, 24, 25 and 28 to the consolidated financial statements and other parts of this annual report, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any controlling shareholder of the Company (the "**Controlling Shareholder(s)**") had a material interest subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE AND COMPETING BUSINESS

No transactions, arrangements and contracts of significance (as defined in Appendix 16 to the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a Director, an entity connected with a Director (other than a member of the Group) had a material interest, whether directly or indirectly, subsisting at any time during the Year and up to the date of this report.

As at 31 December 2022, none of the Directors or the Controlling Shareholders is interested in any businesses apart from our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 28 to the consolidated financial statements. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and in terms negotiated between the Group and the respective related parties.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

EMOLUMENT POLICY

The Board has established a remuneration committee (the "**Remuneration Committee**") with its written terms of reference in compliance with the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration, having regard to the Group's operating results, individual performance, duties and competence of the Directors and senior management of the Group and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 11 and 12 to the consolidated financial statements respectively.

No director had waived or had agreed to waive any emolument during the Year.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the information of the Directors are as follows:

With effect from 1 November 2022, Mr. Philip Tan (談大成) has been re-designated from a non-executive Director to an executive Director and has ceased to be a member of the audit committee of the Company given the re-designation.

Mr. Kiang Tien Sik Daivd, our independent non-executive Director has been appointed a director of East West Bank (China) Limited (華美銀行(中國)有限公司).

During the Year, save as disclosed above, there was no change in information of the Directors which is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares held (Note 1)	Percentage of shareholdings
Mr. Cheng Hsien-Chun ("**Mr. Cheng**")	Interest in controlled corporation (Note 2)	15,748,800 (L)	5.24%
Mr. Chow Tien-Li	Beneficial Owner	2,254,000 (L)	0.75%
Mr. Tan Philip	Beneficial Owner	1,545,000 (L)	0.51%

Notes:

1. The letter "L" denotes the long position in the Shares.

2. The 15,748,800 Shares are held by Lead Forward. As Lead Forward is wholly-owned by Mr. Cheng, the chairman and executive Director, he is deemed, or taken, to be interested in all the Shares held by Lead Forward under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of shareholdings
Pacific Millennium Holdings Corporation ("**PMHC**")	Beneficial Owner	192,458,200 (L)	64.02%
Golden Ford Investments Limited ("**Golden Ford**") (Note 2)	Interest in controlled corporation	195,509,200 (L)	65.03%
Elite Age International Limited ("**Elite Age**") (Note 3)	Interest in controlled corporation	195,509,200 (L)	65.03%
Star Concord Worldwide Limited ("**Star Concord**") (Note 3)	Trustee	195,509,200 (L)	65.03%
Ample Bright Management Limited ("**Ample Bright**") (Note 4)	Interest in controlled corporation	195,509,200 (L)	65.03%
Fortune China Resources Limited ("**Fortune China**") (Note 4)	Trustee	195,509,200 (L)	65.03%
Tsai Wen Hao ("**Mr. Tsai**") (Note 5)	Interest in Trustee	195,509,200 (L)	65.03%
Tan Richard Lipin ("**Mr. Tan**") (Note 5)	Interest in Trustee	195,509,200 (L)	65.03%
Lead Forward (Note 6)	Beneficial Owner	15,748,800 (L)	5.24%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. As the entire issued share capital of PMHC is held by Golden Ford, Golden Ford is deemed to be interested in all the Shares held by PMHC under the SFO.
3. As 60% of the entire issued share capital of Golden Ford is held by Elite Age and Elite Age is wholly-owned by Star Concord, each of Elite Age and Star Concord is deemed to be interested in all the Shares held by Golden Ford under the SFO. Star Concord is the trustee of the TCC Entrepreneur Trust.
4. As 40% of the entire issued share capital of Golden Ford is held by Ample Bright and Ample Bright is wholly-owned by Fortune China, each of Ample Bright and Fortune China is deemed to be interested in all the Shares held by Golden Ford under the SFO. Fortune China is the trustee of the TCC Education Trust.
5. As Mr. Tsai is the sole shareholder of Star Concord and Mr. Tan is the sole shareholder of Fortune China, each of Mr. Tsai and Mr. Tan is deemed to be interested in all the Shares held by PMHC.
6. As Lead Forward is wholly-owned by Mr. Cheng, he is deemed to be interested in all the Shares held by Lead Forward under the SFO.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register of the Company referred to therein.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the Year or subsisted at the end of the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the Companies Act, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders executed a deed of non-competition (the "**Deed of Non-competition**") on 30 November 2018, pursuant to which each of the Controlling Shareholders irrevocably and unconditionally undertook to and covenanted with the Company that he/it shall not, and shall procure that his/its associates shall not:

(a) directly or indirectly (other than through the Group), either on his/its own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, in any form carry on, participate or be interested, engaged in or otherwise be involved in, acquire or hold shares or interests in (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) or assist or support a third party to engage in or participate in any business directly or indirectly in competition with, or likely to be in competition with, the current and potential business engaged or to be engaged by the Group (the "**Restricted Business**");

(b) solicit or procure any of the suppliers and/or the customers of the Group from time to time to terminate their business relationships or otherwise reduce the amount of business with the Group;

(c) solicit or procure any of the directors, senior management or other employees of the Group from time to time to resign or otherwise cease providing services to the Group; and/or

(d) unless with the prior written consent of the Company, disclose any confidential information of the Group to any other third parties, including but not limited to, customers list and supplier list.

The non-competition undertaking given by the Controlling Shareholders under the Deed of Non-competition does not apply to:

(a) the holding of Shares or other securities issued by the Company or any member of the Group;

(b) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of our Controlling Shareholders and their respective associates do not amount to more than 5% of the relevant legal or beneficial interests in the share capital of the company in question; or

(c) the involvement or participation of the Controlling Shareholders in a Restricted Business has first been offered or made available to the Company and the Group in accordance with the Deed of Non-competition and the Group, after review and approval by the independent non-executive Directors, has declined such opportunity to be involved in or to participate in the Restricted Business subject to any conditions the independent non-executive Directors may require to be imposed.

In addition, each of the Controlling Shareholders irrevocably and unconditionally undertakes and covenants that if he/it and or any of his/its associates (other than the Group) is offered or become aware of any business opportunity relating to any of the products and/or services of the Group or the Restricted Business (the "**Business Opportunity**"), whether directly or indirectly, he/it shall:

(a) not later than a date ("**Notification Date**"), being seven business days after becoming aware of the Business Opportunity, promptly notify the Company in writing of the Business Opportunity and provide such information as is reasonably required by the Company as soon as practicable in order to enable it to come to an informed assessment of the Business Opportunity; offer new Shares on a pro rata basis to the existing Shareholders;

(b) use its/his best endeavours to procure that the Business Opportunity is offered to the Company to the exclusion of the Controlling Shareholders on terms no less favourable than the terms on which the Business Opportunity is offered to him/it and/or his/its associates (other than the Group); and

(c) only be free to take the Business Opportunity, and may either on his/its own account or in conjunction with or on-behalf of any person, firm or company, directly or indirectly be interested or engaged in or acquire or hold any rights or otherwise be involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) on the earliest of the date on which (i) the Company has confirmed in writing it will not take up the Business Opportunity; or (ii) one month from the Notification Date has expired and the Company has failed to enter into agreement with the prospective contracting party in respect of the Business Opportunity; or (iii) the prospective contracting party has confirmed to the Company or the relevant Controlling Shareholder to the effect that it will not enter into agreement with the Company in respect of the Business Opportunity.

Pursuant to the Deed of Non-competition, the independent non-executive Directors are responsible for reviewing, at least on an annual basis, the compliance with the undertakings in the Deed of Non-competition and such decisions on matters as reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings will be disclosed either in annual reports, or by way of announcements. Each of the Controlling Shareholders has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the Year. During the Year, the independent non-executive Directors have also reviewed the implementation of the Deed of Non-competition and confirmed that each of the Controlling Shareholders has fully abided by the Deed of Non-competition without any breach of the Deed of Non-competition.

CONTINUING CONNECTED TRANSACTIONS

On 24 January 2022, for the better management of the lease transactions between the Group and Chongqing Stone Tan and in view that the Group is required to purchase more machinery and equipment through finance and/or operating lease to cope with its growing business, the Company and Chongqing Stone Tan terminated the machinery and equipment lease framework agreement dated 30 November 2018 and entered into a new framework agreement (the "**Framework Agreement**").

Set out below are the annual caps in respect of the machinery and equipment lease transactions under the Framework Agreement:

Period	**Annual Caps (value of right-of-use asset)**
For the year ended 31 December 2022	RMB140.0 million
For the year ending 31 December 2023	RMB82.0 million
For the year ending 31 December 2024	RMB94.0 million

As one or more of the applicable percentage ratios (other than profits ratio) in respect of the maximum amount of the annual caps under the Framework Agreement is more than 5% and exceeds HK$10 million, the transactions contemplated under the Framework Agreement are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the Year, the aggregate value of right-of-use asset under the continuing continued transactions was approximately RMB139.2 million.

For details of the Framework Agreement, please refer to the circular of the Company dated 8 March 2022.

CONFIRMATIONS FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR OF THE COMPANY

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions for the Year and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor of the Company has issued their unqualified report containing their findings and confirmed that nothing has come to its attention that causes them to believe: (a) the continuing connected transactions have not been approved by the Company's Board of Directors; (b) the continuing connected transactions were not, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) the continuing connected transactions have exceeded the annual caps in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's report will be provided by the Company to the Stock Exchange.

The Directors confirm that, save as disclosed above, none of the related party transactions set out in Note 28 to the consolidated financial statements constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules that is required to be disclosed. Save as disclosed above, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules during the Year.

