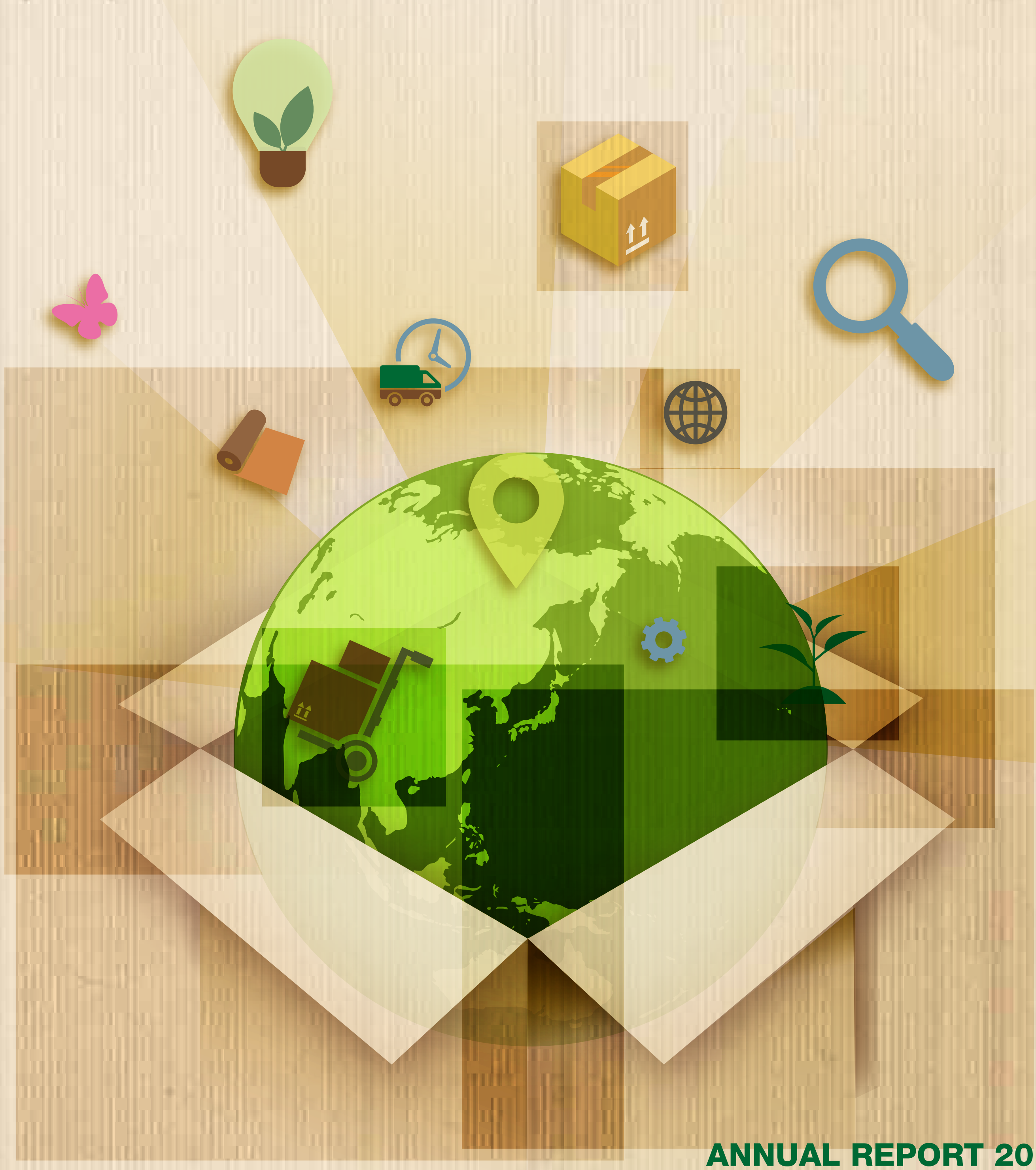
PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1820



ANNUAL REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cheng Hsien-Chun *(Chairman)*
(appointed on 20 July 2017 and re-designated as the chairman and the executive director on 29 January 2018)

Non-executive Director

Mr. Chow Tien-Li (appointed on 29 January 2018)

Independent Non-executive Directors

Mr. Wang Jisheng
Mr. Kiang Tien Sik David
Dr. Su Morley Chung Wu
(all appointed on 30 November 2018)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

COMPLIANCE ADVISER

SPDB International Capital Limited
Suites 3207–3212
One Pacific Place
88 Queensway
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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

1820

COMPANY'S WEBSITE

http://www.pmpgc.com

Chairman's Statement

Dear Shareholders:

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Pacific Millennium Packaging Group Corporation (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"), representing the first annual report since its listing.

LISTED ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The shares of the Company ("**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 December 2018 (the "**Listing Date**"). The initial public offering of the Company received favourable response from the market with the public offering tranche in Hong Kong slightly oversubscribed. The listing has not only enlarged the Group's capital base, but also, with the net proceeds of approximately HK$262.5 million, the Company is able to establish its production plants in Zhejiang Province and Guangdong Province, which will further broaden the Group's geographical coverage and market penetration. Furthermore, the listing has enhanced the Group's corporate image as well as the market's recognition of the Group.

I would like to express my sincere gratitude to all professional parties and the Group's management for their joint efforts contributing to the Company's successful listing.

BUSINESS OVERVIEW

Over the years, we have established ourselves as a quality corrugated packaging supplier in the People's Republic of China (the "**PRC**") and have been striving to further strengthen its market position in the corrugated packaging industry in the PRC. With a long operating history of over 20 years of experience in the corrugated packaging industry, we have an established market position in the corrugated packaging industry in the PRC. For the Reporting Period, our production plants had all recorded growth in different extent, in particular, the growth recorded by newly established production plants located in South China district is relatively significant.

Further, in light of the rapid development of e-commerce in the PRC, we have successfully established business relationship with one of the largest e-commerce companies in the PRC and become one of its corrugated packaging product suppliers since 2016. We believe that our stable and renowned customer base has demonstrated the recognition from our customers for our quality products and reliable services which we consider a key factor to differentiate ourselves and to succeed in the corrugated packaging industry.

In view of the above and ascribed to our experienced management team with solid industry knowledge and proven track record in the corrugated packaging industry, for the Reporting Period, the Company recorded revenue of approximately RMB2,019.4 million, representing an increase of approximately RMB355.3 million or approximately 21.4% as compared with approximately RMB1,664.1 million for the year ended 31 December 2017. Gross profit margin was approximately 18.7%, representing a decrease of approximately 2.3% as compared with approximately 21.0% for the year ended 31 December 2017. Gross profit for the Reporting Period was approximately RMB378.1 million, representing an increase of approximately 8.4% as compared with approximately RMB348.8 million for the year ended 31 December 2017. Basic earnings per share for the Reporting Period amounted to RMB0.40, representing an increase of 5.3% as compared with RMB0.38 in 2017.

Chairman's Statement

OUTLOOK

Looking forward, we will continue to focus on expanding its production plants network by setting up new production plants in the eastern and southern regions of the PRC by way of long-term lease with an expected term of not less than 15 years with independent third parties. We will further strengthen our market position in the corrugated packaging industry in the PRC and improve revenue and profitability through broadening geographical coverage and market penetration. We believe there will be sufficient demand for our products in the eastern and southern regions of the PRC after taking into account the fact that many of our targeted customer groups such as companies in the food and beverage, non-food-and-beverage-consumables, supplier chain solution, e-commerce, and home electronics industries have chosen to set up their operations in the eastern and southern regions of the PRC.

APPRECIATION

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

Mr. CHENG Hsien-Chun
Chairman

24 March 2019

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2018, Sino-US trade wars, national supply-side reforms, raw material price fluctuations, pressures on environmental protection, etc. intensified the competition of corrugated packaging market and increased the entry barrier for new market players in the PRC. At the same time, the branding of downstream end consumer products and rapid development of e-commerce and express industries also increased the market's demand for corrugated packaging products. To this end, the application of intelligence, automation and digitalization have highlighted its advantages in the development of corrugated packaging enterprises. The application of new technologies, new materials and new concepts have gradually become a powerful weapon for market competition. This means that in the future development of corrugated packaging industry, enterprises with scale, technology and financial strength will gradually occupy dominant position in the market, and most of the industry's shares will be occupied by several leading enterprises eventually.

BUSINESS REVIEW

During the Reporting Period, the Company strived to further strengthen its market position in the corrugated packaging industry in the PRC. In anticipation of the future growth potential of the PRC corrugated packaging industry brought about by rising demand and market consolidation, the Company will continue to seek opportunities to realise sustainable growth of its business and increase its Shareholders' value by expanding its network of production plants and service radius through setting up new production plants in the eastern and southern regions of the PRC.

For the Reporting Period, the Group's production plants had all recorded growth in different extent, in particular, the growth recorded by newly established production plants located in South China district is relatively significant. Guangdong Pacific Millennium Packaging & Paper Industries Co., Ltd.* (廣東濟豐包裝紙業有限公司) ("**GDBP**") had managed to achieve breakeven within 6 months after its establishment. In December 2018, the Company successfully completed its global offering (the "**Global Offering**") and listing on the Main Board of the Stock Exchange, and raised total net proceeds of approximately HK$262.5 million. This was an important milestone in the business development of the Group.

Through the net proceeds raised under the Global Offering, the Company will be able to establish its production plants in Zhejiang Province and Guangdong Province, which will further broaden the Group's geographical coverage and market penetration.

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

** for identification purpose only*

Management Discussion and Analysis

FINANCIAL REVIEW

For the Reporting Period, the Company recorded revenue of approximately RMB2,019.4 million, representing an increase of approximately RMB355.3 million or approximately 21.4% as compared with approximately RMB1,664.1 million for the year ended 31 December 2017. Gross profit margin was approximately 18.7%, representing a decrease of approximately 2.3% as compared with approximately 21.0% for the year ended 31 December 2017. Gross profit for the Reporting Period was approximately RMB378.1 million, representing an increase of approximately 8.4% as compared with approximately RMB348.8 million for the year ended 31 December 2017. Basic earnings per share for the Reporting Period amounted to RMB0.40, representing an increase of 5.3% as compared with RMB0.38 in 2017.

REVENUE

During the Reporting Period, the Group achieved growth in both sales of corrugated packaging products and corrugated sheet boards. For the Reporting Period, the Group recorded revenue of approximately RMB2,019.4 million, representing an increase of approximately RMB355.3 million or approximately 21.4% as compared with that for the year ended 31 December 2017.

Sales of corrugated packaging products

During the Reporting Period, revenue from sales of corrugated packaging products was approximately RMB1,823.7 million, representing an increase of approximately 20.3% as compared with approximately RMB1,516.3 million in 2017, and accounted for approximately 90.3% of the Group's total revenue for the Reporting Period. The increase in performance of the sales of corrugated packaging products was mainly attributable to (i) the increase in average selling price of corrugated packaging products in response to the continued surge in raw material price; and (ii) the increase in sales volume in line with the Group's strategy to focus more on corrugated packaging products.

Sales of corrugated sheet boards

During the Reporting Period, revenue from sales of corrugated sheet boards was approximately RMB195.7 million, representing an increase of approximately 32.4% as compared with approximately RMB147.8 million in 2017, and accounted for approximately 9.7% of the Group's total revenue for the Reporting Period. The increase in sales of corrugated sheet boards was mainly attributable to (i) the sales volume contributed by the new production plants, i.e. GDBP and Taicang Pacific Millennium Packaging & Paper Industries Co., Ltd.* (太倉濟豐包裝紙業有限公司) ("**TCBP**"), both are wholly-owned subsidiaries of the Company; and (ii) the increase in average selling price to cover the increasing raw paper price, partially offset by the decrease in sales volume in some of the Group's existing production plants as a result of the Group's strategy to focus more on the Group's resources on the manufacture and sale of corrugated packaging products.

