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PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1820)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHTS

- Revenue amounting to approximately RMB1,116.7 million was recorded for the Period (Corresponding Period: approximately RMB882.8 million), representing an increase of approximately 26.5% as compared with the Corresponding Period.
- The net profit attributable to owners of the Company for the Period was approximately RMB23.3 million (Corresponding Period: approximately RMB29.5 million), representing a decrease of approximately 20.9% as compared with the Corresponding Period.
- The Board resolved to declare an interim dividend of HK\$8 cents per Share for the Period (Corresponding Period: nil) to Shareholders whose names appear on the register of members of the Company on 29 October 2021. The interim dividend will be paid on or around 31 December 2021.

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Pacific Millennium Packaging Group Corporation (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with comparative figures for the corresponding period in 2020 (the “**Corresponding Period**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2021	2020
		<i>RMB’000</i>	<i>RMB’000</i>
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	4	1,116,667	882,843
Cost of sales		<u>(938,598)</u>	<u>(714,433)</u>
Gross profit		178,069	168,410
Other income and other gains and losses, net		5,178	5,257
Selling and distribution expenses		(59,397)	(48,301)
Administrative expenses		(77,480)	(63,808)
Impairment loss on trade receivables, net		(619)	(857)
Finance costs		<u>(12,947)</u>	<u>(15,555)</u>
Profit before income tax	5	32,804	45,146
Income tax expense	6	<u>(9,509)</u>	<u>(15,696)</u>
Profit for the period		23,295	29,450
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		<u>(369)</u>	<u>302</u>
Total comprehensive income for the period		<u>22,926</u>	<u>29,752</u>
Earnings per Share (RMB)	7	<u>8 cents</u>	<u>10 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		629,350	610,150
Prepayments for purchase of property, plant and equipment		54,212	3,455
Deferred tax assets		<u>10,282</u>	<u>9,243</u>
		<u>693,844</u>	<u>622,848</u>
Current assets			
Inventories		173,527	161,150
Trade receivables, bills receivables, other receivables, deposits and prepayments	8	621,064	596,592
Amount due from a related company		1,164	—
Pledged deposits		13,250	11,250
Bank balances and cash		<u>52,707</u>	<u>95,530</u>
		<u>861,712</u>	<u>864,522</u>
Current liabilities			
Trade and other payables	9	328,377	357,258
Contract liabilities		2,506	3,251
Dividend payable	12	40,054	—
Bank and other borrowings	10	329,477	291,252
Tax payable		7,144	10,163
Lease liabilities		<u>19,737</u>	<u>18,871</u>
		<u>727,295</u>	<u>680,795</u>
Net current assets		<u>134,417</u>	<u>183,727</u>
Total assets less current liabilities		<u>828,261</u>	<u>806,575</u>
Non-current liabilities			
Bank and other borrowings	10	16,427	8,575
Lease liabilities		<u>181,654</u>	<u>150,133</u>
		<u>198,081</u>	<u>158,708</u>
Net assets		<u>630,180</u>	<u>647,867</u>
Equity			
Share capital		2,442	2,442
Reserves		<u>627,738</u>	<u>645,425</u>
Total equity		<u>630,180</u>	<u>647,867</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated interim financial statements were authorised for issue on 26 August 2021.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the current period, the Group has applied all the new and revised International Financial Reporting Standard (“**IFRSs**”) as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 January 2021. These applications do not have a material impact on the condensed consolidated interim financial statements of the Group.

These condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with IFRSs and should be read in conjunction with the 2020 annual financial statements.

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

3. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

4. REVENUE AND SEGMENT REPORTING

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Corrugated packaging products	1,012,716	804,028
Corrugated sheet boards	<u>103,951</u>	<u>78,815</u>
	<u><u>1,116,667</u></u>	<u><u>882,843</u></u>

Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue by industry		
Food and beverage	273,850	220,466
Paper and packaging	164,178	129,568
Non-food-and-beverage-consumables (Note (i))	158,156	122,546
Supplier chain solution	55,020	43,441
E-commerce	16,966	24,551
Home electronics	40,441	27,359
Others (Note (ii))	<u>408,056</u>	<u>314,912</u>
	<u><u>1,116,667</u></u>	<u><u>882,843</u></u>

Notes:

- (i) Non-food-and-beverage-consumables include, but not limited to, daily household products such as shampoo, detergent, skin care products.
- (ii) Others include home furniture, computer and electronic device such as mobile phones, cameras, textile, machinery, medical products, etc.