CHARITABLE DONATIONS

During the Year, the Group made no charitable donations.

SIGNIFICANT EVENT AFTER THE YEAR

There was no significant event which took place after the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover for the Directors for their liabilities arising out of corporate activities.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed in the Corporate Governance Report on page 23 of this annual report, the Company had complied with all applicable code provisions as in force during the Year under the CG Code as set out in Appendix 14 to the Listing Rules. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 30 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

BDO Limited, Certified Public Accountants, which was appointed as the auditor of the Company since the Listing, has acted as the auditor of the Company for the Year.

BDO Limited, Certified Public Accountants, shall retire in the 2023 AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited, Certified Public Accountants, as the auditor of the Company will be proposed at the 2023 AGM.

On behalf of the Board
Mr. Cheng Hsien Chun
Chairman

PRC, 28 March 2023

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the Year.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Except for deviation from code provision C.2.1 of the CG Code during the Year, the Company had complied with all applicable code provisions as in force during the Year under the CG Code as set forth in Appendix 14 to the Listing Rules for the Year.

Under code provision C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng, an executive Director, has been performing similar function to that of a chief executive officer, and he also performs as the chairman of the Board. As Mr. Cheng has considerable experience in the corrugated packaging industry and has been assuming day-to-day responsibilities of managing and leading the Group since 1995, the Board believes that Mr. Cheng, being the executive Director and the chairman of the Board has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning of the Group which is the best interest of the Group.

The Board considers that the deviation from code 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.

THE BOARD

Board Composition

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the Audit Committee, the Remuneration Committee, the nomination committee (the "**Nomination Committee**"), and the environment committee (the "**Environment Committee**") (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs. As of the date of this annual report, the composition of the Board is as follows:

Executive Directors:	Mr. Cheng Hsien-Chun *(Chairman)* Mr. Philip Tan (re-designated from non-executive Director on 1 November 2022)
Non-executive Director:	Mr. Chow Tien-Li
Independent Non-executive Directors:	Mr. Wang Jisheng Mr. Kiang Tien Sik David Dr. Su Morley Chung Wu

The biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" on pages 8 to 10 in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors is available on the Company's website.

Corporate Governance Report

Our executive Director has entered into a service agreement with our Company. Each of our non-executive Directors (including independent non-executive Directors) has signed an appointment letter or a service agreement with the Company.

Under the Articles, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at the same meeting. All non-executive Directors (including independent non-executive Directors) are appointed for a specific term of two years or three years and all directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years and are subject to re-election in accordance with the Articles.

There is no financial, business or other material/relevant relationships among members of the Board.

All Directors, including the non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The non-executive Directors are invited to serve on the Audit Committee and the independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environment Committee (as the case maybe).

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, all the Directors have agreed to disclose their commitments to the Company in a timely manner.

Responsibilities

The functions and duties of the Board include but are not limited to convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining the Group's business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management of the Group. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

Induction and Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with reasonable care, skill and diligence, in pursuit of the development of the Company. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Company and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

On 16 December 2022, the Company, together with its Hong Kong legal advisers, organized training sessions for the Directors explaining the on-going obligations and responsibilities as a director of a Hong Kong listed company. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

The list below summarises the training received by the Directors for the Year:

	Types of training	
Name of Directors	**Attending in-house training organised by professional organizations**	**Reading materials updating on new rules and regulations**
Mr. Cheng Hsien-Chun	✓	✓
Mr. Philip Tan	✓	✓
Mr. Chow Tien-Li	✓	✓
Mr. Wang Jisheng	✓	✓
Mr. Kiang Tien Sik David	✓	✓
Dr. Su Morley Chung Wu	✓	✓

Independence of Independent Non-Executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, Remuneration Committee and Environment Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee, the Remuneration Committee and Environment Committee are respectively available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with code provision C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committees are to provide the Directors with an independent review on the effectiveness of the financial reporting process, corporate governance measures, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors.

At present, the Audit Committee comprises of 4 members, namely Mr. Kiang Tien Sik David (Chairman), Dr. Su Morley Chung Wu and Mr. Wang Jisheng, being independent non-executive Directors and Mr. Chow Tien-Li being non-executive Director.

Pursuant to the meeting of the Audit Committee on 28 March 2023, the Audit Committee has reviewed, among other things, the consolidated financial statements of the Company for the Year, including the accounting principles and practices adopted by the Company, report prepared by the external auditor covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Group's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditor.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with code provision E.1.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and review performance based remuneration and ensure none of the Directors determine their own remuneration. At present, the Remuneration Committee comprises Mr. Wang Jisheng (Chairman), Mr. Cheng and Dr. Su Morley Chung Wu. Pursuant to the meeting of the Remuneration Committee on 16 December 2022, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of the Directors and senior management of the Group. Details of the remuneration of each of the Directors for the Year are set out in Note 11 to the consolidated financial statements.

During the Year, one Remuneration Committee meeting was held on 16 December 2022 for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management of the Group. All members of the Remuneration Committee attended the meeting in person. The biographies of the senior management of the Company are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. The remuneration of the senior management of the Company (other than Directors) by band for the Year is as follows:

Remuneration band (HK$)	**Number of individuals**
0–1,000,000	2
1,000,001–1,500,000	1

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are mainly to at least annually review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individual(s) nominated for directorship(s), to assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. As at the date of this report, the Nomination Committee comprises Mr. Cheng (Chairman), Mr. Wang Jisheng and Mr. Kiang Tien Sik David.

Besides, it is also the duty of the Nomination Committee to review the board diversity policy (the "**Board Diversity Policy**"), which sets out the objective and approach to achieve and maintain diversity on the Board. The Company will ensure that the members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group's business strategy. Pursuant to the Board Diversity Policy, the Company seeks to achieve board diversity through consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated to be responsible for compliance with relevant code governing board diversity under the CG Code and will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

When the Company is required to re-design the Board's composition, the Company will ensure that all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Year, the Nomination Committee held one (1) meeting on 16 December 2022 for, among other matters, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendation to the Board on the appointment or re-appointment of Directors. During such meeting, the chairman of the Nomination Committee reminded that pursuant to the Listing Rules, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024. Given that all members of the Board are male, the Company is required to appoint at least one female Director by 31 December 2024. The Company is in the course of seeking appropriate candidate and will ensure that such requirement will be met by the prescribed time period. The Nomination Committee will review the progress by the end of 2023.

In terms of workforce of the Group, as at 31 December 2022, the Group has 1,761 full-time employees. employees (including the Board and senior management). Among which, there were 1,202 male employees and 559 female employees. Based on the current gender ratio in the Group's workforce, the Board is of the view that the Company has basically achieved a certain degree of balanced diversity. Nevertheless, the Company aims to further enhance its diversity in workforce by introducing more staff with different sex and age (subject to job nature) and expects to perform a further review of its diversity in workforce by the end of 2023.

Environment Committee

The Company has established the Environment Committee mainly responsible for ensuring all the Group's production plants comply with laws, rules and regulations in the aspect of environment. As at the date of this report, the Environment Committee comprises Dr. Su Morley Chung Wu (Chairman), Mr. Kiang Tien Sik David and Mr. Cheng.

During the Year, the Environment Committee held one (1) meeting on 29 March 2022 for reviewing the implementation of environment related matters.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Company, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors

The attendance record of each of the current Directors at the Board and Board Committee meetings and the general meetings of the Company held during the Year is set out in the table below. The Directors did not authorize any alternate Director to attend Board or Board Committee meetings.

	Attendance/Number of Meetings						
Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Environment Committee	Board	Annual General Meeting	Extraordinary General Meeting
Mr. Cheng Hsien-Chun	—	1/1	1/1	1/1	4/4	1/1	1/1
Mr. Chow Tien-Li	2/2	—	—	—	4/4	1/1	1/1
Mr. Philip Tan	2/2	—	—	—	4/4	1/1	1/1
Mr. Wang Jisheng	2/2	1/1	1/1	—	4/4	1/1	1/1
Mr. Kiang Tien Sik David	2/2	—	1/1	1/1	4/4	1/1	1/1
Dr. Su Morley Chung Wu	2/2	1/1	—	1/1	4/4	1/1	1/1

Board Meetings

Pursuant to CG Code, meetings of the Board shall be held regularly at least four times each year and shall be convened by the chairman of the Board. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other Directors shall exercise their power as Directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Questions arising at any meetings of the Board shall be determined by a majority of votes. Where the numbers of votes cast for and against a resolution are equal, the chairman shall have the right to cast an additional vote.

Model Code for Securities Transactions

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

COMPANY SECRETARY

Ms. Fu Chanyi ("**Ms. Fu**") is the Company Secretary of the Company. According to Rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year. For the Year, Ms. Fu had taken no less than 15 hours of relevant professional training.

All Directors have access to the advices and services of Ms. Fu on corporate governance and board procedures.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the "Independent Auditor's Report" on pages 31 to 34 of this annual report.

Internal controls and risk management

The Board has put in place a set of internal control and risk management system to address various operational, financial, legal and market risks identified in relation to the Group's operations, including but not limited to procurement and sales management, inventory management, research and development management, credit risk, liquidity risk, foreign exchange risk, human resources risk management, and various other financial and operational control and monitoring procedures. The risk management system and policies set forth procedures to identify, categorize, analyze and mitigate various risks and the relevant reporting hierarchy of risks identified in the Group's operations. The Board has the general power to manage the Group's operations and is responsible for the risk management and internal control systems and reviewing their effectiveness. After due consideration, the Directors are of the view that the Group's current risk management and internal control systems are adequate and effective.

The management of the Group has established a set of comprehensive structure, standards and procedures in areas of operational, financial, legal and market risks for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and a sound cash management system; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The Board reviews the risk management and internal controls annually.