COST OF SALES

For the Reporting Period, cost of sales of the Group was approximately RMB1,641.3 million, representing an increase of approximately 24.8% as compared with approximately RMB1,315.3 million for the year ended 31 December 2017, mainly attributable to (i) the increase in sales volume; (ii) the increase in raw paper costs; and (iii) the increase in direct labour costs in line with the increased sales volume and the increase in salary level for the Group's production staff.

** for identification purpose only*

GROSS PROFIT

Due to the above reasons, gross profit of the Group during the Reporting Period was approximately RMB378.1 million, representing an increase of approximately 8.4% as compared with approximately RMB348.8 million for the year ended 31 December 2017, of which gross profit from sales of corrugated packaging products increased by approximately 12.2% to RMB360.6 million, while gross profit from sales of corrugated sheet boards decreased by approximately 35.9% to RMB17.6 million. Gross profit margins of the Group in 2017 and 2018 reached 21.0% and 18.7%, respectively, of which gross profit margins of sales of corrugated packaging products in 2017 and 2018 were 21.2% and 19.8%, respectively, while gross profit margins of sales of corrugated sheet boards were 18.5% and 9.0%, respectively. The decrease of gross profit margin in 2018 as compared to 2017 was mainly attributable to (i) the lower gross profit margin recorded by the Group's new production plants, namely GDBP and TCBP; and (ii) the increased portion of sales of products with lower gross profit margin recorded by certain existing production plants.

SELLING AND DISTRIBUTION EXPENSES

Sales and distribution expenses increased by approximately 23.7% from RMB77.8 million for the year ended 31 December 2017 to RMB96.2 million for the Reporting Period. The increase was mainly due to (i) the increase in distribution expenses for the delivery of the Group's products to its customers, which in turn was mainly attributable to the increase in our sales volume; and (ii) the increase in staff costs, which in turn was due to both the increase in the number of the Group's sales and marketing staff and the increase in the salaries, welfares and benefits paid to sales and marketing staff.

ADMINISTRATIVE EXPENSES

For the Reporting Period, the Group's administrative expenses were approximately RMB126.6 million, representing a decrease of approximately 7.4% as compared with approximately RMB136.7 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in staff costs, partially offset by (i) the increase in tax charges in line with increased sales; and (ii) the increase in professional fees.

FINANCE COSTS

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans, interest on sale and leaseback arrangements. Finance costs increased by approximately 66.1% from RMB17.4 million for the year ended 31 December 2017 to RMB28.9 million for the Reporting Period. The increase was primarily due to the increase in (i) interest on bank loans of approximately RMB6.8 million as a result of the increase in the Group's average bank borrowings as well as interest rate; and (ii) interest on finance leases of approximately RMB4.7 million.

INCOME TAX EXPENSE

Income tax expense increased by approximately 9.9% from approximately RMB34.3 million for the year ended 31 December 2017 to RMB37.7 million for the Reporting Period, primarily due to the increase in the Group's profit before income tax. The Group's effective income tax rate remained stable, which was 28.6% in 2017 and 29.5% in 2018.

PROFIT FOR THE REPORTING PERIOD AND NET PROFIT MARGIN

As a result of the foregoing, the Group's profit increased by approximately 5.1% from approximately RMB85.9 million for the year ended 31 December 2017 to RMB90.3 million for the Reporting Period. The Group's net profit margin decreased from 5.2% in 2017 to 4.5% in 2018.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the Reporting Period, profit attributable to equity holders of the Company was RMB90.3 million, representing an increase of approximately 5.1% or RMB4.4 million as compared with RMB85.9 million for the year ended 31 December 2017.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at 31 December 2018, cash and cash equivalents of the Group amounted to approximately RMB347.9 million, of which approximately RMB233.4 million (equivalent to approximately HK$262.5 million) was the net proceeds from the Global Offering, and other funds mainly comprised the cash generated from the Group's operating activities during the Reporting Period and accumulated cash and bank balances at the beginning of the Reporting 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. During the Reporting Period, the Shares was successfully listed on the Listing Date on the Main Board of the Stock Exchange and raised net proceeds of approximately HK$262.5 million.

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 years ended 31 December 2017 and 2018:

	Year ended 31 December	
	2018 **RMB million**	2017 RMB million
Net cash generated from operating activities	**153.8**	90.2
Net cash used in investing activities	**(181.7)**	(50.1)
Net cash generated from/(used in) financing activities	**290.6**	(148.5)
Cash and cash equivalents at beginning of the year	**73.8**	183.4
Effect of exchange rate changes on cash and cash equivalents	**11.6**	(1.3)
Cash and cash equivalents at end of the year	**347.9**	73.8

Net cash generated from operating activities

During the Reporting Period, our net cash generated from operating activities was approximately RMB153.8 million, which comprised cash generated from operations of approximately RMB187.7 million, offset by income tax of approximately RMB33.9 million. Net cash generated from operating activities increased by approximately RMB63.6 million or 70.5% as compared with the net cash of RMB90.2 million generated from operating activities for the year ended 31 December 2017, mainly due to the increase in trade payables to our suppliers as resulted mainly from the increase in raw paper prices and our purchase of raw materials to meet increased customers' demand and the increase in net profit for the Reporting Period.

Net cash used in investing activities

During the Reporting Period, the Group's net cash used in investing activities was approximately RMB181.7 million, representing an increase of RMB131.6 million as compared with RMB50.1 million for the year ended 31 December 2017, which consisted primarily (i) purchase of property, plant and equipment; (ii) prepayments made for purchase of property, plant and equipment; and (iii) increase in pledged deposit mainly for our increased bank loans and bank facilities, as partially offset by the proceeds from disposal of property, plant and equipment.

Net cash generated from/(used in) financing activities

During the Reporting Period, the Group's net cash generated from financing activities was approximately RMB290.6 million, representing an increase of RMB439.1 million as compared with the net cash used in financing activities of approximately RMB148.5 million for the year ended 31 December 2017. The increase mainly comprised net cash amounted to approximately HK$262.5 million from the Global Offering.

MAJOR ACQUISITIONS AND DISPOSALS

During the Reporting 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 20 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 31 December 2018, the share capital of the Company comprises of 300,632,000 ordinary shares of HK$0.01 each. Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

Management Discussion and Analysis

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher Shareholders' returns that might be possible with higher levels of debts (including bank and other borrowings, amount due to immediate holding company and obligations under finance leases) and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At as 31 December 2017 and 2018, the Group's gearing ratios were 0.99 and 0.75, respectively. The decrease in gearing ratio was mainly attributable to the increase in total equity due to the net proceeds raised under the Global Offering in December 2018. Gearing ratio represents total borrowings divided by total equity as at the end of 2017 and 2018.

As at 31 December 2018, the Group had secured bank borrowings of approximately RMB463.5 million (2017: RMB243.3 million) with fixed interest rates ranging from 4.60% to 6.53%. All the bank borrowings were short-term secured bank loans repayable within one year subject to repayable on demand clauses in the facility letters. As at 31 December 2018, the banking facilities were secured by: (i) buildings of the Group with net carrying value of approximately RMB64.5 million; (ii) land of the Group with net carrying value of RMB10.4 million; and (iii) pledged deposits of RMB127.1 million. All the pledged deposits provided by the immediate holding company during the Reporting Period were fully settled on 13 September 2018 and released on 14 September 2018.

As at 31 December 2018, the Group entered into three sale and leaseback arrangements with fixed interest rates ranging from 8.98% to 9.67% for plant and equipment (including machinery) with a related company. These transactions were classified as secured loan financing and the carrying amount of the corresponding plant and equipment pledged under the sale and leaseback arrangements amounted to approximately RMB32.2 million as at 31 December 2018.

As at 31 December 2018, the Group acquired certain plant and equipment (including machinery) under finance leases with a related company and the fixed interest rates ranged from 9.15% to 9.32%. For the Reporting Period, the Group entered into finance lease arrangements in respect of plant and equipment with total capital value at the inception of the leases of approximately RMB41.7 million.

HUMAN RESOURCES

As at 31 December 2018, the Company had 1,725 full-time employees. The Group has implemented a number of initiatives to enhance the productivity of our employees. In particular, the Group conducts periodic performance reviews of most of the Group's employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivise its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

FUTURE PLAN

Looking forward, the Group will continue to focus on expanding its production plants network by setting up new production plants in the eastern and southern regions of the PRC by way of long-term lease with an expected term of not less than 15 years with independent third parties. The Group will further strengthen its market position in the corrugated packaging industry in the PRC and improve revenue and profitability through broadening geographical coverage and market penetration. The Board believes that there will be sufficient demand for the Group's products in the eastern and southern regions of the PRC after taking into account the fact that many of the Group's targeted customer groups such as companies in the food and beverage, non-food-and-beverage-consumables, supplier chain solution, e-commerce, and home electronics industries have chosen to set up their operations in the eastern and southern regions of the PRC.

Besides, it is also the Group's intention to streamline and enhance the level of automation of its production process by upgrading our production facilities and purchasing new machinery and equipment for its existing production plants, including the installation of (i) flexo folder gluer in-line systems which integrate the printing, folding and gluing production processes; (ii) conveyor systems connecting between different stages of production process for transportation of semi-finished and finished products; and (iii) other machinery and equipment such as robotic arms and automated pallet folders, which serve to enhance production efficiency, reduce production lead time and increase the level of automation of production process thereby reducing reliance on manual workers and strengthening the Group's ability to control the quality of its products.

On the basis of the foregoing, the Group believes that, by leveraging on its strengths and effectively implementing its business strategies, it can continue to expand its business in terms of scale and revenue. It is the belief of the Board that the Group has an advantage over other competitors to obtain new orders from major customers when the Group extends its presence in southern China by virtue of the long-term relationship between the Group and its major customers.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Cheng Hsien-Chun (鄭顯俊), aged 63, is our executive Director and the chairman of our Board appointed on 29 January 2018. He was appointed as a Director on 20 July 2017 and re-designated as our executive Director and the chairman of our Board on 29 January 2018. He is in charge of the overall management, strategic planning and development of our Group. He first joined our Group in 1994 as a senior management of Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd.* (上海濟豐包裝紙業有限公司) ("**SHBP**"), an indirect wholly-owned subsidiary of the Company, and was appointed as the general manager and chairman of SHBP in 1995. He is also a director of all subsidiaries and the general manager of certain subsidiaries of our Group. Mr. Cheng is currently a shareholder holding 87.7% interest in, and a director of, Lead Forward Limited (領前有限公司) ("**Lead Forward**"). Lead Forward is a substantial Shareholder holding 15% interest in the Company. Mr. Cheng is also a member of the remuneration committee and the chairman of the nomination committee of our Board.

Mr. Cheng possesses over 20 years of experience in the corrugated packaging industry. He obtained a bachelor of law majoring in economic from the College of Chinese Culture (中國文化學院) (now known as Chinese Culture University (中國文化大學)), Taiwan in June 1978.

NON-EXECUTIVE DIRECTOR

Mr. Chow Tien-Li (周天力), aged 62, is our non-executive Director appointed on 29 January 2018 and has served as a director of Pacific Millennium Paper Group Limited (國際濟豐紙業集團有限公司) ("**PMPG (HK)**"), an indirect wholly-owned subsidiary of the Company, since January 2013. He first joined our Group in 2008 and served as a director and general manager of Pacific Millennium Packaging Corporation* (濟豐包裝(上海)有限公司) ("**PMPC**") and Kunshan Pacific Millennium Packaging Co., Ltd.* (昆山濟豐包裝有限公司) ("**KSBP**"), both are indirect wholly-owned subsidiaries of the Company, during the period from October 2008 to March 2014 and the period from May 2010 to March 2013, respectively. During his previous tenure with our Group, he was mainly responsible for domestic trading in the PRC. Mr. Chow is also a shareholder of Lead Forward holding 5% interest and a member of the audit committee of our Board.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Jisheng (王計生), aged 65, is our independent non-executive Director appointed on 30 November 2018. Prior to being appointed as an independent non-executive Director, Mr. Wang was an independent director of PMPG (HK), an indirect wholly-owned subsidiary of our Company, during the period from January 2013 to January 2018 responsible for providing independent advice to our Group. He had no day-to-day management in our Group while he was an independent director of PMPG (HK). He completed the Senior Executive Program organised by the Faculty of Business Administration of National University of Singapore in November 2001.

