



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1820

# Interim Report 2021





Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	15
Report on Review of Condensed Consolidated Interim Financial Statements	17
Condensed Consolidated Statement of Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Consolidated Interim Financial Statements	24



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Director

Mr. Cheng Hsien-Chun (*Chairman*)

#### Non-executive Directors

Mr. Chow Tien-Li

Mr. Philip Tan

#### 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

Mr. Philip Tan

### 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

Mr. Cheung Kai Cheong, Willie

### AUDITOR

BDO Limited

Certified Public Accountants

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>





## FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of director(s) (the “**Director(s)**”) of Pacific Millennium Packaging Group Corporation (the “**Company**”) hereby set forth below a summary of 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**”):

- 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\$0.08 per Share for the Period (Corresponding Period: nil) to shareholders of the Company (the “**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.

## 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:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB million</b>	RMB million
	<b>(unaudited)</b>	(unaudited)
Net cash generated from operating activities	<b>7.1</b>	104.3
Net cash used in investing activities	<b>(73.8)</b>	(32.1)
Net cash generated from/(used in) financing activities	<b>23.2</b>	(119.0)
Cash and cash equivalents at beginning of the period	<b>95.5</b>	277.2
Effect of exchange rate changes on cash and cash equivalents	<b>0.7</b>	1.1
Cash and cash equivalents at end of the period	<b>52.7</b>	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 (note)	55.0	55.0	—
For general working capital	24.9	24.9	—
<b>Total</b>	<b>262.5</b>	<b>248.2</b>	<b>14.3</b>

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 18 to the condensed consolidated interim financial statements in this report.

## 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.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

With effect from 2 August 2021, Mr. Philip Tan (談大成), a non-executive Director, has been appointed as an independent non-executive director of Daphne International Holdings Limited (whose shares are listed on 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 directors of DIH.

Save as disclosed above, there is no other 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

## INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK\$0.08 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.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives 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 (the "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 or 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	Capacity/Nature of interests	Number of Shares held (Note 1)	Percentage of shareholdings
Mr. Cheng Hsien-Chun ("Mr. Cheng")	Interest in a controlled corporation (Note 2)	15,378,800 (L)	5.12%
Mr. Chow Tien-Li	Beneficial owner	2,254,000 (L)	0.75%
Mr. Philip Tan	Beneficial owner	1,445,000 (L)	0.48%

Notes:

1. The letter "L" denotes the long position in the Shares.
2. The 15,378,800 Shares are held by Lead Forward Limited ("Lead Forward"). As Lead Forward is wholly-owned by Mr. Cheng, the chairman and executive Director, Mr. Cheng is deemed, or taken to be, interested in all the Shares held by Lead Forward for the purpose of the SFO.

Save as disclosed above, as at 30 June 2021, 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.

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

As at 30 June 2021, 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	Capacity/Nature of interests	Number of Shares held (Note 1)	Percentage of shareholding
Pacific Millennium Holdings Corporation (" <b>PMHC</b> ")	Beneficial Owner	190,646,200 (L)	63.42%
Golden Ford Investments Limited (" <b>Golden Ford</b> ") (Note 2)	Interest in a controlled corporation	192,876,200 (L)	64.16%
Elite Age International Limited (" <b>Elite Age</b> ") (Note 3)	Interest in a controlled corporation	192,876,200 (L)	64.16%
Star Concord Worldwide Limited (" <b>Star Concord</b> ") (Note 3)	Trustee	192,876,200 (L)	64.16%
Ample Bright Management Limited (" <b>Ample Bright</b> ") (Note 4)	Interest in controlled corporation	192,876,200 (L)	64.16%
Fortune China Resources Limited (" <b>Fortune China</b> ") (Note 4)	Trustee	192,876,200 (L)	64.16%
Tsai Wen Hao (" <b>Mr. Tsai</b> ") (Note 5)	Interest in Trustee	192,876,200 (L)	64.16%
Tan Richard Lipin (" <b>Mr. Tan</b> ") (Note 5)	Interest in Trustee	192,876,200 (L)	64.16%
Lead Forward (Note 6)	Beneficial Owner	15,378,800 (L)	5.12%



Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. As Golden Ford holds the entire issued share capital of PMHC, Golden Ford is deemed to be interested in all the Shares held by PMHC under the SFO.
3. Star Concord holds 60% of the entire issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Elite Age. Therefore, 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. Fortune China holds 40% of the entire issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Ample Bright. Therefore, 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. PMHC is wholly-owned by Golden Ford which is in turn owned as to 60% and 40% by Elite Age and Ample Bright, respectively. Elite Age is wholly-owned by Star Concord while Ample Bright is wholly-owned by Fortune China. 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. Lead Forward is wholly-owned by Mr. Cheng. Mr. Cheng is deemed to be interested in all the Shares held by Lead Forward under the SFO.

Save as disclosed above, as at 30 June 2021, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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 report.



## 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.

On behalf of the Board

**Cheng Hsien-Chun**

*Chairman*

Hong Kong, 26 August 2021

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## To the Board of Directors of PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 19 to 42 which comprise the condensed consolidated statement of financial position of Pacific Millennium Packaging Group Corporation (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2021 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”). The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.



## SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **BDO Limited**

*Certified Public Accountants*

### **Li Pak Ki**

Practising Certificate Number P01330

Hong Kong, 26 August 2021

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	629,350	610,150
Prepayments for purchase of property, plant and equipment		54,212	3,455
Deferred tax assets		10,282	9,243
		<b>693,844</b>	622,848
<b>Current assets</b>			
Inventories		173,527	161,150
Trade receivables, bills receivables, other receivables, deposits and prepayments	11	621,064	596,592
Amount due from a related company	16	1,164	—
Pledged deposits		13,250	11,250
Bank balances and cash		52,707	95,530
		<b>861,712</b>	864,522
<b>Current liabilities</b>			
Trade and other payables	12	328,377	357,258
Contract liabilities		2,506	3,251
Dividend payable	19	40,054	—
Bank and other borrowings	13	329,477	291,252
Tax payable		7,144	10,163
Lease liabilities	14	19,737	18,871
		<b>727,295</b>	680,795
<b>Net current assets</b>		<b>134,417</b>	183,727
<b>Total assets less current liabilities</b>		<b>828,261</b>	806,575

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
<b>Non-current liabilities</b>			
Bank and other borrowings	13	16,427	8,575
Lease liabilities	14	181,654	150,133
		<b>198,081</b>	158,708
<b>Net assets</b>			
		<b>630,180</b>	647,867
<b>Equity</b>			
Share capital	15	2,442	2,442
Reserves		627,738	645,425
<b>Total equity</b>			
		<b>630,180</b>	647,867

On behalf of the board of directors

**Mr. Cheng Hsien-Chun**

*Director*

**Mr. Kiang Tien Sik David**

*Director*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000 (Note 15)	Share premium RMB'000	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
<b>Balance at 1 January 2021</b>	<b>2,442</b>	<b>398,312</b>	<b>16,844</b>	<b>(5,959)</b>	<b>114,867</b>	<b>121,361</b>	<b>647,867</b>
Profit for the period	—	—	—	—	—	<b>23,295</b>	<b>23,295</b>
Other comprehensive income for the period:							
Exchange differences arising on translation of foreign operations	—	—	—	<b>(369)</b>	—	—	<b>(369)</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(369)</b>	<b>—</b>	<b>23,295</b>	<b>22,926</b>
Dividend declared (Note 19)	—	—	—	—	—	<b>(40,613)</b>	<b>(40,613)</b>
<b>At 30 June 2021 (unaudited)</b>	<b>2,442</b>	<b>398,312</b>	<b>16,844</b>	<b>(6,328)</b>	<b>114,867</b>	<b>104,043</b>	<b>630,180</b>
<b>Balance at 1 January 2020</b>	2,442	398,312	16,844	(4,483)	101,702	116,846	631,663
Profit for the period	—	—	—	—	—	29,450	29,450
Other comprehensive income for the period:							
Exchange differences arising on translation of foreign operations	—	—	—	302	—	—	302
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>302</b>	<b>—</b>	<b>29,450</b>	<b>29,752</b>
Dividend declared (Note 19)	—	—	—	—	—	(20,485)	(20,485)
<b>At 30 June 2020 (unaudited)</b>	<b>2,442</b>	<b>398,312</b>	<b>16,844</b>	<b>(4,181)</b>	<b>101,702</b>	<b>125,811</b>	<b>640,930</b>

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.