The Group has applied the practical expedient under IFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts is not disclosed as such contracts have an original expected duration of one year or less.

Segment Reporting

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

(a) Reportable segments

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

(b) Geographical information

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

(c) Information about major customers

None of the Group’s sales to a single customer amounted to 10% or more of the Group’s revenue during the Period and the Corresponding Period.

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold (<i>Note (i)</i>)	938,598	714,433
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	42,318	39,348
Auditors' remuneration	1,211	892
Freight charges	40,428	32,512
Short-term lease expense	1,594	2,489
Impairment loss on inventories	2,007	1,523
Reversal of impairment loss on inventories	(1,333)	(1,091)
Impairment loss on trade receivables	732	931
Reversal of impairment loss on trade receivables	(113)	(74)
Impairment loss on trade receivables, net	619	857
Exchange gain, net	(841)	(143)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	100,090	82,094
— Retirement benefit costs	12,432	6,468
	<u>12,432</u>	<u>6,468</u>

Notes:

- (i) Cost of inventories sold for the Period includes RMB705,970,000, RMB50,072,000, RMB19,613,000, RMB56,390,000 and RMB33,433,000 (six months ended 30 June 2020: RMB525,549,000, RMB36,152,000, RMB15,490,000, RMB45,145,000 and RMB32,060,000), relating to costs of raw materials consumed, costs of accessories, outsourced production costs, employee benefit expenses and depreciation of property, plant and equipment respectively. The amounts disclosed of employee benefits expenses and depreciation of property, plant and equipment included in cost of inventories sold are also included in the respective total amounts disclosed separately above.
- (ii) Depreciation of property, plant and equipment for the Period includes depreciation of right-of-use assets amounted to RMB11,401,000 (six months ended 30 June 2020: RMB9,286,000).

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
— Provision for PRC enterprise income tax for the period	10,547	12,989
— Withholding tax for dividend	—	2,585
	<u>10,547</u>	<u>15,574</u>
Deferred tax		
— Origination and reversal of temporary differences	(1,038)	122
	<u>(1,038)</u>	<u>122</u>
Income tax expense	<u>9,509</u>	<u>15,696</u>

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2020: 25%) on the estimated assessable profits of the Group for the period determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (six months ended 30 June 2020: 7.5%, 12.5% or 15%).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Profit for the period (RMB'000)	<u>23,295</u>	<u>29,450</u>
Weighted average number of ordinary Shares in issue (in thousand)	<u>300,632</u>	<u>300,632</u>
Basic earnings per Share (RMB)	<u>8 cents</u>	<u>10 cents</u>

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	555,477	533,432
Bills receivables	27,194	18,387
Less: allowance for impairment loss	<u>(8,256)</u>	<u>(7,637)</u>
	574,415	544,182
Other receivables	17,502	20,479
Deposits	20,665	22,380
Prepayments	<u>8,482</u>	<u>9,551</u>
	<u>621,064</u>	<u>596,592</u>

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 1 month	347,892	265,283
Over 1 month but within 3 months	177,753	238,290
Over 3 months but within 1 year	<u>48,770</u>	<u>40,609</u>
	<u>574,415</u>	<u>544,182</u>

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

9. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade and bills payables	266,650	287,462
Accruals and other payables	<u>61,727</u>	<u>69,796</u>
	<u>328,377</u>	<u>357,258</u>

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 1 month	191,115	196,075
Over 1 month but within 3 months	49,160	62,813
Over 3 months but within 1 year	<u>26,375</u>	<u>28,574</u>
	<u>266,650</u>	<u>287,462</u>