** for identification purpose only*

Biographies of Directors and Senior Management

Mr. Wang is an executive director and the general manager of Fu Shou Yuan International Group Limited whose shares are listed on the Stock Exchange (stock code: 1448). Mr. Wang has been the managing director of Shanghai FSY Industry Development Co., Ltd. since 1996, and he is also serving as a senior management in various subsidiaries of Fu Shou Yuan International Group Limited.

Mr. Wang is a member of the audit committee and the nomination committee, and the chairman of the remuneration committee of our Board.

Mr. Kiang Tien Sik David (江天錫), aged 72, is our independent non-executive Director appointed on 30 November 2018. He obtained a Bachelor of Science in Aeronautics and Astronautics from Massachusetts Institute of Technology, US in June 1969 and a degree of Master in Business Administration from Harvard University, Boston, US in June 1975. Mr. Kiang had extensive experience in the banking and financial industry from his past and current work experience. He is currently an independent director of Bank of China Travel Service Co., Ltd. Jiaozuo (焦作中旅銀行股份有限公司), the chief executive of Da Tang Xi Shi International Group Limited* (大唐西市國際集團有限公司) and a director of Thai Jiang Jin Properties (Shanghai) Co. Ltd. (泰江金置業(上海)有限公司).

Mr. Kiang had also held various senior management position in different banks. He was appointed as the chief executive, China/Macau of Standard Chartered Bank, a group company of Standard Chartered PLC, a company listed in the London Stock Exchange and the Stock Exchange, in 1993, the chief executive of Bangkok Bank Public Company Limited, Hong Kong Branch, a company listed in The Stock Exchange of Thailand, in 1996 and the managing director and chief executive of N M Rothschild & Sons (Hong Kong) Limited in 1998. Through his experience in the senior management positions held in different banks and financial institutions, Mr. Kiang has experience in internal controls and reviewing and analysing audited financial statements of public companies.

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

Dr. Su Morley Chung Wu (蘇崇武), aged 63, is our independent non-executive Director appointed on 30 November 2018. During the period from March 1994 to January 1995, Dr. Su served as the general manager and a director of SHBP.

Dr. Su obtained a Ph.D in education from East China Normal University (華東師範大學), the PRC, in January 2007 and a Master degree of business administration in December 1983 from the University of Chicago, US. He was a certified public accountant of the Illinois State of US during the period from September 1984 to September 1988.

Dr. Su is currently the chairman of Creative Manger Ventures (上海馬槽投資管理有限公司) and the general manager of Shanghai Care Corner Counseling Center (關懷心理諮詢有限公司 — 上海分公司). He also held various senior management position with different companies under Golden Ford or its affiliates including the vice president and corporate strategy director of PM Investment from 2006 to 2012 and a director of International Paper Manufacturing & Distribution Limited (formerly known as Future's Safe Company Limited) from 1987 to 1999. Through his management experience, he was involved in the reviewing and analysing of the financial books of the respective companies for his budget planning and formation of business strategies.

Dr. Su is a member of the audit committee and the remuneration committee of our Board.

** for identification purpose only*

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Long Yanping (龍艷萍), aged 55, is our corporate controller appointed on 29 January 2018. She joined our Group in 1994 and has been mainly responsible for accounting and financial control. She is currently the corporate controller of our Company and is responsible for the accounting and financial control function of our Group. She is also a director of all existing operating subsidiaries of our Group in the PRC. She graduated from China University of Mining and Technology (中國礦業大學) (formerly known as Institute for Coal Mining Management of Beijing (北京煤炭管理幹部學院)), the PRC majoring in financial management and accounting of coal in July 1988.

Mr. Jiang Xiaogang (蔣曉剛), aged 55, is our corporate human resources & administration director appointed on 29 January 2018. He joined our Group in 2007, and he mainly oversees our Group's human resource and administration matters. In addition, he has been a project director of our Group since 2015, responsible for the establishment of new production plants. He is also a director of all existing operating subsidiaries of our Group in the PRC and the company secretary of PMPG (HK). Mr. Jiang graduated from Macau University of Science and Technology in 2004 with a Master degree in Business Administration. He possesses over 20 years of experience in the printing industry. Prior to joining our Group, he had worked for Dalian Shengdao Group Limited, a company engaged in printing in the PRC, and he served as the director for Dalian Shengdao Group Limited during the period from 1998 to 2006.

Mr. Lan Tsung Hsien (藍宗賢), aged 63, is our corporate technical director appointed on 29 January 2018 and also the supervisor of all subsidiaries of our Group in the PRC. He joined our Group in 1996 as the production manager of certain production plants of our Group. He graduated from the National Cheng Kung University (國立成功大學), Taiwan majoring in Mechanical Engineering in June 1977. As the corporate technical director, Mr. Lan is responsible for our Group's equipment and facilities management, including supervising the installation project of equipment in new production plans and conducting maintenance and safety check of the current equipment. Mr. Lan is a shareholder of Lead Forward holding 7.3% interest.

Report of the Directors

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) including a fair view of the Group's business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Reporting Period and an indication of likely future development in the Group's business are set out in "Chairman's Statement" on pages 4 to 5, "Management Discussion and Analysis" on pages 6 to 12 and "Note 35 to the Consolidated Financial Statements" on pages 94 to 100. These discussions form part of this Report of the Directors.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 44 of this annual report.

FINAL DIVIDEND

The Board proposed a final dividend of HK$0.1 per share (2017: nil) payable to the Shareholders whose names appear on the register of members of the Company on 3 July 2019. The final dividend is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company (the "**AGM**").

SPECIAL DIVIDEND

In light of the retained profit made by the Group up to 31 December 2017, the Board has declared a special dividend of HK$0.3 per share payable to the Shareholders whose names appear on the register of members of the Company on 11 April 2019.

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

In order to determine the identity of the Shareholders who are entitled to the final dividend, the register of members of the Company will be closed from Friday, 28 June 2019 to Wednesday, 3 July 2019 (both dates inclusive), during which period no transfer of Shares will be effected. The final dividend will be paid in Hong Kong dollars. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's 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 Thursday, 27 June 2019.

In order to determine the identity of the Shareholders who are entitled to the special dividend, the register of members of the Company will be closed from Tuesday, 9 April 2019 to Thursday, 11 April 2019 (both dates inclusive), during which period no transfer of Shares will be effected. The special dividend will be paid in Hong Kong dollars. In order to qualify for the special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 8 April 2019.

THE DIVIDEND POLICY

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

FOUR-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past four financial years is set out on page 106 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

Upon listing on the Stock Exchange on 21 December 2018, 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 the broker commissions and the other fees and expenses payable by the Company for the Listing. As at 31 December 2018, the net proceeds from the Listing were used for purposes which were consistent with those set out in the section headed "Future Plan and Use of Proceeds" in the prospectus of the Company dated 10 December 2018 (the "**Prospectus**"). As at 31 December 2018, the net proceeds were used for the following purposes (if any):

	Net proceeds from the Listing HK$ million		
Use of proceeds	**Proceeds available for use**	**Proceeds used**	**Proceeds unused**
For expansion of production plants network	193.2	—	193.2
For upgrading production facilities and purchasing new machinery and equipment	44.4	—	44.4
For working capital	24.9	—	24.9
Total	**262.5**	**—**	**262.5**

As at 31 December 2018, the unused net proceeds were placed with banks as short-term deposits or term deposits.

As disclosed in the Prospectus, the Company intended to apply approximately RMB17.5 million out of the net proceeds of approximately HK$262.5 million (equivalent to approximately RMB233.4 million) from the Global Offering for the six months ended 31 December 2018 as follows:

New production plant in Haiyan, Zhejiang Province (the "Haiyan Plant")	**Proceeds available for use** RMB'000	**Proceeds used** RMB'000	**Proceeds unused** RMB'000
Construction/alteration	4,285	—	4,285
Production machinery and equipment	12,516	—	12,516
Laboratory equipment, office equipment and management information system	718	—	718
Total	**17,519**	**—**	**17,519**

Report of the Directors

Prior to the Listing, the Group was in negotiation with the local government for the leasing of a parcel of land together with the buildings erected thereon located in Haiyan, Zhejiang Province (the "**Original Site**") for the establishment of the Haiyan Plant. However, due to the unexpected change in the availability of the Original Site, as at the date of this annual report, the Group is in the process of negotiating with the local government for another location within Haiyan (the "**New Site**") for its establishment of the Haiyan Plant. As a result, the Group has not yet utilised the said proceeds described in the table above as at the date of this annual report. The Company currently anticipates that the negotiation with the local government on the location of the New Site would be finalised by the third quarter of 2019. Unlike the Original Site where only alteration works would be needed to convert the existing buildings erected thereon into the Group's production plant, the New Site is likely to be a parcel of bare land which construction works will be needed to build the Haiyan Plant. On this basis and to the best of the Directors' knowledge and based on the information currently available to the Company, it expects the construction and commercial production of the Haiyan Plant to commence in the third quarter of 2019 and the third quarter of 2020, respectively. Save as disclosed above, the Company does not foresee any change in its plan in respect of the establishment of the Haiyan Plant, including, but not limited to, the estimated total investment, source of funding, and the estimated annual production capacity of the Haiyan Plant.

As further disclosed in the Prospectus, the Company intended to apply a portion of the net proceeds from the Global Offering for setting up a new production plant in Zhongshan, Guangdong Province. The Group has established its presence in the Guangdong Province since the commencement of commercial production of GDBP in the second quarter of 2018. With the satisfactory business development of GDBP, the Group has quickly expanded its customer base and gained better insights in the corrugated packaging market in the southern region of China. After carefully evaluating the business potential and competitive landscape among different areas in the Guangdong Province, the Company considers that the business opportunity and growth potential in Foshan to be even better than Zhongshan for the Group to establish its production plant. Furthermore, as at the date of this annual report, the Company has identified a number of locations in Foshan that are suitable for the Group to set up its production plant. Therefore, the Company intends to establish its second production plant in the southern region of China in Foshan instead of Zhongshan which the Company believes to be in the interest of the Company and the development of its business. To the best of the Directors' knowledge and based on the information currently available to the Company, it expects that the construction and commercial production of its new production plant in Foshan to commence in the second quarter of 2019 and the second quarter of 2020, respectively. Save as disclosed above, the Company does not foresee any change in its plan in respect of the establishment of the production plant in the Guangdong Province, including, but not limited to, the estimated total investment, source of funding, and the estimated annual production capacity of the new production plant.

Should there be any change in the use of proceeds, the Company will immediately inform the Shareholders by way of announcement.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the top five customers in aggregate and the single largest customer accounted for approximately 18.3% and 7.5%, respectively, of the Group's total sales. During the Reporting Period, the top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 75.8% and 44.2%, respectively, of the Group's total purchases.

None of our Directors or any of their respective associates or, so far as our Directors were aware, any Shareholder who owned 5% or more of our issued share capital as at 31 December 2018, had any interest in any of our five largest customers or suppliers in each of the years 2017 and 2018.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in note 28 to the consolidated financial statements on page 86 and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB410.6 million.

DIRECTORS

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

Executive Director:

Mr. Cheng Hsien-Chun *(Chairman)* (appointed as a Director on 20 July 2017 and re-designated as the chairman of the Board and the executive Director on 29 January 2018)

Non-executive Director:

Mr. Chow Tien-Li (appointed on 29 January 2018)

Independent non-executive Directors:

Mr. Wang Jisheng (appointed on 30 November 2018)
Mr. Kiang Tien Sik David (appointed on 30 November 2018)
Dr. Su Morley Chung Wu (appointed on 30 November 2018)

In accordance with Article 16.2 of the Articles, each of the Directors shall hold office until the AGM and, being eligible, offer themselves for election as Directors at the AGM. The Company's forthcoming circular for the AGM will contain the detailed information of the Directors standing for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 13 to 15 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors and the Company considers such Directors to be independent since the Listing Date up to 31 December 2018.

