PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
國 際 濟 豐 包 裝 集 團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1820)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB982.1 million for the Period representing an increase of approximately 8.4% as compared with the corresponding period in 2018.
- Net profit for the Period was approximately RMB24.3 million representing a decrease of approximately 43.6% as compared with the corresponding period in 2018.
- The Board has resolved not to declare any interim dividend for the Period.

The board (the "**Board**") of director(s) (the "**Director(s)**") of Pacific Millennium Packaging Group Corporation (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with comparative figures for the corresponding period in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(audited)
Revenue	*4*	**982,074**	905,960
Cost of sales		**(805,380)**	(729,362)
Gross profit		**176,694**	176,598
Other income and other gains and losses, net		**1,685**	1,447
Selling and distribution expenses		**(52,804)**	(42,590)
Administrative expenses		**(70,868)**	(60,874)
Impairment loss on trade receivables		**(1,566)**	(517)
Finance costs		**(17,932)**	(12,514)
Profit before income tax	*5*	**35,209**	61,550
Income tax expense	*6*	**(10,892)**	(18,399)
Profit for the period		**24,317**	43,151
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax exchange differences on translation of foreign operations		**(2,845)**	(1,558)
Total comprehensive income for the period		**21,472**	41,593
Earnings per share (RMB)	*8*	**8 cents**	19 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2019** ***RMB'000*** **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**642,216**	453,927
Prepaid lease payments for land		**—**	10,106
Prepayments for purchase of property, plant and equipment		**2,544**	417
Deferred tax assets		**10,650**	8,190
		655,410	472,640
Current assets			
Inventories		**130,004**	130,668
Trade receivables, bills receivables, other receivables, deposits and prepayments	*8*	**528,767**	587,706
Prepaid lease payments for land		**—**	284
Pledged deposits		**22,386**	127,130
Bank balances and cash		**209,983**	347,931
		891,140	1,193,719
Current liabilities			
Trade and other payables	*9*	**381,430**	426,748
Contract liabilities		**2,471**	2,874
Dividend payable	*12*	**26,338**	—
Bank and other borrowings	*10*	**254,895**	473,923
Tax payable		**8,660**	13,774
Lease liabilities		**22,511**	—
Obligations under finance leases		**—**	14,315
		696,305	931,634
Net current assets		**194,835**	262,085
Total assets less current liabilities		**850,245**	734,725
Non-current liabilities			
Bank and other borrowings	*10*	**54,661**	19,556
Lease liabilities		**176,167**	—
Obligations under finance leases		**—**	14,640
		230,828	34,196
Net assets		**619,417**	700,529
Equity			
Share capital		**2,442**	2,442
Reserves		**616,975**	698,087
Total equity		**619,417**	700,529

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure provisions of Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"). These condensed consolidated interim financial statements were authorised for issue on 26 August 2019.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which International Financial Reporting Standard 16 Leases ("**IFRS 16**") has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of IFRS 16, the adoption of the new and revised International Financial Reporting Standards (the "**IFRSs**") have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised IFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the condensed consolidated interim financial statements were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 as described in note 3(iii).

These condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with IFRSs and should be read in conjunction with the 2018 annual financial statements.

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

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new or amended IFRSs those are first effective for the current accounting period of the Group:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	As part of the Annual Improvement to IFRS Standards 2015–2017 Cycle

Except as described below the impact of adoption of IFRS 16, the application of the new or revised IFRSs in this period has had no material impact on the Group's financial performance and position.

IFRS 16 — Leases

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("**IAS 17**"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to sections (ii) to (v) of this note.

(i) Impact on adoption of IFRS 16

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect (if any) of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following table summarised the impact of transition to IFRS 16 on consolidated statement of financial position as at 31 December 2018 to that as at 1 January 2019 (increase/(decrease)):

	31 December 2018	**Impact**	**1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Property, plant and equipment	453,927	201,656*	655,583
Prepaid lease payments for land (non-current)	10,106	(10,106)	—
Prepaid lease payments for land (current)	284	(284)	—
Prepayments	12,728	(5,004)	7,724
Lease liabilities (non-current)	—	187,408	187,408
Lease liabilities (current)	—	27,809	27,809
Obligations under finance leases (non-current)	14,640	(14,640)	—
Obligations under finance leases (current)	14,315	(14,315)	—
Retained profits	198,225	—	198,225

* The amount is categorised as "Right-of-use assets for land and building" under property, plant and equipment.

The following reconciliation explains how the operating lease commitments disclosed under IAS 17 as at 31 December 2018 could be reconciled to the lease liabilities recognised in the statement of financial position as at 1 January 2019:

	RMB'000
Operating lease commitment as at 31 December 2018	212,632
Less: short term leases for which lease terms end within 31 December 2019	(1,211)
Less: future interest expenses	(65,797)
Add: adjustments as a result of different treatment of extension	40,638
Lease liabilities as at 1 January 2019	186,262

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 ranged from 4.75% to 4.9%.

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

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

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

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

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect (if any) of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as at that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months from the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and (IFRIC)-Int 4.