10. BANK AND OTHER BORROWINGS

	<i>Notes</i>	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Bank loans, secured	<i>(a)</i>	300,000	265,000
Other borrowings, secured	<i>(b)</i>	<u>45,904</u>	<u>34,827</u>
		<u>345,904</u>	<u>299,827</u>
Categorised as:			
Current liabilities		329,477	291,252
Non-current liabilities		<u>16,427</u>	<u>8,575</u>
		<u>345,904</u>	<u>299,827</u>

Notes:

- (a) During the Period, the average effective interest rates of the Group's bank loans ranged from 3.85% to 3.90% per annum (six months ended 30 June 2020: 4.79% to 5.00% per annum).
- (b) As at 30 June 2021, other borrowings represented seven (31 December 2020: seven) sale and leaseback arrangements for plant and equipment entered into with Chongqing Stone Tan Financial Leasing Limited, a related company over which one of the controlling shareholders of the Company has significant influence. As at 30 June 2021, the transactions are classified as secured loan financing and the carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were RMB74,685,000 (31 December 2020: RMB62,008,000).

11. PLEDGE OF ASSETS

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Property, plant and equipment	134,968	125,206
Pledged deposits	<u>13,250</u>	<u>11,250</u>
	<u><u>148,218</u></u>	<u><u>136,456</u></u>

12. DIVIDEND

Final dividend in relation to the fiscal year 2020 amounted to HK\$0.16 per Share was approved by the shareholders of the Company (the "Shareholders") in the annual general meeting held on 29 June 2021 (2020: final dividend of HK\$0.075 per Share for 2019). The final dividend of HK\$0.16 per Share of RMB40,054,000 (after exchange realignment) was reflected as dividend payable in the condensed consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the COVID-19 pandemic. Furthermore, due to the continuous rise in price of raw materials in the first half of 2021, the net profit of the Group for the Period decreased despite that the Group's revenue increased by approximately 26.5% for the Period as compared with the Corresponding Period. In the year 2020, the Group established a new production plant in Shandong province (the "**Shandong Plant**") with an annual production capacity of approximately 78 million square meters of corrugated sheet boards and corrugated packaging products. Its utilisation rate as at 30 June 2021 was approximately 70% and it is expected that the utilisation rate would be improved when the global COVID-19 pandemic subsides. As for the new production plant in Foshan city (the "**Foshan Plant**"), it was still under construction as at 30 June 2021 and is currently at the final stage of construction. It is expected that completion would take place in September 2021 and that production would commence in the fourth quarter of 2021.

In addition to the Shandong Plant and the Foshan Plant, during the Period, the Board had resolved to establish another new production plant in Chuzhou, Anhui Province (the "**Chuzhou Plant**") with an estimated annual capacity of 75 million square meters of corrugated sheet boards and corrugated packaging products. The Directors consider the Chuzhou Plant, when it comes into play, would continue to expand the network of production plants in East China and minimise the Group's production lead-time and respond promptly to customers' requests and needs which are particularly important to remain competitive in the corrugated packaging industry.

FINANCIAL REVIEW

For the Period, the Company recorded revenue of approximately RMB1,116.7 million, representing an increase of approximately RMB233.9 million or approximately 26.5% as compared with approximately RMB882.8 million for the Corresponding Period. Consolidated gross profit margin for the Period was approximately 15.9%, representing a decrease of approximately 3.2% as compared with approximately 19.1% for Corresponding Period. Gross profit for the Period was approximately RMB178.1 million, representing an increase of approximately 5.7% as compared with approximately RMB168.4 million for the Corresponding Period. Basic earnings per Share for the Period amounted to RMB0.08, representing a decrease of 20.0% as compared with RMB0.10 for the Corresponding Period.

Having considered the Group's overall situations and complete subsiding of the COVID-19 pandemic is still uncertain, the Directors maintain a cautiously optimistic view as to the results of the Group in the second half of 2021. The management of the Group will continue monitoring the market condition and take appropriate steps to cope with the changing demand of the market.