**(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.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Cash flows from operating activities</b>		
<b>Net cash generated from operating activities</b>	<b>7,086</b>	104,332
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(21,298)</b>	(633)
Proceeds from disposal of property, plant and equipment	<b>3,157</b>	1,445
Prepayments made for purchase of property, plant and equipment	<b>(54,212)</b>	(36,349)
(Increase)/decrease in pledged deposits	<b>(2,000)</b>	1,400
Interest received	<b>533</b>	2,073
<b>Net cash used in investing activities</b>	<b>(73,820)</b>	(32,064)
<b>Financing activities</b>		
Dividend paid	—	(39,965)
Interest paid on bank loans	<b>(5,717)</b>	(7,727)
Interest paid on lease liabilities	<b>(4,850)</b>	(4,772)
Interest paid on sale and leaseback arrangements	<b>(2,381)</b>	(3,139)
Repayment of lease liabilities	<b>(9,937)</b>	(9,530)
Proceeds from bank and other borrowings	<b>72,688</b>	—
Repayment of bank and other borrowings	<b>(26,611)</b>	(53,947)
<b>Net cash generated from/(used in) financing activities</b>	<b>23,192</b>	(119,080)
<b>Net decrease in cash and cash equivalents</b>	<b>(43,542)</b>	(46,812)
<b>Cash and cash equivalents at beginning of the period</b>	<b>95,530</b>	277,247
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>719</b>	1,118
<b>Cash and cash equivalents at end of the period</b>	<b>52,707</b>	231,553
<b>Analysis of cash and cash equivalents:</b>		
Bank balances and cash	<b>52,707</b>	231,553



# 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 Standards ("**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.



## 2. BASIS OF PREPARATION (Continued)

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 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Corrugated packaging products	1,012,716	804,028
Corrugated sheet boards	103,951	78,815
	<b>1,116,667</b>	882,843

#### 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 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Revenue by industry</b>		
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))	408,056	314,912
	<b>1,116,667</b>	882,843

## 4. REVENUE AND SEGMENT REPORTING (Continued)

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. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of other materials and consumables	513	240
Rental income	1,164	—
Interest income	533	2,073
Government subsidies (Note)	2,706	3,361
Sundry income/(expense)	345	(368)
Loss on disposal of property, plant and equipment	(83)	(49)
	<b>5,178</b>	5,257

Note: The amount includes subsidies for payroll support of RMB1,111,000 (six months ended 30 June 2020: RMB267,000) received during the Period. There were no unfulfilled conditions attached to these subsidies by the relevant PRC local government.

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest on lease liabilities	4,850	4,772
Less: amounts capitalised in property, plant and equipment	(1)	(83)
	<b>4,849</b>	4,689
Interest on bank loans	5,717	7,727
Interest on other borrowings	2,381	3,139
	<b>12,947</b>	15,555

## 7. PROFIT BEFORE INCOME TAX

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

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

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).

## 8. 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
	10,547	15,574
Deferred tax		
— Origination and reversal of temporary differences	(1,038)	122
Income tax expense	9,509	15,696

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%).

## 9. 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 (unaudited)	2020 (unaudited)
Profit for the period (RMB'000)	<b>23,295</b>	29,450
Weighted average number of ordinary Shares in issue (in thousand)	<b>300,632</b>	300,632
Basic earnings per Share (RMB)	<b>8 cents</b>	10 cents

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

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment with cost of RMB65,315,000 including right-of-use assets (six months ended 30 June 2020: RMB17,120,000). Items of property, plant and equipment with net book value of RMB3,780,000 were disposed of during the Period (six months ended 30 June 2020: RMB2,359,000), resulting in a loss on disposal of RMB83,000 (six months ended 30 June 2020: RMB49,000 loss). Included in the net book value of property, plant and equipment are assets pledged to secure credit facilities provided to the Group:

Assets pledged	Credit facilities provided	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Buildings	Bills payables and banking facilities	<b>50,599</b>	53,373
Plant and equipment	Sale and leaseback arrangements	<b>74,685</b>	62,008
Right-of-use assets	Lease arrangements	<b>9,684</b>	9,825
		<b>134,968</b>	125,206

## 11. TRADE RECEIVABLES, BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

## 12. TRADE AND OTHER PAYABLES

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

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

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

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

### 13. BANK AND OTHER BORROWINGS

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

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).