DIRECTORS' SERVICE AGREEMENT AND LETTER OF APPOINTMENT

The executive Director has entered into a service agreement (as supplemented on the Listing Date) with the Company under which he has agreed to act as the executive Director for a term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of our non-executive Directors (including independent non-executive Directors) has entered into an appointment letter (as supplemented on the Listing Date) with our Company under which Mr. Chow Tien-Li and Mr. Kiang Tien Sik David have agreed to act as the non-executive Director and an independent non-executive Director, respectively, for a term of one year commencing from the Listing Date while each of Mr. Wang Jisheng and Dr. Su Morley Chung Wu has agreed to act as an independent non-executive Director for a term of two years commencing from the Listing Date. Either party has the right to give not less than one month's written notice to terminate the appointment.

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and the Prospectus, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any controlling shareholder of the Company (the "**Controlling Shareholder(s)**") had a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

During the Reporting Period, none of the Company or any of its subsidiaries had entered into any material contract with the Controlling Shareholders.

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

Save as disclosed under note 30 "Related Party Transactions" to the consolidated financial statements, no transactions, arrangements and contracts of significance (as defined in Appendix 16 to the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a Director, an entity connected with a Director or any of the Controlling Shareholders or its subsidiaries (other than a member of the Group) had a material interest, whether directly or indirectly, subsisting at any time during the Reporting Period and up to the date of this report.

As at 31 December 2018, none of the Directors is interested in any businesses apart from our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 30 to the consolidated financial statements. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Before the Listing, no remuneration was determined by the Board in respect of serving as a Director. After the Listing, as recommended by the Remuneration Committee and resolved by the Board, it was determined that each of Mr. Chow Tien-Li (non-executive Director), Mr. Wang Jisheng (independent non-executive Director), Mr. Kiang Tien Sik David (independent non-executive Director) and Dr. Su Morley Chung Wu (independent non-executive Director) shall be entitled to a director's fee of HK$240,000 per annum with effect from the Listing Date. The remuneration was determined with reference to market level of remuneration paid by comparable companies and their duties.

Save as disclosed above, during the Reporting Period, there was no change to information which is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholdings
Mr. Cheng Hsien-Chun ("**Mr. Cheng**")	Interest in controlled corporation (Note 1)	45,094,800 (L) (Note 2)	15%

Notes:

1. The 45,094,800 Shares are held by Lead Forward. As Lead Forward is owned as to 87.7% 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.

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

Save as disclosed above, as at 31 December 2018, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2018, 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 interest	Number of Shares held (Note 1)	Percentage of shareholdings
Pacific Millennium Holdings Corporation ("**PMHC**")	Beneficial Owner	180,379,200 (L)	60%
Golden Ford Investments Limited ("**Golden Ford**") (Note 2)	Interest in a controlled corporation	180,379,200 (L)	60%
Elite Age International Limited ("**Elite Age**") (Note 3)	Interest in a controlled corporation	180,379,200 (L)	60%
Star Concord Worldwide Limited ("**Star Concord**") (Note 3)	Trustee	180,379,200 (L)	60%
Ample Bright Management Limited ("**Ample Bright**") (Note 4)	Interest in a controlled corporation	180,379,200 (L)	60%
Fortune China Resources Limited ("**Fortune China**") (Note 4)	Trustee	180,379,200 (L)	60%
Tsai Wen Hao ("**Mr. Tsai**") (Note 5)	Interest in Trustee	180,379,200 (L)	60%
Tan Richard Lipin ("**Mr. Tan**") (Note 5)	Interest in Trustee	180,379,200 (L)	60%
Lead Forward (Note 6)	Beneficial Owner	45,094,800 (L)	15%

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 owned as to 87.7%, 7.3% and 5% by Mr. Cheng, Mr. Lan Tsung-Hsien and Mr. Chow Tien-Li, respectively. Mr. Cheng is deemed to be interested in all the Shares held by Lead Forward under the SFO.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register of the Company referred to therein.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to the end of the Reporting Period (i.e. 31 December 2018), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the Deed of Non-competition, the independent non-executive Directors are responsible for reviewing, at least on an annual basis, the compliance with the undertakings in the Deed of Non-competition and such decisions on matters as reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings will be disclosed either in annual reports, or by way of announcements. Each of the Controlling Shareholders has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the period from the Listing Date to the end of the Reporting Period (i.e. 31 December 2018). During the Reporting Period, the independent non-executive Directors have also reviewed the implementation of the Deed of Non-competition and confirmed that each of the Controlling Shareholders has fully abided by the Deed of Non-competition without any breach of the Deed of Non-competition.

CONTINUING CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

Since 2013, the Group has entered into a number of lease transactions with Chongqing Stone Tan Financial Leasing Company Limited ("**Chongqing Stone Tan**") for the provision of direct lease and sale and leaseback services in respect of various machinery and equipment used in the business of the Group. As the machinery and equipment lease transactions between the Group and Chongqing Stone Tan are on a recurring basis and are expected to extend over a period of time after the Listing, on 30 November 2018, the Group entered into a machinery and equipment lease framework agreement (the "**Framework Agreement**") with Chongqing Stone Tan to govern and manage the machinery and equipment lease transactions between the Group and Chongqing Stone Tan after the Listing. Chongqing Stone Tan is a company incorporated in the PRC with limited liability whose principal business is provision of finance lease service. As Chongqing Stone Tan is an associate of Golden Ford, a Controlling Shareholder, and thus a connected person of the Company, the transactions contemplated under the Framework Agreement will constitute continuing connected transactions under the Listing Rules. As the relevant applicable percentage ratio (other than the profits ratio) in respect of the transactions contemplated under the Framework Agreement is more than 5% and annual caps stipulated under the Framework Agreement are more than HK$10 million on an annual basis, the transactions contemplated under the Framework Agreement are subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Period	Maximum outstanding balance (including value added tax ("VAT"))	Annual interest payment plus handling fee (including VAT)
For the Reporting Period	RMB180.0 million	RMB13.2 million
For the year ending 31 December 2019	RMB190.0 million	RMB13.7 million
For the year ending 31 December 2020	RMB200.0 million	RMB13.6 million

Pursuant to rule 14A.105 of the Listing Rules, the Company applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the announcement, circular and independent Shareholder's approval requirements under Chapter 14A requirements of the Listing Rules once the Shares are listed on the Stock Exchange in respect of the above non-exempt continuing connected transactions, subject to the aggregate amount of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above.

For the Reporting Period, the maximum outstanding balance (including VAT) under the continuing continued transactions was RMB63.6 million and the annual interest payment plus handling fee (including VAT) paid by the Group to Chongqing Stone Tan was RMB12.0 million.

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

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

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

(ii) on normal commercial terms; and

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

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

The auditor has issued their unqualified report containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with rule 14A.56 of the Listing Rules.

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

Report of the Directors

The Directors confirm that, save as disclosed above, none of the related party transactions set out in note 30 to the consolidated financial statements constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Save as disclosed in note 30 to the consolidated financial statements, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules during the Reporting Period.

CHARITABLE DONATIONS

During the Reporting Period, the Group made no charitable donations.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Save for the recommendation of final dividend and declaration of special dividend as detailed in Note 33 to the consolidated financial statements, there was no significant event which took place after the Reporting Period.

PERMITTED INDEMNITY PROVISION

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

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 from the Listing Date to 31 December 2018 and up to the date of this report.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed in the Corporate Governance Report on pages 31 to 39 of this annual report, the Company has complied with all applicable code provisions under the CG Code as set out in Appendix 14 to the Listing Rules since the Listing Date up to the end of the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 39 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

BDO Limited, Certified Public Accountants, who was appointed as the auditor of the Company since the Listing, has acted as the auditor of the Company for the Reporting Period.

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

On behalf of the Board
Mr. Cheng Hsien Chun
Chairman

PRC, 24 March 2019

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner.

The Board comprises of one executive Director, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the period since the Listing Date up to the last day of the Reporting Period (i.e. 31 December 2018), the Company has fully complied with the CG Code, except for the following deviations.

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 is our only executive Director, who performs similar function to that of a chief executive officer, and he also performs as the chairman of our 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 our 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 Directors consider that the deviation from code 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.

Save as disclosed above, the Company has complied with the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Board Composition

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

Executive Director:	Mr. Cheng Hsien-Chun *(Chairman)*
Non-executive Director:	Mr. Chow Tien-Li
Independent Non-executive Directors:	Mr. Wang Jisheng Mr. Kiang Tien Sik David Dr. Su Morley Chung Wu

Their biographical details are set out in the "Biographies of Directors and Senior Management" on pages 13 to 15 in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors is available on the Company's website.

Our executive Director has entered into a service agreement (as supplemented on the Listing Date) with our Company under which he has agreed to act as the executive Director for a term of three years commencing from the Listing Date (i.e. 21 December 2018). Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of our non-executive Directors (including independent non-executive Directors) has entered into an appointment letter (as supplemented on the Listing Date) with our Company under which Mr. Chow Tien-Li and Mr. Kiang Tien Sik David have agreed to act as the non-executive Director and an independent non-executive Director, respectively, for a term of one year commencing from the Listing Date while each of Mr. Wang Jisheng and Dr. Su Morley Chung Wu has agreed to act as an independent non-executive Directors for a term of two years commencing from the Listing Date. Either party has the right to give not less than one month's written notice to terminate the appointment.

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

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

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

Corporate Governance Report

Responsibilities

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

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

Induction and Continuous Training and Professional Development

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

On 15 January 2018, the Company, together with its Hong Kong legal advisers, organized training sessions for the Directors explaining the on-going obligations and responsibilities as a director of a Hong Kong listed company. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

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

Independence of Independent Non-Executive Directors

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

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

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

Board Committees

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

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

Audit Committee

The Company established the Audit Committee on 30 November 2018 with written terms of reference in compliance with code provision C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committees are to provide the Directors with an independent review on the effectiveness of the financial reporting process, corporate governance measures, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors.

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

Pursuant to the meeting of the Audit Committee on 23 March 2019, the Audit Committee has reviewed, among other things, the financial statements of the Company for the Reporting Period, including the accounting principles and practices adopted by the Company, report prepared by the external auditor covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Group's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditor.

Corporate Governance Report

Remuneration Committee

The Company established the Remuneration Committee on 30 November 2018 with written terms of reference in compliance with code provision B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and review performance based remuneration and ensure none of the Directors determine their own remuneration. At present, the Remuneration Committee comprises Mr. Wang Jisheng (Chairman), Mr. Cheng and Dr. Su Morley Chung Wu. Pursuant to the first meeting of the Remuneration Committee on 21 December 2018, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

Remuneration of Directors and Senior Management

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

During the Reporting Period, one Remuneration Committee meeting was held on 21 December 2018 for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management of the Group. All members of the Remuneration Committee attended the meeting in person.

The biographies of the senior management of the Company are disclosed in the section headed “Biographical Details of Directors and Senior Management” in this annual report. The remuneration of the senior management of the Company (other than Directors) by band for the Reporting Period is as follows:

Remuneration band (HK$)	Number of individuals
0–1,000,000	3

Nomination Committee

The Company has established the Nomination Committee on 30 November 2018 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are mainly to at least annually review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board on any proposed changes to the Board to complement the Company’s corporate strategy, to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individual(s) nominated for directorship(s), to assess the independence of the independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. At present the Nomination Committee comprises Mr. Cheng (Chairman), Mr. Wang Jisheng and Mr. Kiang Tien Sik David.

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

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

Attendance Record of Directors

The attendance record of each of the current Directors at the Board and Board Committee meetings and the general meetings of the Company held from the Listing Date to the date of this annual report, the Reporting Period is set out in the table below. The Directors did not authorize any alternate Director to attend Board or Board Committee meetings.

	Attendance/Number of Meetings			
Name of Director	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Board**
Mr. Cheng Hsien-Chun	1/1	1/1	0/0	3/3
Mr. Chow Tien-Li	1/1	1/1	0/0	3/3
Mr. Wang Jisheng	1/1	1/1	0/0	3/3
Mr. Kiang Tien Sik David	1/1	1/1	0/0	3/3
Dr. Su Morley Chung Wu	1/1	1/1	0/0	3/3

Board Meetings

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

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to 31 December 2018 and up to the date of this report.