The Group's internal audit department plays a major role in monitoring the internal governance of the Group. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Group and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The assessment report was reviewed by the Audit Committee and the Board. The Board has conducted a review of, and is satisfied with the effectiveness of the risk management and internal control systems and the internal audit function for the Year.

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The Group will ensure that inside information will be disclosed to the public through public announcements and its website as soon as reasonably practicable pursuant to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012. Besides, all inside information will be kept strictly confidential before disclosing to the public and only the relevant persons such as Directors, company secretary and professional advisors will have access to such information.

The Directors will continue to review the risk management, internal control system and internal audit function as and when required.

External Auditor

BDO Limited ("**BDO**"), Certified Public Accountants, has been appointed as the external auditor of the Company, The Audit Committee has been notified of the nature and the service charges of non-audit services performed by BDO and considered that such services have no adverse effect on the independence of the external auditor.

For the Year, the remuneration paid or payable to BDO in respect of annual audit services provided to the Company and non-audit services provided in respect of reviewing the condensed consolidated interim financial statements amounted to approximately RMB1,018,000 and RMB173,000, respectively. The remuneration paid or payable to BDO for non-audit services provided in respect of preparation of tax computations and review of compliance amounted to approximately RMB13,000 and RMB112,000 respectively. The remuneration paid or payable to another auditor for audit services in the PRC was approximately RMB879,000.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board.

An annual general meeting shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Convening an EGM and Putting Forward Proposals at General Meetings

EGM may be convened by Directors on requisition of one or more Shareholders holding, at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company by mail to the principal place of business in Hong Kong or the registered office of the Company, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company by mail to the principal place of business in Hong Kong or the registered office of the Company.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the general meetings, the annual and interim reports, notices, announcements and circulars and the Company's website at http://www.pmpgc.com.

CONSTITUTIONAL DOCUMENTS

Conditionally adopted by a special resolution dated 30 November 2018, the Articles were adopted with effect from 21 December 2018 (i.e. the date of listing of the Shares). For the purpose of, among other things, (i) conform the existing Articles to the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules; (ii) reflecting certain updates in relation to the Listing Rules and the applicable laws of the Cayman Islands; and (iii) making other consequential and housekeeping improvements, the Company will adopt a new Articles in the 2023 AGM. The company will publish an announcement in relation to adoption of new Articles in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report ("**ESG Report**") of the Group will be issued separately from this report and will be available only on the websites of the Stock Exchange and the Company. As usual, no printed form of ESG Report will be despatched to the Shareholders.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
(incorporated in the Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of Pacific Millennium Packaging Group Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 35 to 97, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT LOSS ON TRADE RECEIVABLES

Refer to Notes 4(e)(ii), 5(ii), 18 and 33(a) to the consolidated financial statements.

As at 31 December 2022, the Group's trade receivables (net of impairment loss of RMB5,879,000) was amounted to RMB570,345,000. Impairment loss on trade receivables is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

We identified the impairment loss on trade receivables as a key audit matter due to the significance of trade receivable balances to the consolidated statement of financial position and significant judgements involved by management in the assessment of impairment loss.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

— obtaining an understanding of the model adopted by management in estimating lifetime expected credit losses which oversee credit control, debt collection and estimation of lifetime expected credit losses;

— testing the accuracy of ageing analysis of trade receivables, on a sample basis, to the related sales invoices and goods delivery documents; and

— assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Wendy W.Y. Fong
Practising Certificate Number P06821

Hong Kong, 28 March 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	**2,178,409**	2,400,426
Cost of sales		**(1,840,268)**	(2,033,701)
Gross profit		**338,141**	366,725
Other income and other gains and losses, net	8	**8,124**	7,777
Selling and distribution expenses		**(120,824)**	(124,507)
Administrative expenses		**(156,524)**	(159,293)
Impairment loss on trade receivables, net	10	**(229)**	(846)
Finance costs	9	**(28,246)**	(27,526)
Profit before income tax	10	**40,442**	62,330
Income tax expense	13	**(17,621)**	(18,701)
Profit for the year		**22,821**	43,629
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of the Company's financial statements into its presentation currency		**41**	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(10,074)**	(422)
Total comprehensive income for the year		**12,788**	43,207
Earnings per share (RMB) — basic	14	**8 cents**	15 cents

Consolidated Statement of Financial Position

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	**794,579**	695,730
Prepayments for purchase of property, plant and equipment		**5,407**	13,343
Deferred tax assets	16	**15,969**	12,752
		815,955	721,825
Current assets			
Inventories	17	**111,483**	164,781
Trade and other receivables	18	**635,642**	683,690
Pledged deposits	19	**20,850**	13,250
Bank balances and cash	20	**98,769**	58,799
		866,744	920,520
Current liabilities			
Trade and other payables	21	**331,151**	342,190
Contract liabilities	22	**2,829**	3,744
Bank and other borrowings	23	**348,340**	347,616
Loans from immediate holding company	24	**69,771**	61,489
Tax payable		**12,896**	7,029
Lease liabilities	25	**29,970**	20,566
		794,957	782,634
Net current assets		**71,787**	137,886
Total assets less current liabilities		**887,742**	859,711
Non-current liabilities			
Bank and other borrowings	23	**–**	11,791
Lease liabilities	25	**285,196**	217,525
		285,196	229,316
Net assets		**602,546**	630,395

Consolidated Statement of Financial Position

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Equity			
Share capital	26	**2,442**	2,442
Reserves	27	**600,104**	627,953
Total equity		**602,546**	630,395

On behalf of the board of directors

Mr. Cheng Hsien-Chun
Director

Mr. Kiang Tien Sik David
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27)	Merger reserve RMB'000 (Note (a))	Translation reserve RMB'000 (Note (b))	Surplus reserve RMB'000 (Note (c))	Retained profits RMB'000	Total RMB'000
At 1 January 2021	2,442	398,312	16,844	(5,959)	114,867	121,361	647,867
Profit for the year	—	—	—	—	—	43,629	43,629
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	(422)	—	—	(422)
Total comprehensive income for the year	—	—	—	(422)	—	43,629	43,207
Dividends paid (Note 31)	—	—	—	—	—	(60,679)	(60,679)
Transfer to surplus reserve	—	—	—	—	9,326	(9,326)	—
At 31 December 2021 and 1 January 2022	**2,442**	**398,312**	**16,844**	**(6,381)**	**124,193**	**94,985**	**630,395**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**22,821**	**22,821**
Other comprehensive income for the year:							
Exchange differences on translation of the Company's financial statements into its presentation currency	**—**	**—**	**—**	**41**	**—**	**—**	**41**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**(10,074)**	**—**	**—**	**(10,074)**
Total comprehensive income for the year	**—**	**—**	**—**	**(10,033)**	**—**	**22,821**	**12,788**
Dividends paid (Note 31)	**—**	**—**	**—**	**—**	**—**	**(40,637)**	**(40,637)**
Transfer to surplus reserve	**—**	**—**	**—**	**—**	**6,850**	**(6,850)**	**—**
At 31 December 2022	**2,442**	**398,312**	**16,844**	**(16,414)**	**131,043**	**70,319**	**602,546**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Notes:

(a) Merger reserve

Merger reserve represented the difference between the investment costs in subsidiaries and the aggregate amount of issued share capital of subsidiaries acquired pursuant to the group reorganisation in 2014.

(b) Translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(l) to the consolidated financial statements.

(c) Surplus reserve

In accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), each subsidiary incorporated in the PRC is required to provide for PRC surplus reserve, by way of transferring 10% of the profit after income tax to a surplus reserve until such reserve reaches 50% of the registered capital of each of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the surplus reserve may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after capitalisation is not less than 25% of the registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Operating activities		
Profit before income tax	**40,442**	62,330
Adjustments for:		
Depreciation of property, plant and equipment	**98,426**	87,363
Finance costs	**28,246**	27,526
Interest income	**(1,508)**	(1,214)
Impairment loss on inventories, net	**713**	348
Impairment loss on trade receivables, net	**229**	846
Gain on lease modification	**(61)**	(48)
Loss on disposal of property, plant and equipment	**289**	332
Operating cash flows before working capital changes	**166,776**	177,483
Decrease/(increase) in inventories	**52,585**	(3,979)
Decrease/(increase) in trade and other receivables	**44,579**	(86,425)
Decrease in trade and other payables	**(10,001)**	(13,209)
(Decrease)/increase in contract liabilities	**(915)**	493
Cash generated from operations	**253,024**	74,363
Income tax paid	**(14,983)**	(25,344)
Net cash generated from operating activities	**238,041**	49,019
Investing activities		
Purchase of property, plant and equipment	**(67,644)**	(81,796)
Proceeds from disposal of property, plant and equipment	**8,843**	4,422
Prepayments made for purchase of property, plant and equipment	**(5,407)**	(13,343)
Increase in pledged deposits	**(7,600)**	(2,000)
Interest received	**1,508**	1,214
Net cash used in investing activities	**(70,300)**	(91,503)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Financing activities (Note 30(b))		
Dividends paid	**(40,637)**	(60,679)
Interest paid on bank loans	**(12,066)**	(12,333)
Repayment of interest element of lease liabilities	**(14,722)**	(10,219)
Interest paid on sale and leaseback arrangements	**(1,348)**	(4,382)
Interest paid on loans from immediate holding company	**(1,738)**	(601)
Proceeds from loans from immediate holding company	**26,575**	62,979
Repayment of loans from immediate holding company	**(25,456)**	—
Repayment of capital element of lease liabilities	**(47,903)**	(25,437)
Proceeds from bank and other borrowings	**464,402**	367,688
Repayment of bank and other borrowings	**(475,469)**	(308,108)
Net cash (used in)/generated from financing activities	**(128,362)**	8,908
Net increase/(decrease) in cash and cash equivalents	**39,379**	(33,576)
Cash and cash equivalents at beginning of the year	**58,799**	95,530
Effect of exchange rate changes on cash and cash equivalents	**591**	(3,155)
Cash and cash equivalents at end of the year	**98,769**	58,799
Analysis of cash and cash equivalents:		
Bank balances and cash	**98,769**	58,799

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 Act of the Cayman Islands. The registered office of the Company is at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and the principal place of business of the Company in Hong Kong is Suite 2104, 21st Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. The Group, comprising the Company and its subsidiaries, is principally engaged in manufacture and sale of packaging materials. Particulars of the Company's subsidiaries are set out in Note 34 to the consolidated financial statements.