REVENUE

During the Period, the Group recorded an increase in revenue in both sales of corrugated packaging products and corrugated sheet boards. For the Period, the Group recorded revenue of approximately RMB1,116.7 million, representing an increase of approximately RMB233.9 million or approximately 26.5% as compared with that for the Corresponding Period.

Sales of corrugated packaging products

During the Period, revenue from sales of corrugated packaging products was approximately RMB1,012.7 million, representing an increase of approximately 26.0% as compared with approximately RMB804.0 million in the Corresponding Period, and accounted for approximately 90.7% of the Group's total revenue for the Period. The increase in performance of the sales of corrugated packaging products was mainly attributable to (i) the increased sales volume contributed by the current plants and the new Shandong Plant; and (ii) the increase of the average unit price.

Sales of corrugated sheet boards

During the Period, revenue from sales of corrugated sheet boards was approximately RMB104.0 million, representing an increase of approximately 31.9% as compared with approximately RMB78.8 million in the Corresponding Period, and accounted for approximately 9.3% of the Group's total revenue for the Period. The increase in sales of corrugated sheet boards was mainly attributable to (i) the increased sales volume contributed by the current plants and the new plant; and (ii) the increase of the average unit price.

COST OF SALES

For the Period, cost of sales of the Group was approximately RMB938.6 million, representing an increase of approximately 31.4% as compared with approximately RMB714.4 million for the Corresponding Period, mainly attributable to (i) the increase in sales volume; (ii) the increase in labour cost; and (iii) the increase of raw paper price.

GROSS PROFIT

Gross profit of the Group was approximately RMB178.1 million during the Period, representing an increase of approximately 5.7% as compared with approximately RMB168.4 million for the Corresponding Period, of which gross profit from sales of corrugated packaging products increased by approximately 3.6% to RMB166.8 million, while gross profit from sales of corrugated sheet boards increased by approximately 52.5% to approximately RMB11.2 million. Gross profit margins of the Group for the Corresponding Period and the Period reached 19.1% and 15.9%, respectively, of which gross profit margins of sales of corrugated packaging products for the Corresponding Period and the Period were 20.0% and 16.5%, respectively, while gross profit margins of sales of corrugated sheet boards for the Corresponding Period and the Period were 9.3% and 10.8%, respectively. The decrease

of gross profit margin in the Period as compared to the Corresponding Period was mainly attributable to (i) the launch and contribution of the new Shandong Plant; (ii) the increase of sales of corrugated sheet boards; and (iii) no exemption from social insurance.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 23.0% from approximately RMB48.3 million for the Corresponding Period to approximately RMB59.4 million for the Period. The increase was mainly due to (i) the increase of sales volumes; (ii) the launch and contribution of the new Shandong Plant; and (iii) no exemption from social insurance.

ADMINISTRATIVE EXPENSES

For the Period, the Group's administrative expenses were approximately RMB77.5 million, representing an increase of approximately 21.4% as compared with approximately RMB63.8 million for the Corresponding Period. The increase was mainly due to (i) the increase in labour cost; (ii) no exemption from social insurance; and (iii) the launch and contribution of the new Shandong Plant.

FINANCE COSTS

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans and interest on sale and leaseback arrangements. Finance costs decreased by approximately 16.8% from approximately RMB15.6 million for the Corresponding Period to approximately RMB12.9 million for the Period. The decrease was primarily due to the decrease in interest on bank loans as a result of the decrease in interest rate.

INCOME TAX EXPENSE

Income tax expense decreased by approximately 39.4% from approximately RMB15.7 million for the Corresponding Period to approximately RMB9.5 million for the Period, primarily due to the decrease in the Group's profit before income tax. The Group's effective income tax rate remained stable, which was 34.8% and 29.0% for the Corresponding Period and the Period respectively.