## 14. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	30 June 2021		31 December 2020	
	Present value RMB'000 (unaudited)	Minimum lease payments RMB'000 (unaudited)	Present value RMB'000 (audited)	Minimum lease payments RMB'000 (audited)
Not later than 1 year	19,737	29,262	18,871	26,891
Later than 1 year and not later than 2 years	13,015	21,655	13,553	20,608
Later than 2 years and not later than 5 years	45,763	67,613	36,994	54,696
Over 5 years	122,876	145,378	99,586	115,935
	<b>201,391</b>	<b>263,908</b>	169,004	218,130
Less: total future interest expenses		<b>(62,517)</b>		(49,126)
Present value of lease liabilities		<b>201,391</b>	169,004	

The balance included lease liabilities of RMB2,249,000 (2020: RMB3,410,000) owing to Chongqing Stone Tan Financial Leasing Limited, a related party over which one of the controlling shareholders of the Company has significant influence.



## 15. 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			
<b>Authorised</b>			
At 31 December 2020, 1 January 2021 and 30 June 2021	600,000,000	6,000	
<b>Issued and fully paid</b>	<b>Number</b>	<b>HK\$'000</b>	<b>RMB'000</b>
At 31 December 2020, 1 January 2021 and 30 June 2021	300,632,000	3,006	2,442

## 16. RELATED PARTY TRANSACTIONS

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

Name of related parties	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Pacific Millennium Holdings Corporation	Immediate holding company	Use of trademarks (Note (iii))	—	—
Pacific Millennium Investment Corporation	The entity is a subsidiary of one of the controlling shareholders of the Company	Rental income (Note (i))	1,164	—
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))	182	—
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))	142	—
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))	142	—
Suzhou Pacific Millennium Asia Corp. Communications Inc. Limited* 蘇州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))	97	434
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))	140	536
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))	2,381	3,140

## 16. RELATED PARTY TRANSACTIONS (Continued)

Name of related parties	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
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))	281	41

\* 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 leasing arrangements as at 30 June 2021 and 31 December 2020 are set out in Notes 13 and 14 respectively to the condensed consolidated interim 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. 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.

Amount due from a related company, Pacific Millennium Investment Corporation, resulting from rental income as set out in Note (i) above, is unsecured, interest free and repayable on demand.

## 16. RELATED PARTY TRANSACTIONS (Continued)

The emoluments of key management personnel during the period were as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Short-term benefits	2,117	2,240
Post-employment benefits	79	52
	<b>2,196</b>	2,292

## 17. CAPITAL COMMITMENTS

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

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Commitment for the acquisition of property, plant and equipment	4,140	3,582

## 18. 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 and lease arrangements with related company. The carrying amounts of these assets are analysed as follows:

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

## 19. DIVIDEND

Final dividend in relation to the fiscal year 2020 amounted to HK\$0.16 per Share was approved by 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.

## 20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2021 and 31 December 2020 are categorised as follows:

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
<b>Financial assets</b>		
Financial assets at amortised cost		
Trade receivables, bills receivables, other receivables and deposits	596,077	567,299
Amount due from a related company	1,164	—
Pledged deposits	13,250	11,250
Bank balances and cash	52,707	95,530
	<b>663,198</b>	674,079
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
Trade and other payables	322,626	350,806
Dividend payable	40,054	—
Bank and other borrowings	345,904	299,827
Lease liabilities	201,391	169,004
	<b>909,975</b>	819,637

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



## **20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)**

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 30 June 2021 and 31 December 2020 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 30 June 2021 and 31 December 2020.

## **21. EVENT AFTER THE REPORTING DATE**

There was no significant event which took place after 30 June 2021.