COMPANY SECRETARY

Mr. Cheung Kai Cheong, Willie ("**Mr. Cheung**") was appointed as the Company Secretary. According to rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year while Mr. Cheung has taken no less than 15 hours of relevant professional training in 2018.

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

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

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

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the "Independent Auditor's Report" on pages 40 to 43 of this annual report.

Internal controls and risk management

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

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

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

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

External Auditor

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

For the Reporting Period, the fees payable to BDO in respect of its annual audit services provided to the Company was approximately RMB0.9 million. The total fees paid and payable to BDO during the Reporting Period for the reporting accountants service in relation to the Listing was approximately RMB1.1 million.

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

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting ("**EGM**").

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

INVESTOR RELATIONS

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

Constitutional Documents

Conditionally adopted by a special resolution dated 30 November 2018, the Articles were adopted with effect from the Listing Date. As at the date of this report, no change has been made to the Articles after the Listing Date. The Articles are available on the websites of the Stock Exchange and the Company.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Pacific Millennium Packaging Group Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 105, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT LOSS ON TRADE RECEIVABLES

Refer to Notes 4(f)(ii), 5(iii), 19 and 35(a) to the consolidated financial statements.

As at 31 December 2018, the carrying amount of the Group's trade receivables was RMB518,203,000. Impairment loss on trade receivables is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. Based on management's assessment, the Group recognised an impairment loss on trade receivables of RMB2,747,000 during the year.

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

Our response:

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

— Obtaining an understanding of the model adopted by management in estimating lifetime expected credit losses and testing the operating effectiveness of key controls which oversee credit control, debt collection and estimation of lifetime expected credit losses;

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

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

— Checking subsequent settlement from customers after the financial year end relating to trade receivable balances as at 31 December 2018, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Li Pak Ki
Practising Certificate Number P01330

Hong Kong, 24 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	7	**2,019,410**	1,664,102
Cost of sales		**(1,641,265)**	(1,315,308)
Gross profit		**378,145**	348,794
Other income and other gains and losses, net	8	**3,703**	3,225
Selling and distribution expenses		**(96,185)**	(77,760)
Administrative expenses		**(126,622)**	(136,712)
Impairment (loss)/gain on trade receivables	10	**(2,142)**	104
Finance costs	9	**(28,943)**	(17,410)
Profit before income tax	10	**127,956**	120,241
Income tax expense	13	**(37,684)**	(34,347)
Profit for the year		**90,272**	85,894
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**(4,397)**	(128)
Total comprehensive income for the year		**85,875**	85,766
Earnings per share (RMB)	14	**40 cents**	38 cents

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**453,927**	365,303
Prepaid lease payments for land	16	**10,106**	10,390
Prepayments for purchase of property, plant and equipment		**417**	40,098
Deferred tax assets	17	**8,190**	5,078
		472,640	420,869
Current assets			
Inventories	18	**130,668**	118,140
Trade receivables, bills receivables, other receivables, deposits and prepayments	19	**587,706**	484,383
Prepaid lease payments for land	16	**284**	284
Pledged deposits	20	**127,130**	12,180
Bank balances and cash	21	**347,931**	73,767
		1,193,719	688,754
Current liabilities			
Trade and other payables	22	**426,748**	328,078
Contract liabilities	23	**2,874**	3,058
Dividend payable		**—**	41,065
Bank and other borrowings	24	**473,923**	259,000
Amount due to immediate holding company	25	**—**	13,393
Tax payable		**13,774**	6,903
Obligations under finance leases	26	**14,315**	27,838
		931,634	679,335
Net current assets		**262,085**	9,419
Total assets less current liabilities		**734,725**	430,288
Non-current liabilities			
Bank and other borrowings	24	**19,556**	31,078
Obligations under finance leases	26	**14,640**	32,256
		34,196	63,334
Net assets		**700,529**	366,954

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Equity			
Share capital	27	**2,442**	1,785
Reserves	28	**698,087**	365,169
Total equity		**700,529**	366,954

On behalf of the Board

Mr. Cheng Hsien-Chun
Director

Mr. Kiang Tien Sik David
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB'000 (Note 27)	Share premium RMB'000 (Note 28)	Merger reserve RMB'000 (Note (a))	Translation reserve RMB'000 (Note (b))	Surplus reserve RMB'000 (Note (c))	Retained profits RMB'000	Total RMB'000
At 1 January 2017	1,785	151,269	16,844	2,004	49,773	171,833	393,508
Profit for the year	—	—	—	—	—	85,894	85,894
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	—	—	—	(128)	—	—	(128)
Total comprehensive income for the year	—	—	—	(128)	—	85,894	85,766
Dividend declared (Note 33)	—	—	—	—	—	(112,320)	(112,320)
Transfer to surplus reserve	—	—	—	—	12,923	(12,923)	—
At 31 December 2017 and 1 January 2018	**1,785**	**151,269**	**16,844**	**1,876**	**62,696**	**132,484**	**366,954**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**90,272**	**90,272**
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**(4,397)**	**—**	**—**	**(4,397)**
Total comprehensive income for the year	**—**	**—**	**—**	**(4,397)**	**—**	**90,272**	**85,875**
Transfer to surplus reserve	**—**	**—**	**—**	**—**	**24,531**	**(24,531)**	**—**
Issue of shares under share offer	**657**	**260,835**	**—**	**—**	**—**	**—**	**261,492**
Share issue expenses	**—**	**(13,792)**	**—**	**—**	**—**	**—**	**(13,792)**
	657	**247,043**	**—**	**—**	**—**	**—**	**247,700**
At 31 December 2018	**2,442**	**398,312**	**16,844**	**(2,521)**	**87,227**	**198,225**	**700,529**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

Notes:

(a) Merger reserve

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

(b) Translation reserve

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

(c) Surplus reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Operating activities		
Profit before income tax	**127,956**	120,241
Adjustments for:		
Amortisation of prepaid lease payments for land	**284**	284
Depreciation of property, plant and equipment	**54,486**	47,745
Finance costs	**28,943**	17,410
Interest income	**(2,231)**	(1,471)
Impairment loss on inventories	**1,354**	1,200
Impairment loss on trade receivables	**2,747**	1,099
Reversal of impairment loss on inventories	**(1,168)**	(561)
Reversal of impairment loss on trade receivables	**(605)**	(1,203)
Loss on disposal of property, plant and equipment	**139**	993
Cash flows before working capital changes	**211,905**	185,737
Increase in inventories	**(12,714)**	(29,823)
Increase in trade receivables, bills receivables, other receivables, deposits and prepayments	**(119,527)**	(95,397)
Increase in trade and other payables	**108,197**	63,648
(Decrease)/increase in contract liabilities	**(184)**	377
Cash generated from operations	**187,677**	124,542
Income tax paid	**(33,925)**	(34,308)
Net cash generated from operating activities	**153,752**	90,234
Investing activities		
Purchase of property, plant and equipment	**(73,805)**	(47,421)
Proceeds from disposal of property, plant and equipment	**5,230**	5,948
Prepayments made for purchase of property, plant and equipment	**(417)**	(18,867)
(Increase)/decrease in pledged deposits	**(114,950)**	8,805
Interest received	**2,231**	1,471
Net cash used in investing activities	**(181,711)**	(50,064)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Financing activities		
Dividend paid	**(41,117)**	(69,823)
Interest paid on bank loans	**(19,908)**	(13,081)
Interest paid on finance leases	**(4,990)**	(3,193)
Interest paid on sale and leaseback arrangements	**(5,202)**	(1,907)
Proceeds from the share offer, net of share issue expenses	**247,700**	—
(Decrease)/increase in amount due to immediate holding company	**(13,393)**	13,900
Repayment of obligations under finance leases	**(72,829)**	(40,339)
Proceeds from bank and other borrowings	**799,306**	421,725
Repayment of bank and other borrowings	**(599,002)**	(455,765)
Net cash generated from/(used in) financing activities	**290,565**	(148,483)
Net increase/(decrease) in cash and cash equivalents	**262,606**	(108,313)
Cash and cash equivalents at beginning of the year	**73,767**	183,408
Effect of exchange rate changes on cash and cash equivalents	**11,558**	(1,328)
Cash and cash equivalents at end of the year	**347,931**	73,767
Analysis of cash and cash equivalents:		
Bank balances and cash	**347,931**	73,767

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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. Particulars of the Company's subsidiaries have been set out in Note 36 to the consolidated financial statements.

The immediate holding company of the Company is Pacific Millennium Holdings Corporation which is incorporated in the British Virgin Islands. The ultimate holding company of the Company is Golden Ford Investments Limited which is incorporated in the Independent State of Samoa.

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

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

(a) Adoption of new or revised IFRSs

The Group has early adopted all the new or revised IFRSs in the prior years which are effective for the annual periods beginning on or after 1 January 2018 and relevant to the Group. The IFRSs early adopted by the Group included IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15.

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

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

IFRS 16	Leases[1]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

2. ADOPTION OF IFRSs (Continued)

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

Further information about the above IFRSs which are expected to be applicable to the Group is as follows:

IFRS 16 — Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Under IAS 17, the Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB212,632,000 as disclosed in Note 29 to the consolidated financial statements. These arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of IFRS 16. In the consolidated statements of comprehensive income, depreciation will be recognised on the related right-of-use asset and interest expenses will be recognised on the lease liability instead of rental expense. Interest expenses on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis.

The Group expected that the recognition of right-of-use asset and the lease liability on operating lease commitments upon adoption of IFRS 16 would result in significant increase in non-current assets and total liabilities respectively. It is also expected that there will be no material impact on the total expenses to be recognised by the Group over the entire lease period and the total net profit over the lease period is not expected to be materially affected. The adoption of IFRS 16 would not affect the total cash flows in respect of the lease.

2. ADOPTION OF IFRSs (Continued)

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

IFRS 16 — Leases (Continued)

As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. The Group also plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019 and will not restate the comparative information.

Amendments to IAS1 and IAS 8 — Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3 — Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2. ADOPTION OF IFRSs (Continued)

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

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool. The Group does not expect the adoption of the amendments will result in a significant impact on the Group's results and financial position.

IFRIC 23 — Uncertainty over Income Tax Treatments

IFRIC 23 supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under IFRIC 23, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty. The Group does not expect the adoption of IFRIC 23 will result in a significant impact on the Group's results and financial position.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

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

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

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

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

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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

(d) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial instruments

(i) Financial assets

Classification

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

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

Measurement

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition

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

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

— the carrying amount of the financial asset transferred; and

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

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

(ii) Impairment loss on financial assets

The Group has these types of financial assets subject to IFRS 9's new expected credit loss model:

— Trade receivables

— Financial assets included in other receivables and deposits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

Measurement of ECLs

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

— significant financial difficulty of the borrower or issuer;

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

Write-off

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are financial liabilities at amortised cost which are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost, including trade and other payables, bank and other borrowings and amount due to immediate holding company, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

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

(iv) Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and cash equivalents

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

(h) Inventories

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

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

(i) Contract liabilities

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

A contract liability is recorded when the payment is made or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer control of the goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer. The unsatisfied performance obligations as at 31 December 2018 are disclosed in Note 23 to the consolidated financial statements.

(j) Revenue recognition

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

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

(i) Sales of goods

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

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

There is no warranty clause in the contracts with customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue recognition (Continued)

(i) Sales of goods (Continued)

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

(ii) Interest income

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

(k) Government grants/subsidies

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

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

(l) Income taxes

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currency

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

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

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

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

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

(n) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plans

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits (Continued)

(iii) Termination benefits

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

(o) Impairment of other assets

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

- property, plant and equipment;
- prepaid lease payments for land; and
- investments in subsidiaries.

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

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

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

(p) Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities

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

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

(r) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

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

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

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

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

(s) Dividends

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated useful lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore affect the depreciation charges in future periods.