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

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 December 2018.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or amended IFRSs — effective on 1 January 2022

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The application of these amendments to IFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework

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

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(a) Adoption of new or amended IFRSs — effective on 1 January 2022 (Continued)

Amendments to IFRS 3 Reference to the Conceptual Framework (Continued)

The Group has applied amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

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

Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

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

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

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2018–2020

The annual improvements make amendments to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9 Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16 Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41 Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The adoption of amendments did not have any impact on the financial position or performance of the Group.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New or amended IFRSs that have been issued but are not yet effective

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

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (amendments)[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024

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

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

Amendments to IAS 8 — Definition of Accounting Estimates

Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

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

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New or amended IFRSs that have been issued but are not yet effective (Continued)

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

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

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

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

The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

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

Amendments to IAS 1 — Non-current Liabilities with Covenants

The 2020 Amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

Based on Group's outstanding liabilities as at 31 December 2022, the directors of the Company do not anticipate that the application of the amendments will result in the reclassification of the Group's liabilities.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New or amended IFRSs that have been issued but are not yet effective (Continued)

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company's subsidiaries incorporated in the People's Republic of China (the "PRC") from which over 90% of the Group's revenue and operating profit were generated. The functional currency of the Company is United States dollars ("US$").

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of are included in the consolidated statements of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the note to the consolidated financial statements that discloses the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 years
Leasehold improvement	10–15 years
Plant and machinery	10 years
Furniture and fixtures	3–5 years
Motor vehicles	5 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The depreciation method used for right-of-use assets is the same as that used for property, plant and equipment. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The depreciation rates of the different classes of right-of-use assets are as follows:

Leasehold land:	over the lease term period or 2%
Other leased properties:	over the lease term period

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leasing

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not obtain purchase option. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is recognised at cost, which comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right to use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are classified as property, plant and equipment in the consolidated statement of financial position.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments

(i) Financial assets

Classification

The Group classifies its financial assets in one measurement category which are measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

The Group subsequently measures the financial assets at amortised cost if the following conditions are met:

— the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value (either through other comprehensive income, or through profit or loss).

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

— the carrying amount of the financial asset transferred; and

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

(ii) Impairment loss on financial assets

The Group has these types of financial assets subject to IFRS 9's expected credit loss ("ECL") model:

— Trade receivables

— Financial assets included in other receivables and deposits, bills receivables, pledged deposits and bank balance and cash

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime ECLs to be recognised from initial recognition of the receivables.

Impairment on financial assets included in other receivables and deposits is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECLs. These balances were considered to be of low credit risk and impairment provision recognised, if any, during the year was limited to 12-month ECLs. The 12-month ECLs of these balances during the year is close to zero.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer;

— breach of contract such as a default or past due event;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are financial liabilities at amortised cost which are initially measured at fair value, net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sales.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to as customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 4(i)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

A contract liability is recorded when the payment is made or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer control of the goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer. The unsatisfied performance obligations as at 31 December 2022 are disclosed in Note 22 to the consolidated financial statements.

(i) Revenue recognition

The Group principally derives revenue from sales of goods (corrugated packaging products and corrugated sheet board).

Revenue is measured based on the consideration to which the entity expects to be received or receivable, and represents amounts receivable for goods sold, stated net of discounts, returns and value-added taxes. The Group recognises revenue when the specific criteria have been met as described below.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sales of goods

Revenue from sales of goods is recognised when control of the goods has transferred, being when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

The only performance obligation of the contracts with customers is the sales of goods and this performance obligation is satisfied at a point in time. The credit period for customers is generally 30 days to 120 days from the invoice date.

There is no warranty clause in the contracts with customers.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(j) Government grants/subsidies

Grants/subsidies from government are recognised at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Under these circumstances, the grants/subsidies are recognised as income or matched with the associated costs which the grants/subsidies are intended to compensate.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the translation reserve.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are recognised in the year when the employees render the related services.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Pursuant to the relevant laws and regulations of the PRC, the Company's subsidiaries in the PRC have joined defined contribution schemes for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to the income statement on an accrual basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Impairment of non-financial assets

At the end of each reporting period, the Group/Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including right-of-use assets); and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(o) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Dividends

Dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as liabilities.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Provision for obsolete inventories

Management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values.

(ii) Impairment of financial assets measured at amortised cost

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing conditions as well as forward-looking estimates at the end of each reporting period.

(iii) Income taxes and deferred tax

Recognition of deferred tax asset for carried-forward tax losses

The deferred tax assets include an amount of RMB13,806,000 which related to carried-forward tax losses of the PRC subsidiaries. These subsidiaries have incurred the losses over the last two financial years following the incorporation of the subsidiaries. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the business plans and the operation cycles. The subsidiaries are expected to generate taxable income from 2024 onwards. The losses can be carried forward for 5 years.

6. SEGMENT REPORTING

The executive director of the Company during the year has been identified as the chief operating decision-maker ("CODM") of the Group who reviews the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

(a) Reportable segments

The Group is principally engaged in manufacture and sale of packaging materials. The CODM assesses the performance of the business based on a measure of operating results and considers the business as a single operating segment. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment which is manufacture and sale of packaging materials.

(b) Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the manufacture and sale of packaging materials in the PRC and over 90% of the Group's identifiable non-current assets were located in the PRC, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

(c) Information about major customers

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021.

7. REVENUE

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

	2022 RMB'000	2021 RMB'000
Corrugated packaging products	**1,970,039**	2,171,436
Corrugated sheet boards	**208,370**	228,990
	2,178,409	2,400,426

Disaggregation of revenue

The following table sets out a breakdown of the Group's revenue, all of which is recognised at a point in time, categorised by the industries of the end products, in which the Group's products were applied, during the year:

	2022 RMB'000	2021 RMB'000
Revenue by industry		
Food and beverage	**601,865**	625,381
Paper and packaging	**297,027**	350,759
Non-food-and-beverage-consumables (Note (i))	**351,671**	335,049
Supplier chain solution	**72,386**	110,651
E-commerce	**33,614**	38,678
Home electronics	**24,811**	58,070
Others (Note (ii))	**797,035**	881,838
	2,178,409	2,400,426

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.

8. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000
Sales of other materials and consumables	**3,073**	1,866
Interest income	**1,508**	1,214
Government subsidies (Note)	**3,236**	4,538
Sundry income,net	**535**	443
Loss on disposal of property, plant and equipment	**(289)**	(332)
Gain on modification of the leases	**61**	48
	8,124	7,777

Note:

The amounts mainly included subsidies for payroll support of RMB822,000 (2021: RMB1,734,000) and subsidies for environmentally friendly development of RMB1,519,000 (2021: RMB2,718,000) during the year. There were no unfulfilled conditions attached to these subsidies by the relevant PRC local government.

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**14,722**	10,219
Less: amounts capitalised in property, plant and equipment (Note)	**(1,628)**	(9)
	13,094	10,210
Interest on bank loans	**12,066**	12,333
Interest on sale and leaseback arrangements	**1,348**	4,382
Interest on loans from immediate holding company	**1,738**	601
	28,246	27,526

Note:

Borrowing costs capitalised during the year represented all the interest on the lease liabilities relating to the acquisition of plant and machinery for the production line. Capitalisation of interest commenced from the date of commencement of installation of the production line and ceased once the production line is ready for its intended use.

10. PROFIT BEFORE INCOME TAX

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

	2022 RMB'000	2021 RMB'000
Cost of inventories sold (Note (i))	**1,840,268**	2,033,701
Depreciation of property, plant and equipment (Note (ii))	**98,426**	87,363
Auditor's remuneration	**1,316**	1,341
Freight charges	**78,552**	84,843
Short-term lease expenses	**2,741**	3,190
Impairment loss on inventories, net	**713**	348
Impairment loss on trade receivables, net	**229**	846
Exchange gain, net	**(351)**	(2,026)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	**209,349**	208,755
— Retirement benefit costs (Note (iii))	**27,975**	26,469

Notes:

(i) Cost of inventories sold for the year ended 31 December 2022 includes RMB1,336,989,000, RMB101,928,000, RMB37,335,000, RMB125,743,000 and RMB78,216,000 (2021: RMB1,536,759,000, RMB111,461,000, RMB41,417,000, RMB118,132,000 and RMB69,331,000), relating to costs of raw materials consumed, costs of accessories, outsourced production costs, employee benefits expenses and depreciation of property, plant and equipment respectively. The amounts disclosed of employee benefits expenses and depreciation of property, plant and equipment included in cost of inventories sold are also included in the respective total amounts disclosed separately above.

(ii) Depreciation of property, plant and equipment for the year ended 31 December 2022 includes depreciation of right-of-use assets amounted to RMB26,203,000 (2021: RMB23,882,000) and depreciation of plant and equipment held under finance leases amount to RMB845,000 (2021: RMB760,000).

(iii) For the year ended 31 December 2022, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions (2021: Nil) . As at 31 December 2022, 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 (2021: Nil).