PROFIT FOR THE PERIOD AND NET PROFIT MARGIN

The Group's profit decreased by approximately 20.9% from approximately RMB29.5 million for the Corresponding Period to approximately RMB23.3 million for the Period. The Group's net profit margin decreased from 3.3% for the Correspondence Period to 2.1% for the Period.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the Period, profit attributable to equity holders of the Company was approximately RMB23.3 million, representing a decrease of approximately 20.9% or approximately RMB6.2 million as compared with approximately RMB29.5 million for the Corresponding Period.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at 30 June 2021, cash and cash equivalents of the Group amounted to approximately RMB52.7 million mainly comprised the cash generated from the Group's operating activities during the Period and accumulated cash and bank balances at the beginning of the Period.

Cash Flows

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

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	7.1	104.3
Net cash used in investing activities	(73.8)	(32.1)
Net cash generated from/(used in) financing activities	23.2	(119.0)
Cash and cash equivalents at beginning of the period	95.5	277.2
Effect of exchange rate changes on cash and cash equivalents	0.7	1.1
Cash and cash equivalents at end of the period	52.7	231.5

Net cash generated from operating activities

During the Period, our net cash generated from operating activities was approximately RMB7.1 million, which comprised cash generated from operations of approximately RMB20.7 million, offset by income tax of approximately RMB13.6 million. Net cash generated from operating activities decreased by approximately RMB97.2 million or 93.2% as compared with the net cash generated from operating activities of approximately RMB104.3 million for the Corresponding Period, mainly due to (i) the decrease of profit, (ii) the increase in inventories of raw paper and finished goods; and (iii) the increase of receivables.

Net cash used in investing activities

During the Period, the Group's net cash used in investing activities was approximately RMB73.8 million, representing an increase of approximately RMB41.7 million as compared with net cash used in investing activities of approximately RMB32.1 million for the Corresponding Period. The net cash used in investing activities was mainly attributable to the equipment purchase in current plants and the new Foshan Plant.

Net cash generated from/(used in) financing activities

During the Period, the Group's net cash generated from financing activities was approximately RMB23.2 million, representing an increase of approximately RMB142.3 million as compared with the net cash used in financing activities of RMB119.0 million for the Corresponding Period. The net cash generated from financing activities was mainly attributable to the net increase of bank loans.

LISTING AND USE OF PROCEEDS

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

As at 30 June 2021, the net proceeds were used for the following purposes:

Use of proceeds	Net proceeds from the Listing		
	HK\$ million (approximately)		
	Proceeds available for use	Proceeds used	Proceeds unused
For expansion of production plants network	138.2	123.9	14.3
For upgrading production facilities and purchasing new machinery and equipment	44.4	44.4	—
For repayment of certain bank loans (<i>note</i>)	55.0	55.0	—
For general working capital	24.9	24.9	—
Total	262.5	248.2	14.3

Note: As resolved by the Board, a sum of HK\$55 million was reallocated for repayment of certain bank loans with a view to saving financing costs of the Group. For details, please refer to the announcement of the Company dated 23 July 2020.

By the end of 2021, the unused proceeds of approximately HK\$14.3 million will be fully used for settlement of balance of the construction costs in relation to the new Foshan Plant.

MAJOR ACQUISITIONS AND DISPOSALS

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK\$8 cents per Share for the Period (Corresponding Period: nil) to Shareholders whose names appear on the register of members of the Company on 29 October 2021. The interim dividend will be paid on or around 31 December 2021.

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

In order to determine the identity of the Shareholders who are entitled to the interim dividend, the register of members of the Company will be closed from Tuesday, 26 October 2021 to Friday, 29 October 2021 (both days inclusive), during which period no transfer of Shares will be effected. The interim dividend will be paid in Hong Kong dollars. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 25 October 2021.

CORPORATE GOVERNANCE

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

Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Hsien-Chun (“**Mr. Cheng**”) is the only executive Director, who performs similar function to that of a chief executive officer, and he also performs as the chairman of the Board. As Mr. Cheng has considerable experience in the corrugated packaging industry and has been assuming day-to-day responsibilities of managing and leading the Group since 1995, the Board believes that Mr. Cheng, being the executive Director and the chairman of the Board has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning of the Group which is in the best interest of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

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

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

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

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

Hong Kong, 26 August 2021

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