(ii) Provision for obsolete inventories

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY (Continued)

(iii) Impairment of financial assets measured at amortised cost

Management estimates the amount of loss allowance for ECLs on financial assets that are measured at amortised cost based on the credit risk of the respective financial asset. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the respective financial asset. The assessment of the credit risk of the respective financial asset involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iv) Income taxes and deferred tax

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of businesses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management determines it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

6. SEGMENT REPORTING

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

(a) Reportable segments

The Group is principally engaged in manufacture and sale of packaging materials. The CODM assesses the performance of the business based on a measure of operating results and considers the business as a single operating segment. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the 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.

6. SEGMENT REPORTING (Continued)

(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 both years.

7. REVENUE

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

	2018 RMB'000	2017 RMB'000
Corrugated packaging products	**1,823,661**	1,516,253
Corrugated sheet boards	**195,749**	147,849
	2,019,410	1,664,102

Disaggregation of revenue

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

	2018 RMB'000	2017 RMB'000
Revenue by industry		
Food and beverage	**511,496**	413,117
Paper and packaging	**297,292**	244,306
Non-food-and-beverage-consumables (Note (i))	**183,699**	177,662
Supplier chain solution	**151,567**	110,715
E-commerce	**85,197**	81,819
Home electronics	**76,745**	79,673
Others (Note (ii))	**713,414**	556,810
	2,019,410	1,664,102

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.

8. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2018 RMB'000	2017 RMB'000
Sales of other materials and consumables	**658**	1,856
Interest income	**2,231**	1,471
Government grants (Note (i))	**606**	627
Sundry income	**347**	264
Loss on disposal of property, plant and equipment	**(139)**	(993)
	3,703	3,225

Note:

(i) The amount represented subsidies for replacement of environmentally friendly equipment and other government incentives received during the year. There were no unfulfilled conditions to these grants by the relevant PRC local government.

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on finance leases	**4,990**	3,193
Less: amounts capitalised in property, plant and equipment*	**(1,157)**	(771)
	3,833	2,422
Interest on bank loans	**19,908**	13,081
Interest on sale and leaseback arrangements	**5,202**	1,907
	28,943	17,410

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

10. PROFIT BEFORE INCOME TAX

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

	2018 RMB'000	2017 RMB'000
Cost of inventories sold*	**1,641,265**	1,315,308
Depreciation of property, plant and equipment	**54,486**	47,745
Listing expenses	**10,304**	7,243
Auditor's remuneration	**1,480**	952
Amortisation of prepaid lease payments for land	**284**	284
Lease payments under operating leases	**8,163**	6,592
Impairment loss on inventories	**1,354**	1,200
Reversal of impairment loss on inventories	**(1,168)**	(561)
Impairment loss on trade receivables	**2,747**	1,099
Reversal of impairment loss on trade receivables	**(605)**	(1,203)
Impairment loss/(gain) on trade receivables	**2,142**	(104)
Exchange loss, net	**148**	686
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	**137,781**	149,651
— Retirement benefit costs	**22,435**	20,799

* Cost of inventories sold for the year ended 31 December 2018 includes RMB137,260,000 (2017: RMB123,101,000), relating to employee benefit expenses and depreciation of property, plant and equipment for which the amounts are also included in the respective total amounts disclosed separately above.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Year ended 31 December 2018

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive director				
Cheng Hsien-Chun	—	985	15	1,000
Non-executive director				
Chow Tien-Li (appointed on 29 January 2018)	6	—	—	6
Independent non-executive directors				
Wang Jisheng (appointed on 30 November 2018)	6	—	—	6
Kiang Tien Sik David (appointed on 30 November 2018)	6	—	—	6
Su Morley Chung Wu (appointed on 30 November 2018)	6	—	—	6
	24	985	15	1,024

Year ended 31 December 2017

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Tan Richard Li Pin (resigned on 20 July 2017)	—	—	—	—
Cheng Hsien-Chun	—	1,015	26	1,041
	—	1,015	26	1,041

Mr. Tan Richard Li Pin was the sole director of the Company until his resignation on 20 July 2017. Mr. Cheng Hsien-Chun was a director of all subsidiaries of the Company and the general manager of certain subsidiaries of the Company prior to his appointment as director of the Company on 20 July 2017 and re-designation as executive director of the Company on 29 January 2018. Mr. Chow Tien-Li was appointed as non-executive director on 29 January 2018. Messrs. Wang Jisheng, Kiang Tien Sik David and Su Morley Chung Wu were appointed as independent non-executive directors on 30 November 2018. Each of Messrs. Chow Tien-Li, Wang Jisheng, Kiang Tien Sik David and Su Morley Chung Wu was entitled to director fee with effect from 21 December 2018, the date of the listing of the Company's shares on the Stock Exchange.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2017: nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals (including one director (2017: one) of the Company whose emoluments are include in Note 11 to the consolidated financial statement) during the year were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**3,403**	3,721
Social insurance and housing fund	**220**	198
	3,623	3,919

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

	2018	2017
Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**1**	1

13. INCOME TAX EXPENSE

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

	2018 **RMB'000**	2017 RMB'000
Current tax		
— Provision for PRC enterprise income tax for the year	**40,796**	31,737
Deferred tax (Note 17)		
— Origination and reversal of temporary differences	**(3,112)**	2,610
Income tax expense	**37,684**	34,347

No provision of Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for both years.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (2017: 25%) of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for both years.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company incorporated in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. On 28 September 2018, China's Ministry of Finance, State Administration of Taxation and National Development and Reform Commission and Ministry of Commerce jointly issued Caishui 2018 No. 102 (Circular 102) to expand the scope of withholding tax deferral treatment on direct reinvestment to all non-prohibited foreign investments. Under the new policy, no withholding tax on dividend received by the Group will be payable if such dividend is reinvested in foreign investments that are not prohibited for foreign investors.

13. INCOME TAX EXPENSE (Continued)

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

	2018 **RMB'000**	2017 RMB'000
Profit before income tax	**127,956**	120,241
Tax on profit before income tax, calculated at PRC enterprise income tax rate of 25%	**31,989**	30,060
Effect of different tax rate of subsidiary operating in Hong Kong	**647**	524
Tax effect of expenses not deductible for tax purposes	**4,427**	2,910
Tax effect of income not taxable for tax purposes	**(211)**	(348)
Utilisation of tax losses previously not recognised	**(24)**	—
Tax effect of tax losses not recognised	**856**	1,201
Income tax expense	**37,684**	34,347

14. EARNINGS PER SHARE

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

	2018	2017
Profit for the year (RMB'000)	**90,272**	85,894
Weighted average number of ordinary shares in issue (in thousand)	**227,740**	225,474
Basic earnings per share (RMB)	**40 cents**	38 cents

No diluted earnings per share is presented as the Group has no dilutive potential shares as at 31 December 2018 (2017: same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2017	127,835	35,844	344,354	31,223	1,351	1,810	542,417
Additions	—	2,458	80,272	4,705	213	773	88,421
Disposals	(264)	—	(19,115)	(1,606)	(56)	—	(21,041)
Transfer from construction in progress	—	—	1,808	2	—	(1,810)	—
At 31 December 2017 and 1 January 2018	127,571	38,302	407,319	34,324	1,508	773	609,797
Additions	—	23,541	116,144	5,563	784	2,447	148,479
Disposals	(33)	—	(11,908)	(882)	(723)	—	(13,546)
Transfer from construction in progress	—	—	584	189	—	(773)	—
At 31 December 2018	127,538	61,843	512,139	39,194	1,569	2,447	744,730
Accumulated depreciation:							
At 1 January 2017	51,282	4,613	134,823	18,912	1,219	—	210,849
Charge for the year	6,248	2,718	34,772	3,984	23	—	47,745
Eliminated on disposals	(76)	—	(12,554)	(1,424)	(46)	—	(14,100)
At 31 December 2017 and 1 January 2018	57,454	7,331	157,041	21,472	1,196	—	244,494
Charge for the year	5,563	3,667	40,515	4,617	124	—	54,486
Eliminated on disposals	(16)	—	(6,695)	(809)	(657)	—	(8,177)
At 31 December 2018	63,001	10,998	190,861	25,280	663	—	290,803
Net carrying amount:							
At 31 December 2018	64,537	50,845	321,278	13,914	906	2,447	453,927
At 31 December 2017	70,117	30,971	250,278	12,852	312	773	365,303

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) As at 31 December 2018, the Group's buildings were situated in the PRC and were used by the Group (2017: same).

(b) As at 31 December 2018, the Group's buildings with carrying amounts of RMB64,537,000 (2017: RMB70,117,000) were pledged to secure bills payable and the banking facilities granted to the Group (Note 20 to the consolidated financial statements).

(c) As at 31 December 2018, the net carrying amounts of the Group's property, plant and equipment held under finance leases were RMB44,261,000 (2017: RMB67,191,000).

(d) As at 31 December 2018, the net carrying amounts of the Group's plant and equipment pledged under sales and leaseback arrangements (Note 24(b) to the consolidated financial statements) were RMB32,238,000 (2017: RMB47,633,000).

16. PREPAID LEASE PAYMENTS FOR LAND

	2018 **RMB'000**	2017 RMB'000
Carrying amount at beginning of year	**10,674**	10,958
Charged to profit or loss during the year (Note 10)	**(284)**	(284)
Carrying amount at end of year	**10,390**	10,674
Less: amounts classified as current assets	**(284)**	(284)
	10,106	10,390

The Group has pledged prepaid lease payments for land with aggregate carrying amounts as at 31 December 2018 of RMB10,390,000 (2017: RMB10,674,000) to secure bills payable and the banking facilities granted to the Group (Note 20 to the consolidated financial statements).

17. DEFERRED TAX

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

	Impairment and provision RMB'000	Tax losses RMB'000	Withholding tax on distributable profit from subsidiaries RMB'000	Total RMB'000
At 1 January 2017	1,501	6,187	(2,276)	5,412
Credited/(charged) to profit or loss	132	(2,742)	—	(2,610)
Withholding tax paid in relation to the remittance of dividends	—	—	2,276	2,276
At 31 December 2017 and 1 January 2018	**1,633**	**3,445**	**—**	**5,078**
Credited to profit or loss	**568**	**2,544**	**—**	**3,112**
At 31 December 2018	**2,201**	**5,989**	**—**	**8,190**

As at 31 December 2018, the Group had unused tax losses of approximately RMB32,075,000 (2017: RMB18,585,000) available for offset against future profits.

As at 31 December 2018, deferred tax asset has been recognised in respect of such tax losses of approximately RMB23,961,000 (2017: RMB13,783,000) while no deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB8,114,000 (2017: RMB4,802,000) due to unpredictability of future profits streams.

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

As at 31 December 2018 and 2017, no deferred tax liabilities had been provided for retained earnings of approximately RMB210,000 (2017: RMB118,233,000) as the Group expected these earnings would be retained by the PRC subsidiaries and/or reinvested in these subsidiaries by the Group in the foreseeable future. In accordance with Caishui 2018 No.102 (Circular 102) as detailed in Note 13 to the consolidated financial statements, there is no tax consequence on the dividends distributed by the PRC subsidiaries if such dividends will be reinvested in the PRC subsidiaries.

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	99,935	94,001
Work in progress	3,909	1,925
Finished goods	17,806	15,410
Consumables	9,018	6,804
	130,668	118,140

As at 31 December 2018, accumulated impairment loss on inventories amounted to RMB1,477,000 (2017: RMB1,291,000).

During the year ended 31 December 2018, reversal of impairment loss on inventories of RMB1,168,000 (2017: RMB561,000) were recognised in profit or loss as the Group subsequently sold these inventories above their carrying amounts.