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of emoluments of directors of the Company during the year are as follows:

Year ended 31 December 2022

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive director				
Cheng Hsien-Chun	—	2,156	16	2,172
Philip Tan (redesignated on 1 November 2022) (Note)	110	—	—	110
Non-executive directors				
Chow Tien-Li	207	—	—	207
Philip Tan (redesignated on 1 November 2022) (Note)	259	—	—	259
Independent non-executive directors				
Wang Jisheng	207	—	—	207
Kiang Tien Sik	207	—	—	207
Su Morley Chung Wu	207	—	—	207
	1,197	2,156	16	3,369

Year ended 31 December 2021

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive director				
Cheng Hsien-Chun	—	2,059	15	2,074
Non-executive directors				
Chow Tien-Li	199	—	—	199
Philip Tan	199	—	—	199
Independent non-executive directors				
Wang Jisheng	199	—	—	199
Kiang Tien Sik	199	—	—	199
Su Morley Chung Wu	199	—	—	199
	995	2,059	15	3,069

Note: Mr. Philip Tan was redesignated from non-executive director to executive director on 1 November 2022.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The executive director's emoluments shown above were mainly for his services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2021: nil).

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2021: one) was a director of the Company and the remaining four (2021: four) were individuals who are neither a director nor chief executive of the Company. The emoluments of the five highest paid individuals during the year were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	**6,211**	6,037
Retirement benefits scheme contributions and housing fund	**363**	336
	6,574	6,373

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

The emoluments of each of the above highest paid individuals were within the following bands:

	Number of Individuals	
	2022	2021
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**4**	4
HK$1,500,001 or above	**1**	1
	5	5

13. INCOME TAX EXPENSE

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

	2022 RMB'000	2021 RMB'000
Current tax		
— Provision for PRC enterprise income tax for the year	**17,492**	22,210
— Withholding tax on dividends	**3,346**	—
	20,838	22,210
Deferred tax (Note 16)		
— Origination and reversal of temporary differences	**(3,217)**	(3,509)
Income tax expense	**17,621**	18,701

No provision of Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2022 and 2021.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (2021: 25%) of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2022 and 2021.

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.

13. INCOME TAX EXPENSE (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before income tax	**40,442**	62,330
Tax on profit before income tax, calculated at PRC enterprise income tax rate of 25%	**10,111**	15,582
Effect of different tax rate of a subsidiary operating in Hong Kong	**962**	270
Tax effect of expenses not deductible for tax purposes	**2,473**	2,199
Tax effect of income not taxable for tax purposes	**(82)**	(133)
Tax effect of tax losses not recognised	**811**	783
Tax effect of withholding tax on dividends	**3,346**	—
Income tax expense	**17,621**	18,701

14. BASIC EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year and the weighted average number of ordinary shares during the year as follows:

	2022	2021
Profit for the year (RMB'000)	**22,821**	43,629
Weighted average number of ordinary shares in issue (in thousand)	**300,632**	300,632
Basic earnings per share (RMB)	**8 cents**	15 cents

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year of RMB22,821,000 (2021: RMB43,629,000) and weighted average number of ordinary shares of 300,632,000 in issue during the year (2021: 300,632,000 ordinary shares).

No diluted earnings per share is presented as the Group has no potential ordinary shares for the years ended 31 December 2022 and 2021.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000 (Note a)	Total RMB'000
Cost:								
At 1 January 2021	127,423	69,461	587,557	44,317	1,186	3,101	206,019	1,039,064
Additions	—	13,975	70,464	7,020	—	4,029	83,042	178,530
Disposals	—	—	(12,868)	(1,453)	—	—	(2,658)	(16,979)
Transfer from construction in progress	—	—	2,434	668	—	(3,102)	—	—
Exchange adjustment	—	—	—	(1)	—	—	(17)	(18)
At 31 December 2021 and 1 January 2022	127,423	83,436	647,587	50,551	1,186	4,028	286,386	1,200,597
Additions	—	21,052	88,724	9,444	456	3,486	86,318	209,480
Disposals	—	—	(35,550)	(3,510)	(326)	—	—	(39,386)
Modification of leases	—	—	—	—	—	—	(4,159)	(4,159)
Written off	—	—	—	—	—	—	(11,838)	(11,838)
Transfer from construction in progress	—	—	3,938	91	—	(4,029)	—	—
Exchange adjustment	—	—	—	4	—	—	56	60
At 31 December 2022	127,423	104,488	704,699	56,580	1,316	3,485	356,763	1,354,754
Accumulated depreciation:								
At 1 January 2021	74,050	20,298	267,066	32,228	528	—	34,744	428,914
Charge for the year	5,550	5,140	48,113	4,448	230	—	23,882	87,363
Eliminated on disposals	—	—	(8,352)	(1,215)	—	—	(1,851)	(11,418)
Exchange adjustment	—	—	—	(1)	—	—	9	8
At 31 December 2021 and 1 January 2022	79,600	25,438	306,827	35,460	758	—	56,784	504,867
Charge for the year	5,549	6,289	54,833	5,335	217	—	26,203	98,426
Eliminated on disposals	—	—	(26,682)	(3,272)	(300)	—	—	(30,254)
Modification of leases	—	—	—	—	—	—	(1,060)	(1,060)
Eliminated on written off	—	—	—	—	—	—	(11,838)	(11,838)
Exchange adjustment	—	—	—	4	—	—	30	34
At 31 December 2022	85,149	31,727	334,978	37,527	675	—	70,119	560,175
Net carrying amount:								
At 31 December 2022	42,274	72,761	369,721	19,053	641	3,485	286,644	794,579
At 31 December 2021	47,823	57,998	340,760	15,091	428	4,028	229,602	695,730

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2022 RMB'000	2021 RMB'000
Ownership interests in leasehold land held for own use, carried at amortised cost, with remaining lease term of:	(i)		
— Between 10 and 50 years		**9,258**	9,542
Other properties leased for own use, carried at depreciated cost	(ii)	**277,386**	220,060
		286,644	229,602

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	**284**	284
Other properties leased for own use	**25,919**	23,598
	26,203	23,882
Interest on lease liabilities (Note 9)	**14,722**	10,219
Expense relating to short-term leases (Note 10)	**2,741**	3,190

During the year, gross carrying amount of additions to right-of-use assets and lease modification of right-of-use assets upon early termination of the leases were RMB86,318,000 (2021: RMB83,042,000) and RMB3,099,000 (2021: RMB2,658,000) respectively.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 30(b) and 25 respectively.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Right-of-use assets (Continued)

(i) Ownership interests in leasehold land held for own use

The Group holds several industrial buildings for its business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the term of land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. As at 31 December 2022 and 2021, the Group's leasehold land, upon which the Group's buildings classified as property, plant and equipment are situated, are held for own use and situated in the PRC.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its factory plant and office premises through tenancy agreements. The leases typically run for an initial period of 2 to 15 years (2021: 2 to 16 years). Leases of other properties leased for own use comprise only fixed payments over the lease terms.

(b) As at 31 December 2022 and 2021, the Group's buildings were situated in the PRC and were used by the Group.

(c) As at 31 December 2022, the net carry amounts of Group's plant and equipment held under finance leases were RMB34,847,000 (2021: RMB17,294,000).

(d) As at 31 December 2022, the Group's buildings with carrying amounts of RMB42,274,000 (2021: RMB47,823,000) were pledged to secure bills payable and the banking facilities granted to the Group (Note 19).

(e) As at 31 December 2021, the net carrying amounts of the Group's plant and equipment pledged under sales and leaseback arrangements (Note 23(b)) were RMB69,085,000.

16. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised in the consolidated statement of financial position and movements during the year are as follows:

	Impairment and provision RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	2,339	6,904	9,243
(Charged)/credited to profit or loss	(41)	3,550	3,509
At 31 December 2021 and 1 January 2022	**2,298**	**10,454**	**12,752**
(Charged)/credited to profit or loss	**(135)**	**3,352**	**3,217**
At 31 December 2022	**2,163**	**13,806**	**15,969**

As at 31 December 2022, the Group had unused tax losses of approximately RMB76,404,000 (2021: RMB59,759,000) available for offset against future profits.

As at 31 December 2022, deferred tax asset has been recognised in respect of such tax losses of approximately RMB55,224,000 (2021: RMB41,822,000) while no deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB21,180,000 (2021: RMB17,937,000) due to unpredictability of future profits streams.

The unused tax losses will be available within five years for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2022, no deferred tax liabilities had been provided for retained profits of approximately RMB4,065,000. The Group expected that these profits would be retained by the PRC subsidiaries and/or reinvested in these subsidiaries by the Group in the foreseeable future. In accordance with Caishui [2018] No.102 (Circular 102) as detailed in Note 13 to the consolidated financial statements, there is no tax consequence on the dividends distributed by the PRC subsidiaries if such dividends will be reinvested in the PRC subsidiaries.

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**77,417**	130,699
Work in progress	**3,386**	3,686
Finished goods	**15,847**	16,884
Consumables	**14,833**	13,512
	111,483	164,781

As at 31 December 2022, accumulated impairment loss on inventories amounted to RMB2,773,000 (2021: RMB2,061,000).

During the 31 December 2022, impairment loss on inventories of RMB2,601,000 (2021: RMB1,827,000) were recognised in profit or loss. Reversal of impairment loss on inventories of RMB1,888,000 (2021: RMB1,479,000) were recognised in profit or loss as the Group subsequently sold these inventories above their carrying amounts.

18. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**576,224**	632,233
Bills receivables	**24,767**	12,832
Less: allowance for impairment losses	**(5,879)**	(7,132)
	595,112	637,933
Other receivables	**6,549**	15,973
Deposits	**21,382**	20,605
Prepayments	**12,599**	9,179
	635,642	683,690

As at 31 December 2022 and 2021, bills receivables would mature within 180 days and were not past due.

18. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade and bills receivables (net of impairment losses) as at 31 December 2022 and 2021, based on invoice dates, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**271,340**	322,452
Over 1 month but within 3 months	**258,848**	267,008
Over 3 months but within 1 year	**64,924**	48,473
	595,112	637,933

The average credit period on sales of goods is 30–120 days from the invoice date. The Group recognised impairment loss based on the accounting policy stated in Note 4(e)(ii) to the consolidated financial statements. Further details of the Group's credit policy and credit risk arising from trade and bills receivable, financial assets included in other receivables and deposits are set out in Note 33(a) to the consolidated financial statements.

19. PLEDGE OF ASSETS

As at 31 December 2022 and 2021, the Group pledged the following assets to secure bills payable, banking facilities granted to the Group and sale and leaseback arrangements with related company. The carrying amounts of these assets are analysed as follows:

	2022 RMB'000	2021 RMB'000
Property, plant and equipment	**42,274**	116,908
Right-of-use assets of leasehold land	**9,258**	9,542
Pledged deposits	**20,850**	13,250
	72,382	139,700

20. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At the end of reporting period, bank balance and cash of the Group denominated in RMB amount to RMB90,965,000 (2021: RMB56,973,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**187,549**	212,804
Bills payables	**56,250**	56,250
Accruals and other payables	**87,352**	73,136
	331,151	342,190

As at 31 December 2022, the Group's pledged deposits of RMB11,250,000 (2021: RMB11,250,000) was pledged to secure certain bills payables.

All trade and other payables are due to be settled within twelve months.

The ageing analysis of trade and bills payables, based on the invoice dates, as at 31 December 2022 and 2021 is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**130,547**	182,955
Over 1 month but within 3 months	**79,685**	59,068
Over 3 months but within 1 year	**33,567**	27,031
	243,799	269,054

22. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities which will be expected to be recognised within one year:

	2022 RMB'000	2021 RMB'000
Sales of goods	**2,829**	3,744

It represented amounts received from customers in advance in relation to sales of corrugated packaging products and corrugated sheet board. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Payment in advance is normally required for new customers. When the customer made payment in advance of the delivery of products, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its customer contracts such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that have an original expected duration of one year or less.

There were no contract assets as at 31 December 2022 and 2021 recognised in the consolidated statements of financial position.

The following table shows the revenue recognised during the year related to carried-forward contract liabilities:

	2022 RMB'000	2021 RMB'000
Revenue recognised for the year that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	**3,744**	3,251

23. BANK AND OTHER BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Bank loans, secured	(a)	**348,340**	330,000
Other borrowings, secured	(b)	**–**	29,407
		348,340	359,407
Categorised as:			
Current liabilities		**348,340**	347,616
Non-current liabilities		**–**	11,791
		348,340	359,407

Notes:

(a) During the year, the average effective interest rates of the Group's bank loans ranged from 3.52% to 3.90% per annum (2021: 3.85% to 3.90% per annum).

Properties with net carrying amounts of RMB42,274,000 (2021: RMB47,823,000) were pledged for the Group's banking facilities in connection with the bank loans.

Right-of-use assets of leaseheld land with carry amounts of RMB9,258,000 (2021: RMB9,542,000) were pledged to secure certain bank loans.

As at 31 December 2022, the Group's pledge deposits of RMB9,600,000 (2021: RMB2,000,000) was pledged to secure certain bank loans.

As at 31 December 2022 and 2021, all bank loans were scheduled to be repaid within one year.

(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. As at 31 December 2021, the transactions were classified as secured loan financing instead of disposal of the underlying assets as the transfers of the plant and equipment to the buyer-lessor do not satisfy the requirements to be accounted for as a sale of the assets. The carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were RMB69,085,000 as at 31 December 2021. During the year ended 31 December 2022, all of these other borrowings were fully settled.

As at 31 December 2022, future lease payments are due to the buyer-lessor as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than 1 year	–	–	–
Later than 1 year and not later than 2 years	–	–	–
Later than 2 years and not later than 5 years	–	–	–
	–	–	–

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

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

24. LOANS FROM IMMEDIATE HOLDING COMPANY

As at 31 December 2022, the Group obtained loans with total principal amount of HK$75,500,000 (2021: HK$74,500,000) from its immediate holding company, Pacific Millennium Holdings Limited, and the loans carry interest at One-Month Hong Kong Interbank Offered Rate plus 2.6% to 3% per annum. All loans are denominated in Hong Kong Dollars (HK$), unsecured and are repayable within one year from date of drawdown.

As at 31 December 2022, the loans from immediate holding company qualified as fully exempt connected transactions under Chapter 14A.90 of the Listing Rules.

25. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2022 and 2021:

	2022		2021	
	Present value RMB'000	Minimum lease payments RMB'000	Present value RMB'000	Minimum lease payments RMB'000
Not later than 1 year	**29,970**	**45,606**	20,566	31,925
Later than 1 year and not later than 2 years	**33,084**	**46,657**	16,891	27,476
Later than 2 years and not later than 5 years	**70,722**	**102,788**	56,523	82,083
Over 5 years	**181,390**	**216,875**	144,111	171,095
	315,166	**411,926**	238,091	312,579
Less: total future interest expenses		**(96,760)**		(74,488)
Present value of lease liabilities		**315,166**		238,091

Note: The balance included lease liabilities of RMB24,024,000 (2021: RMB12,493,000) owing to Chongqing Stone Tan Financial Leasing Limited, a related party over which one of the controlling shareholders of the Company has significant influence.

25. LEASE LIABILITIES (Continued)

Set out below are the movement during the year

	2022 RMB'000	2021 RMB'000
As at 1 January	**238,091**	169,004
Interest	**14,722**	10,219
Lease payment	**(62,625)**	(35,656)
Additions	**128,088**	95,093
Modification of the leases	**(3,160)**	(542)
Exchange realignment	**50**	(27)
As at 31 December	**315,166**	238,091
Less: Current portion	**(29,970)**	(20,566)
Non-current portion	**285,196**	217,525

26. SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	**Par value** HK$'000	
Ordinary shares of par value of HK$0.01 each			
Authorised			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	600,000,000	6,000	
	Number	HK$'000	RMB'000
Issued and fully paid			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	300,632,000	3,006	2,442

27. RESERVES

The Group

The amount of the Group's reserves and movements during the year are presented in the consolidated statement of changes in equity on pages 38 to 39.

The Company

	Share premium RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	398,312	4,231	11,541	414,084
Profit for the year	—	—	61,508	61,508
Other comprehensive income for the year:				
Exchange differences on translation of the Company's financial statements into its presentation currency	—	(5,717)	—	(5,717)
Total comprehensive income for the year	—	(5,717)	61,508	55,791
Dividends (Note 31)	—	—	(60,679)	(60,679)
At 31 December 2021 and 1 January 2022	**398,312**	**(1,486)**	**12,370**	**409,196**
Profit for the year	**—**	**—**	**38,491**	**38,491**
Other comprehensive income for the year:				
Exchange differences on translation of the Company's financial statements into its presentation currency	**—**	**22,267**	**—**	**22,267**
Total comprehensive income for the year	**—**	**22,267**	**38,491**	**60,758**
Dividends (Note 31)	**—**	**—**	**(40,637)**	**(40,637)**
At 31 December 2022	**398,312**	**20,781**	**10,224**	**429,317**

28. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group entered into the following significant transactions with related parties:

Name of related parties	Related party relationship	Type of transaction	Transaction amount 2022 RMB'000	Transaction amount 2021 RMB'000
Pacific Millennium Holdings Corporation	Immediate holding company	Use of trademarks (Note (iii))	**–**	–
Pacific Millennium Holdings Corporation	Immediate holding company	Interest expenses on loans (Note (i))	**1,738**	601
Stone Tan China Finance & Invest Co Ltd	One of the controlling shareholders of the Company has significant influence over the entity	Rental paid (Note (i))	**215**	–
北京羊阿吉餐飲有限公司	The entity is owned by the spouse of a director of the Company	Administrative and entertainment charges (Note (i))	**–**	220
Shanghai Asia Corp. Communications Inc. Limited* 上海寰亞信息技術有限公司	The entity is a subsidiary of one of the controlling shareholders of the Company	Administrative and support charges (Note (i))	**283**	283
Suzhou Asia Corp. Communications Inc. Limited* 蘇州寰亞信息技術有限公司	The entity is wholly-owned by a member of the key management personnel of the Group	Domain hosting and support charges (Note (i))	**–**	89
Shanghai Pacific Millennium Asia Corp. Communications Inc. Limited* 上海濟豐寰亞信息技術有限公司	The entity is wholly-owned by a member of the key management personnel of the Group	Domain hosting and support charges (Note (i))	**713**	142
Shanghai Asia Corp. Communications Inc. Limited* 上海寰亞信息技術有限公司	The entity is a subsidiary of one of the controlling shareholders of the Company	Domain hosting and support charges (Note (i))	**1,980**	–

28. RELATED PARTY TRANSACTIONS (Continued)

Name of related parties	Related party relationship	Type of transaction	Transaction amount 2022 RMB'000	Transaction amount 2021 RMB'000
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Interest expenses on lease liabilities (Note (ii))	**2,665**	224
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Interest expenses on sale and leaseback arrangements (Note (ii))	**1,348**	4,382
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Handling fee in relation to leases (Note (ii))	**740**	397

* The English name is for identification only. The official names of the companies are in Chinese.

Notes:

(i) The transactions were determined with reference to the terms mutually agreed between the Group and the respective counterparty.