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

	2018 RMB'000	2017 RMB'000
Trade receivables	525,629	435,540
Bills receivables	23,611	26,146
Less: allowance for impairment losses	(7,426)	(5,284)
	541,814	456,402
Other receivables	18,368	804
Deposits	14,796	14,774
Prepayments	12,728	12,403
	587,706	484,383

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

19. TRADE RECEIVABLES, BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**260,132**	236,315
Over 1 month but within 3 months	**246,524**	203,000
Over 3 months	**35,158**	17,087
	541,814	456,402

The average credit period on sales of goods is 30-120 days from the invoice date. The Group recognised impairment losses based on the accounting policy stated in Note 4(f)(ii) to the consolidated financial statements. Further details of the Group's credit policy and credit risk arising from trade and bills receivable, financial assets included in other receivables and deposits are set out in Note 35(a) to the consolidated financial statements.

20. PLEDGE OF ASSETS

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

	Notes	**2018 RMB'000**	2017 RMB'000
Property, plant and equipment	15	**96,775**	117,750
Prepaid lease payments for land	16	**10,390**	10,674
Pledged deposits		**127,130**	12,180
		234,295	140,604

21. BANK BALANCES AND CASH

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

	2018	2017
	RMB'000	RMB'000
Bank balances and cash were denominated in the following currencies:		
US$	**2,326**	10,754
RMB	**94,448**	62,778
Hong Kong dollars ("HK$")	**251,157**	235
	347,931	73,767

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	RMB'000
Trade and bills payables	**360,733**	244,158
Accruals and other payables	**66,015**	83,920
	426,748	328,078

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

Details of the assets pledged for the Group's bills payable are set out in Note 20 to the consolidated financial statements.

22. TRADE AND OTHER PAYABLES (Continued)

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

	2018 **RMB'000**	2017 RMB'000
Within 1 month	**180,399**	154,922
Over 1 month but within 3 months	**163,202**	77,856
Over 3 months	**17,132**	11,380
	360,733	244,158

23. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 December 2018 and 2017 and will be expected to be recognised within one year:

	2018 **RMB'000**	2017 RMB'000
Sales of goods	**2,874**	3,058

It represented amounts received from customers in advance in relation to sales of corrugated packaging products and corrugated sheet boards. The amounts are recognised when control of the goods has transferred, being when the goods have been shipped to the customers.

There were no contract assets as at 31 December 2018 and 2017 recognised in the consolidated statements of financial position.

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

	2018 **RMB'000**	2017 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	**3,058**	2,681

24. BANK AND OTHER BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Bank loans, secured	(a)	**463,498**	243,260
Other borrowings, secured	(b)	**29,981**	46,818
		493,479	290,078
Categorised as:			
Current liabilities		**473,923**	259,000
Non-current liabilities		**19,556**	31,078
		493,479	290,078

Notes:

(a) During the year, the average effective interest rates of the Group's bank loans range from 4.60% to 6.53% per annum (2017: 4.35% to 4.57% per annum).

Details of the assets pledged for the Group's banking facilities in connection with the bank loans are set out in Note 20 to the consolidated financial statements.

At each of the reporting date, all bank loans were scheduled to be repaid within one year.

As at 31 December 2017, bank loans of RMB73,260,000 were secured by pledged deposits of RMB83,131,000 provided by the immediate holding company. The pledged deposits were released on 14 September 2018.

24. BANK AND OTHER BORROWINGS (Continued)

Notes (Continued):

(b) As at 31 December 2018, other borrowings represent three (2017: three) sale and leaseback arrangements for plant and equipment entered into with Chongqing Stone Tan Financial Leasing Limited, a related company over which one of the controlling shareholders of the Company has significant influence. As at 31 December 2018, 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 RMB32,238,000 (2017: RMB47,633,000).

As at 31 December 2018, future lease payments are due as follows:

	Minimum lease payments RMB'000	**Interest RMB'000**	**Present value RMB'000**
Not later than 1 year	**12,770**	**2,345**	**10,425**
Later than 1 year and not later than 2 years	**12,770**	**1,340**	**11,430**
Later than 2 years and not later than 5 years	**8,438**	**312**	**8,126**
	33,978	**3,997**	**29,981**

As at 31 December 2017, future lease payments are due as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than 1 year	19,431	3,691	15,740
Later than 1 year and not later than 2 years	19,431	2,224	17,207
Later than 2 years and not later than 5 years	14,571	700	13,871
	53,433	6,615	46,818

25. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company was non-trade in nature, unsecured, interest-free and repayable on demand.

26. OBLIGATIONS UNDER FINANCE LEASES

During the years ended 31 December 2018 and 2017, the Group acquired certain of its plant and machinery under finance leases with Chongqing Stone Tan Financial Leasing Limited, a related company, as lessors.

As at 31 December 2018, future lease payments are due as follows:

	Minimum lease payments RMB'000	**Interest RMB'000**	**Present value RMB'000**
Not later than 1 year	**16,354**	**2,039**	**14,315**
Later than 1 year and not later than 2 years	**13,657**	**729**	**12,928**
Later than 2 years and not later than 5 years	**1,748**	**36**	**1,712**
	31,759	**2,804**	**28,955**

As at 31 December 2017, future lease payments are due as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than 1 year	31,426	3,588	27,838
Later than 1 year and not later than 2 years	23,349	1,998	21,351
Later than 2 years and not later than 5 years	11,222	317	10,905
	65,997	5,903	60,094

27. SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	Par value	
		HK$'000	
Ordinary shares at par value of HK$0.01 each			
Authorised			
At 1 January 2017, 31 December 2017 and 1 January 2018	300,000,000	3,000	
Increased in authorised share capital (Note (a))	300,000,000	3,000	
At 31 December 2018	600,000,000	6,000	
	Number	HK$'000	RMB'000
Issued and fully paid			
At 1 January 2017, 31 December 2017 and 1 January 2018	225,474,000	2,254	1,785
Issue of shares under share offer (Note (b))	75,158,000	752	657
As 31 December 2018	300,632,000	3,006	2,442

Notes:

(a) Pursuant to the written resolution of the shareholders of the Company on 30 November 2018, the authorised share capital of the Company was increased from HK$3,000,000 to HK$6,000,000 by the creation of an additional 300,000,000 ordinary shares at par value of HK$0.01 each.

(b) 75,158,000 new ordinary shares at par value of HK$0.01 each were issued, by way of share offer, at a price of HK$3.98 per share for a total cash consideration (before share issue expenses charged to equity of HK$15,777,000 (equivalent to approximately RMB13,792,000)) of HK$299,129,000 (equivalent to approximately RMB261,492,000).

28. RESERVES

The Group

The amount of the Group's reserves and movements during the year are presented in the consolidated statement of changes in equity on pages 47 to 48.

The Company

	Share premium RMB'000	Translation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2017	151,269	17,007	(57)	168,219
Profit for the year	—	—	118,622	118,622
Other comprehensive income for the year:				
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	—	(526)	—	(526)
Total comprehensive income for the year	—	(526)	118,622	118,096
Dividend declared (Note 33)	—	—	(112,320)	(112,320)
At 31 December 2017 and 1 January 2018	**151,269**	**16,481**	**6,245**	**173,995**
Issue of shares under share offer	**260,835**	**—**	**—**	**260,835**
Share issue expenses	**(13,792)**	**—**	**—**	**(13,792)**
	247,043	**—**	**—**	**247,043**
Loss for the year	**—**	**—**	**(10,292)**	**(10,292)**
Other comprehensive income for the year:				
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	**—**	**(144)**	**—**	**(144)**
Total comprehensive income for the year	**—**	**(144)**	**(10,292)**	**(10,436)**
At 31 December 2018	**398,312**	**16,337**	**(4,047)**	**410,602**

29. OPERATING LEASE COMMITMENTS

The Group as lessee

During the year, the Group leased certain of its office premises and leasehold land under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 15 years (2017: 6 months to 15 years).

At the end of each of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Not later than 1 year	**22,844**	15,147
Later than 1 year and not later than 2 years	**21,423**	10,808
Later than 2 years and not later than 5 years	**48,144**	23,647
Later than 5 years	**120,221**	43,831
	212,632	93,433

30. RELATED PARTY TRANSACTIONS

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

Name of related parties	Related party relationship	Type of transaction	Transaction amount 2018 RMB'000	2017 RMB'000
Pacific Millennium Holdings Corporation	Immediate holding company	Use of trademarks (Note (iii))	**–**	–
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	IT service income received (Note (i))	**166**	–
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))	**104**	104
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 obligations under finance leases (Note (ii))	**4,990**	3,192
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))	**5,202**	1,907
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 finance leases (Note (ii))	**417**	589
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 sale and leaseback arrangements (Note (ii))	**505**	506

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

30. RELATED PARTY DISCLOSURES (Continued)

Notes:

(i) IT service income and domain hosting and support charges were determined with reference to the terms mutually agreed between the Group and the counterparties.

(ii) Details of sale and leaseback and finance lease arrangements as at 31 December 2018 and 2017 are set out in Notes 24(b) and 26 respectively to the consolidated financial statements.

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

All the above related party transactions other than I.T. service income received, will continue after the listing of the Company's shares on the Stock Exchange. The domain hosting and support charges to Shanghai Pacific Millennium Asia Corp. Communications Inc. Limited, qualified as fully exempt connected transaction. 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. The sale and leaseback and finance lease arrangements as set out in Notes 24(b) and 26 respectively to the consolidated financial statements were non-exempt continuing connected transactions. Further details of the continuing connected transactions are set out in the section headed "Continuing Connected Transactions" in the Report of the Directors of this annual report.

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

	2018 **RMB'000**	2017 RMB'000
Short-term benefits	**2,743**	2,871
Post-employment benefits	**120**	138
	2,863	3,009

31. CAPITAL COMMITMENTS

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

	2018 RMB'000	2017 RMB'000
Commitment for the acquisition of property, plant and equipment	**3,849**	5,011

32. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2018, the Group entered into finance lease arrangements in respect of property, plant and equipment including prepayments for purchase of property, plant and equipment with total capital value at the inception of the leases of RMB41,690,000 (2017: RMB58,881,000).

During the year ended 31 December 2018, prepayments for purchase of property, plant and equipment of RMB40,098,000 (2017: RMB2,579,000) were transferred to property, plant and equipment.

32. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Bank and other borrowings (Note 24) RMB'000	Obligations under finance leases (Note 26) RMB'000	Amount due to immediate holding company (Note 25) RMB'000	Total RMB'000
At 1 January 2018	**290,078**	**60,094**	**13,393**	**363,565**
Changes from cash flows:				
Interest paid on bank loans	**(19,908)**	**–**	**–**	**(19,908)**
Interest paid on sale and leaseback arrangements	**(5,202)**	**–**	**–**	**(5,202)**
Interest paid on finance leases	**–**	**(4,990)**	**–**	**(4,990)**
Decrease in amount due to immediate holding company	**–**	**–**	**(13,393)**	**(13,393)**
Repayment of obligations under finance leases	**–**	**(72,829)**	**–**	**(72,829)**
Proceeds from bank loans	**736,265**	**–**	**–**	**736,265**
Repayment of bank loans	**(519,125)**	**–**	**–**	**(519,125)**
Proceeds from sale and leaseback arrangements	**63,041**	**–**	**–**	**63,041**
Repayment under sale and leaseback arrangements	**(79,877)**	**–**	**–**	**(79,877)**
Total changes from financing cash flows	**175,194**	**(77,819)**	**(13,393)**	**83,982**
Exchange adjustments	**3,097**	**–**	**–**	**3,097**
Other changes:				
Interest expenses	**19,908**	**–**	**–**	**19,908**
Capitalised borrowing costs	**–**	**1,158**	**–**	**1,158**
New finance leases	**–**	**41,690**	**–**	**41,690**
Finance charges on sale and leaseback arrangements	**5,202**	**–**	**–**	**5,202**
Finance charges on obligations under finance leases	**–**	**3,832**	**–**	**3,832**
Total other changes	**25,110**	**46,680**	**–**	**71,790**
At 31 December 2018	**493,479**	**28,955**	**–**	**522,434**

32. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

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

	Bank and other borrowings (Note 24) RMB'000	Obligations under finance leases (Note 26) RMB'000	Amount due to immediate holding company (Note 25) RMB'000	Total RMB'000
At 1 January 2017	324,118	41,552	—	365,670
Changes from cash flows:				
Interest paid on bank loans	(13,081)	—	—	(13,081)
Interest paid on sale and leaseback arrangements	(1,907)	—	—	(1,907)
Interest paid on finance leases	—	(3,193)	—	(3,193)
Increase in amount due to immediate holding company	—	—	13,900	13,900
Repayment of obligations under finance leases	—	(40,339)	—	(40,339)
Proceeds from bank loans	371,130	—	—	371,130
Repayment of bank loans	(426,900)	—	—	(426,900)
Proceeds from sale and leaseback arrangements	50,595	—	—	50,595
Repayment under sale and leaseback arrangements	(28,865)	—	—	(28,865)
Total changes from financing cash flows	(49,028)	(43,532)	13,900	(78,660)
Exchange adjustments	—	—	(507)	(507)
Other changes:				
Interest expenses	13,081	—	—	13,081
Capitalised borrowing costs	—	771	—	771
New finance leases	—	58,881	—	58,881
Finance charges on sale and leaseback arrangements	1,907	—	—	1,907
Finance charges on obligations under finance leases	—	2,422	—	2,422
Total other changes	14,988	62,074	—	77,062
At 31 December 2017	290,078	60,094	13,393	363,565

33. DIVIDEND

	US$'000	RMB'000
Year ended 31 December 2017		
— Interim dividend of US$0.07 per share	**16,580**	112,320

On 24 March 2019, the directors proposed a final dividend of HK$0.1 per share (2017: nil), which is subject to approval by the shareholders in the upcoming annual general meeting. Also, in light of the retained profit made by the Group up to 31 December 2017, the directors declared a special dividend of HK$0.3 per share. The final dividend and the special dividend are expected to be paid on 16 July 2019 and 21 May 2019 respectively. The final dividend and special dividend have not been recognised as liabilities as at 31 December 2018.

34. CAPITAL MANAGEMENT

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

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

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

	2018 RMB'000	2017 RMB'000
Debts	**522,434**	363,565
Less: Bank and cash balances (including pledged deposits)	**(475,061)**	(85,947)
Net debts	**47,373**	277,618
Total equity	**700,529**	366,954
Net debt-to-equity ratio	**7%**	76%

35. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

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

Financial assets included in other receivables and deposits were considered to be of low credit risk and there has been no significant increase in credit risk since initial recognition. The impairment provision recognised, if any, during the year was limited to 12-month ECLs which is close to zero.

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

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. As at each of the reporting date, the Group has no concentration of credit risk. The directors of the Company believe that the credit risk of trade receivables is not significant.

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018 and 2017:

As at 31 December 2018

	Weighted average lifetime ECLs rate	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Collective assessment				
Not past due	0.001%	473,507	(5)	473,502
Past due				
1–90 days	0.01%	41,731	(4)	41,727
91–180 days	19.07%	1,396	(266)	1,130
181–270 days	50.35%	3,715	(1,871)	1,844
		520,349	(2,146)	518,203
Individual assessment	100%	5,280	(5,280)	–
Total		525,629	(7,426)	518,203

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

As at 31 December 2017

	Weighted average lifetime ECLs rate	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Collective assessment				
Not past due	0.001%	409,270	(4)	409,266
Past due				
1–90 days	0.63%	20,889	(132)	20,757
91–180 days	20%	194	(38)	156
181–270 days	50%	155	(78)	77
		430,508	(252)	430,256
Individual assessment	100%	5,032	(5,032)	—
Total		435,540	(5,284)	430,256

There is no material change in the ECL rates for trade receivables aged past due between 91-180 days and 181-270 days as at 31 December 2018 and 2017 mainly due to no significant change in the historical default rates of trade receivables based on which the ECL rates are determined.

The following table reconciled the movement in allowance for impairment loss of trade receivables during the year:

	2018 RMB'000	2017 RMB'000
At beginning of year	**5,284**	5,602
Impairment loss recognised	**2,747**	1,099
Reversal of impairment loss previously recognised	**(605)**	(1,203)
Written off	**—**	(214)
At end of year	**7,426**	5,284

The allowance for impairment loss increased during the year due to the increase in amount past due within 181 to 270 days.

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within 1 year RMB'000	More than 1 year but less than 5 years RMB'000
As at 31 December 2018				
Trade and other payables	**418,148**	**418,148**	**418,148**	**—**
Bank and other borrowings	**493,479**	**506,619**	**485,411**	**21,208**
Obligations under finance leases	**28,955**	**31,759**	**16,354**	**15,405**
	940,582	**956,526**	**919,913**	**36,613**
As at 31 December 2017				
Trade and other payables	328,078	328,078	328,078	—
Bank and other borrowings	290,078	302,715	268,713	34,002
Obligations under finance leases	60,094	65,997	31,426	34,571
Dividend payable	41,065	41,065	41,065	—
Amount due to immediate holding company	13,393	13,393	13,393	—
	732,708	751,248	682,675	68,573

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is not exposed to cash flow interest rate risk as the interest rates of all the Group's borrowings which are interest bearing are fixed.

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

	2018		2017	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate borrowings:				
Bank loans, secured	**5.20%**	**463,498**	4.50%	243,260
Other borrowings, secured	**9.08%**	**29,981**	9.01%	46,818
Obligations under finance leases	**9.20%**	**28,955**	9.23%	60,094
		522,434		350,172

Details of the Group's borrowings are disclosed in Notes 24 and 26 to the consolidated financial statements.

35. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

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

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

	2018 RMB'000	2017 RMB'000
Assets or liabilities denominated in HK$		
Bank balances and cash	**251,157**	235
Trade receivables, bills receivables, other receivables, deposits and prepayments	**598**	516
Trade and other payables	**(3,311)**	(1,143)
Bank loans	**(87,418)**	—
	161,026	(392)
Assets or liabilities denominated in US$		
Bank balances and cash	**2,326**	10,753
Trade receivables, bills receivables, other receivables, deposits and prepayments	**6,915**	6,792
Trade and other payables	**(2,150)**	(856)
Dividend payable	**—**	(41,065)
Amount due to immediate holding company	**—**	(13,393)
	7,091	(37,769)
Overall net exposure	**168,117**	(38,161)

35. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

The following table indicates the approximate change in the Group's profit for the years ended 31 December 2018 and 2017 and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each reporting period.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits RMB'000
HK$	5%	8,051	5%	(20)
	(5%)	(8,051)	(5%)	20
US$	5%	355	5%	(1,888)
	(5%)	(355)	(5%)	1,888

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

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

36. PARTICULARS OF SUBSIDIARIES

As at each reporting date, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital[3]	Proportion of effective equity interest held by the Group 2018	2017	Principal activities, place of operation
Pacific Millennium Packaging Holdings Limited[1] 國際濟豐包裝控股有限公司	12 August 2014, the British Virgin Islands	US$1	**100%**	100%	Investment holding, Hong Kong
Pacific Millennium Paper Group Limited 國際濟豐紙業集團有限公司	21 November 2001, Hong Kong	US$24,695,524	**100%**	100%	Investment holding, Hong Kong
上海濟豐包裝紙業有限公司 Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	29 March 1994, the PRC	RMB100,000,000	**100%**	100%	Sale of packaging materials, the PRC
青島濟豐包裝紙業有限公司 Qingdao Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	21 March 1996, the PRC	US$3,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
蘇州濟豐包裝紙業有限公司 Suzhou Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	23 September 2002, the PRC	US$4,250,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
蕪湖濟豐包裝紙業有限公司 Wuhu Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	14 December 2005, the PRC	US$1,260,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
浙江濟豐包裝紙業有限公司 ZheJiang Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	6 January 2006, the PRC	US$5,560,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
南京濟豐包裝紙業有限公司 Nanjing Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	14 January 2006, the PRC	US$5,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
濟豐包裝(上海)有限公司 Pacific Millennium Packaging Corporation[2]	10 October 2008, the PRC	US$500,000	**100%**	100%	Sale of packaging materials, the PRC
大連濟豐包裝紙業有限公司 Dalian Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	15 November 2007, the PRC	US$3,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
天津濟豐包裝紙業有限公司 Tianjin Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	14 February 2007, the PRC	US6,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC

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36. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital[3]	Proportion of effective equity interest held by the Group 2018	Proportion of effective equity interest held by the Group 2017	Principal activities, place of operation
瀋陽濟豐包裝紙業有限公司 Shenyang Pacific Millennium Packaging & Paper Industries Co., Ltd.[2]	5 September 2013, the PRC	US$5,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
江蘇濟豐包裝紙業有限公司 Jiangsu Pacific Millennium Packaging & Paper Industries Co., Ltd. ("JSBP")[2]	6 July 2015, the PRC	US$10,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
常熟濟豐包裝紙業有限公司 Changshu Pacific Millennium Packaging & Paper Industries Co., Ltd. ("CSBP")[2]	17 November 2015, the PRC	US$8,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
廣東濟豐包裝紙業有限公司 Guangdong Pacific Millennium Packaging & Paper Industries Co., Ltd. ("GDBP")[2]	20 December 2016, the PRC	US$8,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
太倉濟豐包裝紙業有限公司 Taicang Pacific Millennium Packaging & Paper Industries Co., Ltd. ("TCBP")[2]	23 August 2017, the PRC	US$15,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC

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

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

(3) The authorised/registered capital of the respective subsidiaries listed above were fully paid as at 31 December 2018 except for the registered capital of JSBP, CSBP, GDBP and TCBP which have paid up capital of US$4,500,000, US$4,000,000, US$4,000,000 and US$8,500,000 respectively.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2018 and 2017 are categorised as follows:

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables, bills receivables, other receivables and deposits	**556,974**	471,980
Pledged deposits	**127,130**	12,180
Bank balances and cash	**347,931**	73,767
	1,032,035	557,927
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**418,148**	328,078
Dividend payable	**—**	41,065
Bank and other borrowings	**493,479**	290,078
Amount due to immediate holding company	**—**	13,393
Obligations under finance leases	**28,955**	60,094
	940,582	732,708

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

The carrying values of the financial liabilities (including current portion of bank and other borrowings and obligations under finance leases) 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 and obligations under finance leases 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 and obligations under finance leases as at 31 December 2018 and 2017 were assessed to be insignificant. The carrying values of the non-current portion of bank and other borrowings and obligations under finance leases also approximate their fair values as at 31 December 2018 and 2017.

38. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2018 RMB'000**	2017 RMB'000
Non-current asset			
Investments in subsidiaries		**168,626**	168,626
Current assets			
Amounts due from subsidiaries		**22,302**	121,470
Bank balances and cash		**225,445**	51
		247,747	121,521
Current liabilities			
Other payables		**3,329**	1,603
Dividend payable		**–**	41,065
Amounts due to subsidiaries		**–**	71,699
		3,329	114,367
Net current assets		**244,418**	7,154
Total assets less current liabilities		**413,044**	175,780
Equity			
Share capital	27	**2,442**	1,785
Reserves	28	**410,602**	173,995
Total equity		**413,044**	175,780

On behalf of the Board

Mr. Cheng Hsien-Chun
Director

Mr. Kiang Tien Sik David
Director

39. EVENTS AFTER THE REPORTING DATE

Save for the recommendation of final dividend and declaration of special dividend as detailed in note 33 to the consolidated financial statements, there was no significant event which took place after 31 December 2018.

40. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 24 March 2019.

Four-Year Financial Summary

	For the year ended 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Results				
Revenue	**2,019,410**	1,664,102	1,186,794	1,075,227
Profit before income tax	**127,956**	120,241	70,845	51,587
Income tax expense	**(37,684)**	(34,347)	(17,700)	(21,404)
Profit for the year	**90,272**	85,894	53,145	30,183

	As at 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities				
Total assets	**1,666,359**	1,109,623	1,035,892	810,175
Total liabilities	**(965,830)**	(742,669)	(642,384)	(472,628)
Net assets	**700,529**	366,954	393,508	337,547

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

No financial statements of the Group for the year ended 31 December 2014 were published.

The financial information for the years ended 31 December 2017, 2016 and 2015 was extracted from the prospectus of the Company dated 10 December 2018.