(ii) Details of sale and leaseback and lease arrangements as at 31 December 2022 and 2021 are set out in Notes 23(b) and 25 respectively to the consolidated financial statements.

(iii) The immediate holding company at nil consideration granted to the Group a non-exclusive licence to use the trademarks in relation to the business of paper and packaging.

The transactions as set out in Note (i) above qualified as fully exempt connected transactions. The sale and leaseback and lease arrangements as set out in Note (ii) above were non-exempt continuing connected transactions. Further details are set out in the section headed "Continuing Connected Transactions" in the Report of Directors. The free use of trademarks owned by the immediate holding company as set out in Note (iii) above qualified as fully exempt continuing connected transaction.

28. RELATED PARTY TRANSACTIONS (Continued)

Details of the loans from immediate holding company are set out in Note 24 to the consolidated financial statements.

The emoluments of key management personnel, comprising the directors of the Company and certain senior management personnel of the Group, during the year were as follows:

	2022 RMB'000	2021 RMB'000
Short-term benefits	**4,766**	4,598
Retirement benefits scheme contributions and housing fund	**165**	156
	4,931	4,754

29. CAPITAL COMMITMENTS

The followings are the details of capital expenditure contracted for but not provided for in the consolidated financial statements.

	2022 RMB'000	2021 RMB'000
Commitment for the acquisition of property, plant and equipment	**1,115**	1,060

30. NOTES SUPPORTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2022, the Group entered into lease arrangements with Chongqing Stone Tan Financial Leasing Limited for certain plant and machinery with total capital value at the inception of the leases of RMB41,770,000 (2021: RMB12,051,000).

(ii) During the year ended 31 December 2022, the Group entered into lease arrangements for right-of-use assets of properties leased for own use with a total capital value of inception of RMB86,318,000 (2021: RMB83,042,000).

30. NOTES SUPPORTING THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank and other borrowings (Note 23) RMB'000	Lease liabilities (Note 25) RMB'000	Loans from immediate holding company (Note 24) RMB'000	Total RMB'000
At 1 January 2022	**359,407**	**238,091**	**61,489**	**658,987**
Changes from financing cash flows:				
Interest paid on bank loans	**(12,066)**	**–**	**–**	**(12,066)**
Interest paid on sale and leaseback arrangements	**(1,348)**	**–**	**–**	**(1,348)**
Interest paid on loans from immediate holding company	**–**	**–**	**(1,738)**	**(1,738)**
Repayment of interest element of lease liabilities	**–**	**(14,722)**	**–**	**(14,722)**
Repayment of capital element of lease liabilities	**–**	**(47,903)**	**–**	**(47,903)**
Proceeds from loan from immediate holding company	**–**	**–**	**26,575**	**26,575**
Repayment of loan from immediate holding company	**–**	**–**	**(25,456)**	**(25,456)**
Proceeds from bank loans	**464,402**	**–**	**–**	**464,402**
Repayment of bank loans	**(413,900)**	**–**	**–**	**(413,900)**
Repayment under sale and leaseback arrangements	**(61,569)**	**–**	**–**	**(61,569)**
Total changes from financing cash flows	**(24,481)**	**(62,625)**	**(619)**	**(87,725)**
Exchange adjustments	**–**	**50**	**7,163**	**7,213**
Other changes:				
Interest expenses	**12,066**	**–**	**1,738**	**13,804**
Capitalised borrowing costs	**–**	**1,628**	**–**	**1,628**
New leases	**–**	**128,088**	**–**	**128,088**
Finance charges on sale and leaseback arrangements	**1,348**	**–**	**–**	**1,348**
Finance charges on lease liabilities	**–**	**13,094**	**–**	**13,094**
Modification of the leases	**–**	**(3,160)**	**–**	**(3,160)**
Total other changes	**13,414**	**139,650**	**1,738**	**154,802**
At 31 December 2022	**348,340**	**315,166**	**69,771**	**733,277**

30. NOTES SUPPORTING THE CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank and other borrowings (Note 23) RMB'000	Lease liabilities (Note 25) RMB'000	Loans from immediate holding company (Note 24) RMB'000	Total RMB'000
At 1 January 2021	299,827	169,004	—	468,831
Changes from financing cash flows:				
Interest paid on bank loans	(12,333)	—	—	(12,333)
Interest paid on sale and leaseback arrangements	(4,382)	—	—	(4,382)
Repayment of interest element of lease liabilities	—	(10,219)	—	(10,219)
Repayment of capital element of lease liabilities	—	(25,437)	—	(25,437)
Proceeds from loan from immediate holding company	—	—	62,979	62,979
Proceeds from bank loans	367,688	—	—	367,688
Repayment of bank loans	(275,000)	—	—	(275,000)
Repayment under sale and leaseback arrangements	(33,108)	—	—	(33,108)
Total changes from financing cash flows	42,865	(35,656)	62,979	70,188
Exchange adjustments	—	(27)	(2,091)	(2,118)
Other changes:				
Interest expenses	12,333	—	601	12,934
Capitalised borrowing costs	—	9	—	9
New leases	—	95,093	—	95,093
Finance charges on sale and leaseback arrangements	4,382	—	—	4,382
Finance charges on lease liabilities	—	10,210	—	10,210
Modification of the leases	—	(542)	—	(542)
Total other changes	16,715	104,770	601	122,086
At 31 December 2021	359,407	238,091	61,489	658,987

31. DIVIDENDS

	RMB'000
Year ended 31 December 2022	
— Final dividend of HK$0.08 per share for 2021	19,555
— Special dividend of HK$0.08 per share	21,082
	40,637
Year ended 31 December 2021	
— Final dividend of HK$0.16 per share for 2020	40,612
— Interim dividend of HK$0.08 per share	20,067
	60,679

The directors of the Company proposed a final dividend of HK$0.08 (2021: HK$0.08) per share payable to shareholders whose name appear on the register of members of the Company on 7 July 2023. The final dividend is subject to approval by the shareholders in the annual general meeting of the Company to be held on Wednesday, 21 June 2023. The final dividend of HK$0.08 per share proposed after the end of the reporting period has not been recognised as a liability in the consolidated statement of financial position.

Final dividend in respect of the year ended 31 December 2021 amounted to HK$0.08 per share was approved by the shareholders in the annual general meeting of the Company held on 28 June 2022 (2021: final dividend of HK$0.16 per share for the year ended 31 December 2020). The final dividend of HK$0.08 per share of RMB19,555,000 (after exchange realignment) was paid on 20 July 2022.

The special dividend of HK$0.08 per share of RMB21,082,000 (after exchange realignment) was declared on 30 August 2022 and was paid on 18 November 2022.

32. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of indebtedness (including bank and other borrowings, loans from immediate holding company and lease liabilities) and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The net debt-to-equity percentage at the end of each reporting period was as follows:

	2022 RMB'000	2021 RMB'000
Indebtedness	**733,277**	658,987
Less: Bank and cash balances (including pledged deposits)	**(119,619)**	(72,049)
Net indebtedness	**613,658**	586,938
Total equity	**602,546**	630,395
Net debt-to-equity percentage	**102%**	93%

33. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, bills receivable and other receivables, bank balances and cash, pledged deposits, trade and other payables, bank and other borrowings, lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of merely dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

At the end of each reporting period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance.

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The credit risk on bank balances, pledged deposits and bills receivables is low as the counterparties are reputable financial institutions.

In order to minimise credit risk in respect of trade receivables and other receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not obtain collateral from customers.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. As at each of the reporting date, the Group has no concentration of credit risk. 14% (2021: 17%) of the trade receivables were due from the five largest customers of the Group, all of which have long term business relationships with the Group. The directors of the Company believe that the credit risk of trade receivables is not significant.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

As at 31 December 2022

	Weighted average lifetime ECLs rate	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Collective assessment				
Not past due	0.001%	537,464	(5)	537,459
Past due				
1–90 days	0.01%	32,212	(3)	32,209
91–180 days	20%	690	(138)	552
181–270 days	68.58%	395	(270)	125
		570,761	(416)	570,345
Individual assessment	100%	5,463	(5,463)	–
Total		576,224	(5,879)	570,345

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

As at 31 December 2021

	Weighted average lifetime ECLs rate	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Collective assessment				
Not past due	0.001%	589,656	(6)	589,650
Past due				
1–90 days	0.01%	34,240	(3)	34,237
91–180 days	19.04%	1,107	(211)	896
181–270 days	50%	623	(312)	311
		625,626	(532)	625,094
Individual assessment	99.89%	6,607	(6,600)	7
Total		632,233	(7,132)	625,101

There is no material change in the ECLs rates for trade receivables aged past due between 91–180 days as at 31 December 2022 and 2021 mainly due to no significant change in the historical default rates of trade receivables based on which the ECLs rates are determined. The ECLs rates also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

The following table reconciles the movement in allowance for impairment loss of trade receivables which are not credit-impaired during the year:

	2022 RMB'000	2021 RMB'000
At beginning of year	**7,132**	7,637
Impairment loss recognised	**790**	980
Reversal of impairment loss previously recognised	**(561)**	(134)
Written off	**(1,482)**	(1,351)
At end of year	**5,879**	7,132

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

For other receivables and deposits, the directors of the Company periodically assess individually the recoverability of deposits and other receivables based on historical settlement records, past experience and also quantitative and qualitative information including forward-looking information available without undue cost or effort at reporting date. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-months ECLs. For the years ended 31 December 2022 and 2021, the Group assessed the ECLs for deposits and other receivables were insignificant and thus no loss allowance was recognised.

(b) Liquidity risk

Each company within the Group is responsible for its own cash management, including the raising of loans to cover expected cash demands, subject to approval by the directors of the Company when proposed borrowings exceed certain predetermined authorised levels. The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at the end of each reporting period, which are based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2022					
Trade and other payables	**302,772**	**302,772**	**302,772**	**—**	**—**
Bank and other borrowings	**348,340**	**358,065**	**358,065**	**—**	**—**
Loans from immediate holding company	**69,771**	**71,097**	**71,097**	**—**	**—**
Lease liabilities	**315,166**	**411,926**	**45,606**	**149,445**	**216,875**
	1,036,049	**1,143,860**	**777,540**	**149,445**	**216,875**
As at 31 December 2021					
Trade and other payables	328,191	328,191	328,191	—	—
Bank and other borrowings	359,407	370,520	357,955	12,565	—
Loans from immediate holding company	61,489	62,816	62,816	—	—
Lease liabilities	238,091	312,579	31,925	109,559	171,095
	987,178	1,074,106	780,887	122,124	171,095

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates.

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period.

	2022		2021	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate borrowings:				
Bank loans, secured	**3.85%**	**348,340**	3.85%	330,000
Other borrowings, secured	**—**	**—**	10.20%	29,407
Lease liabilities	**9.64%**	**315,166**	10.15%	238,091
		663,506		597,498
Floating rate borrowings:				
Loans from immediate holding company	**3.26%–3.83%**	**69,771**	2.92%–3.26%	61,489
		733,277		658,987

Details of the Group's borrowings are disclosed in Notes 23, 24 and 25 to the consolidated financial statements.

Sensitivity analysis on interest rate risk on loans from immediate holding company

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in interest rates at 31 December 2022 with all other variables held constant:

	2022 RMB'000	2021 RMB'000
Increase by 1%	**(583)**	(513)
Decrease by 1%	**583**	513

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for loans from immediate holding company in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

33. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

The Group is exposed to foreign currency risk primarily through transactions that are denominated in currencies other than the functional currency of each of the Group's entities. The currencies relevant to this risk are primarily US$ and HK$.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which it relates.

	2022 RMB'000	2021 RMB'000
Assets or liabilities denominated in HK$		
Bank balances and cash	**123**	627
Trade and other receivables	**—**	853
Trade and other payables	**(6)**	(38)
Loan from immediate holding company	**(69,771)**	(61,489)
Lease liabilities	**(617)**	(380)
	(70,271)	(60,427)
Assets or liabilities denominated in US$		
Bank balances and cash	**7,682**	1,200
Trade and other receivables	**1,097**	630
Trade and other payables	**(2,379)**	(1,525)
	6,400	305
Overall net exposure	**(63,871)**	(60,122)

33. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

The following table indicates the approximate change in the Group's profit for the year ended 31 December 2022 and 2021 and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each reporting period.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits RMB'000
HK$	**5%**	**3,514**	5%	3,021
	(5%)	**(3,514)**	(5%)	(3,021)
US$	**5%**	**312**	5%	15
	(5%)	**(312)**	(5%)	(15)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the relevant period until the next annual reporting date.

34. PARTICULARS OF SUBSIDIARIES

As at each reporting date, the Company has direct and indirect interests in the following subsidiaries, all of which are private limited liability companies:

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital	Proportion of effective equity interest held by the Group 2022	2021	Principal activities, place of operation
Pacific Millennium Packaging Holdings Limited [(1)(4)] 國際濟豐包裝控股有限公司	12 August 2014, the British Virgin Islands	US$1	**100%**	100%	Investment holding, Hong Kong
Pacific Millennium Paper Group Limited[(1)(4)] 國際濟豐紙業集團有限公司	21 November 2001, Hong Kong	US$24,695,524	**100%**	100%	Investment holding, Hong Kong
上海濟豐包裝紙業有限公司 Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd. ("SHBP")[(2)(3)(5)]	29 March 1994, the PRC	RMB246,000,000	**100%**	100%	Sale of packaging materials, the PRC
青島濟豐包裝紙業有限公司 Qingdao Pacific Millennium Packaging & Paper Industries Co., Ltd.[(2)(6)]	21 March 1996, the PRC	US$3,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
蘇州濟豐包裝紙業有限公司 Suzhou Pacific Millennium Packaging & Paper Industries Co., Ltd.[(2)(6)]	23 September 2002, the PRC	US$4,250,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
蕪湖濟豐包裝紙業有限公司 Wuhu Pacific Millennium Packaging & Paper Industries Co., Ltd.[(2)(6)]	14 December 2005, the PRC	US$1,260,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
浙江濟豐包裝紙業有限公司 ZheJiang Pacific Millennium Packaging & Paper Industries Co., Ltd.[(2)(6)]	6 January 2006, the PRC	US$5,560,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
南京濟豐包裝紙業有限公司 Nanjing Pacific Millennium Packaging & Paper Industries Co., Ltd.[(2)(6)]	14 January 2006, the PRC	US$5,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
濟豐包裝(上海)有限公司 Pacific Millennium Packaging Corporation[(2)(6)]	10 October 2008, the PRC	US$500,000	**100%**	100%	Sale of packaging materials, the PRC
大連濟豐包裝紙業有限公司 Dalian Pacific Millennium Packaging & Paper Industries Co., Ltd. [(2)(6)]	15 November 2007, the PRC	US$3,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
天津濟豐包裝紙業有限公司 Tianjin Pacific Millennium Packaging & Paper Industries Co., Ltd. [(2)(6)]	14 February 2007, the PRC	US6,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital	Proportion of effective equity interest held by the Group 2022	2021	Principal activities, place of operation
瀋陽濟豐包裝紙業有限公司 Shenyang Pacific Millennium Packaging & Paper Industries Co., Ltd. (2)(6)	5 September 2013, the PRC	US$5,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
江蘇濟豐包裝紙業有限公司 Jiangsu Pacific Millennium Packaging & paper Industries Co., Ltd.(2)(6)	6 July 2015, the PRC	US$10,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
常熟濟豐包裝紙業有限公司 Changshu Pacific Millennium Packaging & paper Industries Co., Ltd.(2)(6)	17 November 2015, the PRC	US$8,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
廣東濟豐包裝紙業有限公司 Guangdong Pacific Millennium Packaging & paper Industries Co., Ltd.(2)(6)	20 December 2016, the PRC	US$8,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
太倉濟豐包裝紙業有限公司 Taicang Pacific Millennium Packaging & paper Industries Co., Ltd. ("TCBP")(2)(3)(6)	23 August 2017, the PRC	US$15,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
山東濟豐包裝有限公司 Shandong Pacific Millennium Packaging Industries Co., Ltd.(2)(6)	15 July 2019, the PRC	US$12,500,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
佛山濟豐包裝科技有限公司 Foshan Pacific Millennium Packaging & Technology Co., Ltd.(2)(6)	10 November 2020, the PRC	US$8,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
安徽濟豐包裝科技有限公司 Anhui Pacific Millennium Packaging & Technology Co., Ltd. ("CZBP")(2)(3)(6)	27 May 2021, the PRC	US$11,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC

(1) The Chinese name is for identification only. The official name of the company is in English.

(2) The English name is for identification only. The official name of the company is in Chinese.

(3) The authorised/registered capital of the respective subsidiaries listed above were fully paid as at 31 December 2022 except for the registered capital of SHBP and TCBP which have paid up capital of RMB245,886,135 and US$10,087,957 respectively.

(4) The legal entity is private limited company.

(5) The legal entity is wholly-foreign owned enterprise.

(6) The legal entity is sino-foreign joint venture.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2022 and 2021 are categorised as follows:

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables, bills receivables, other receivables and deposits	**617,217**	659,563
Pledged deposits	**20,850**	13,250
Bank balances and cash	**98,769**	58,799
	736,836	731,612
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**302,772**	328,191
Loans from immediate holding company	**69,771**	61,489
Bank and other borrowings	**348,340**	359,407
Lease liabilities	**315,166**	238,091
	1,036,049	987,178

The carrying amounts of the financial assets included above approximate their fair values due to their short term nature.

The carrying values of the financial liabilities (including current portion of bank and other borrowings) included above approximate their fair values due to their short term nature.

The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as at 31 December 2022 and 2021 were assessed to be insignificant. The carrying values of the non-current portion of bank and other borrowings also approximate their fair values as at 31 December 2022 and 2021.

36. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 RMB'000	2021 RMB'000
Non-current asset			
Investments in subsidiaries		**168,626**	168,626
Current assets			
Amounts due from subsidiaries		**262,745**	242,608
Prepayments		**142**	109
Bank balances and cash		**252**	334
		263,139	243,051
Current liabilities			
Other payables		**6**	39
Net current assets		**263,133**	243,012
Total assets less current liabilities		**431,759**	411,638
Equity			
Share capital	26	**2,442**	2,442
Reserves	27	**429,317**	409,196
Total equity		**431,759**	411,638

Mr. Cheng Hsien-Chun
Director

Mr. Kiang Tien Sik David
Director

37. EVENT AFTER THE REPORTING PERIOD

There was no significant event which took place after 31 December 2022.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 28 March 2023.

Five-Year Financial Summary

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**2,178,409**	2,400,426	2,041,606	2,073,856	2,019,410
Profit before income tax	**40,442**	62,330	113,219	109,255	127,956
Income tax expense	**(17,621)**	(18,701)	(34,800)	(33,071)	(37,684)
Profit for the year	**22,821**	43,629	78,419	76,184	90,272

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**1,682,699**	1,642,345	1,487,370	1,670,042	1,666,359
Total liabilities	**(1,080,153)**	(1,011,950)	(839,503)	(1,038,379)	(965,830)
Net assets	**602,546**	630,395	647,867	631,663	700,529

Note: The summary above does not form part of the audited consolidated financial statements.

The above financial information is a summary of the consolidated results and liabilities of the Group, prepared for the last five years, as extracted from the audited consolidated financial statement of the Group.