The Group has also leased some of its property, plant and equipment which previously were classified as finance leases under IAS 17. As the Group has elected to adopt the cumulative effect approach over the adoption of IFRS 16, for those finance leases under IAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under IAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying IFRS 16 from 1 January 2019.

(v) Impact on the financial results of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results if IAS 17 had been applied during the Period.

The following table may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial results for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these condensed consolidated interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B–C)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial results for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Administrative expenses	**(70,868)**	**9,130**	**(10,377)**	**(72,115)**	(60,874)
Finance costs	**(17,932)**	**4,516**	**—**	**(13,416)**	(12,514)
Profit before income tax	**35,209**	**13,646**	**(10,377)**	**38,478**	61,550
Profit for the period	**24,317**	**13,646**	**(10,377)**	**27,586**	43,151

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relates to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

4. REVENUE AND SEGMENT REPORTING

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Corrugated packaging products	**893,171**	826,461
Corrugated sheet boards	**88,903**	79,499
	982,074	905,960

Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Revenue by industry		
Food and beverage	**238,025**	220,984
Paper and packaging	**124,025**	124,237
Non-food-and-beverage-consumables *(Note (i))*	**86,015**	79,758
Supplier chain solution	**80,789**	65,519
E-commerce	**42,476**	36,468
Home electronics	**34,812**	49,379
Others *(Note (ii))*	**375,932**	329,615
	982,074	905,960

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.

Segment Reporting

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

(a) ***Reportable segments***

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

(b) ***Geographical information***

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

(c) ***Information about major customers***

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Period and six months ended 30 June 2018.

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of inventories sold *(Note (i))*	**805,380**	729,362
Depreciation of property, plant and equipment *(Note (ii))*	**38,700**	25,683
Listing expenses	**—**	6,056
Auditors' remuneration	**856**	731
Amortisation of prepaid lease payments for land	**—**	142
Short-term lease expense	**1,749**	4,005
Impairment loss on inventories	**1,241**	993
Reversal of impairment loss on inventories	**(1,218)**	(899)
Impairment loss on trade receivables	**2,422**	784
Reversal of impairment loss on trade receivables	**(856)**	(267)
Impairment loss on trade receivables, net	**1,566**	517
Exchange (gain)/loss, net	**(211)**	199
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	**90,099**	63,420
— Retirement benefit costs	**11,440**	10,437

Notes:

(i) Cost of inventories sold for the Period includes RMB82,045,000 (six months ended 30 June 2018: RMB63,066,000), 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.

(ii) Depreciation of property, plant and equipment for the Period includes depreciation of right-of-use assets amounted to RMB9,130,000.

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current tax		
— Provision for PRC enterprise income tax for the period	**13,352**	19,272
Deferred tax		
— Origination and reversal of temporary differences	**(2,460)**	(873)
Income tax expense	**10,892**	18,399

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(audited)
Profit for the period (RMB'000)	**24,317**	43,151
Weighted average number of ordinary shares in issue (in thousand)	**300,632**	225,474
Basic earnings per share (RMB)	**8 cents**	19 cents

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the Period of RMB24.3 million (six months ended 30 June 2018: profit of RMB43.2 million) and 300,632,000 ordinary shares in issue during the Period (six months ended 30 June 2018: 225,474,000 ordinary shares).

No diluted earnings per share was presented as there were no potential ordinary shares outstanding during the six months ended 30 June 2019 and 2018.

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade receivables	**465,689**	525,629
Bills receivables	**26,579**	23,611
Less: allowance for impairment losses	**(8,992)**	(7,426)
	483,276	541,814
Other receivables	**21,428**	18,368
Deposits	**14,260**	14,796
Prepayments	**9,803**	12,728
	528,767	587,706

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

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:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Within 1 month	**298,004**	260,132
Over 1 month but within 3 months	**160,953**	246,524
Over 3 months	**24,319**	35,158
	483,276	541,814

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

9. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade and bills payables	**319,091**	360,733
Accruals and other payables	**62,339**	66,015
	381,430	426,748

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

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Within 1 month	**143,076**	180,399
Over 1 month but within 3 months	**147,075**	163,202
Over 3 months	**28,940**	17,132
	319,091	360,733

10. BANK AND OTHER BORROWINGS

	Notes	**30 June 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
Bank loans, secured	*(a)*	**226,080**	463,498
Other borrowings, secured	*(b)*	**83,476**	29,981
		309,556	493,479
Categorised as:			
Current liabilities		**254,895**	473,923
Non-current liabilities		**54,661**	19,556
		309,556	493,479

Notes:

(a) During the Period, the average effective interest rates of the Group's bank loans range from 5% to 5.5% per annum (six months ended 30 June 2018: 4.6% to 6.53% per annum).

(b) As at 30 June 2019, other borrowings represent eight (30 June 2018: 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 30 June 2019, 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 RMB87,778,000 (30 June 2018: RMB32,238,000).

11. 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:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property, plant and equipment	**149,512**	96,775
Prepaid lease payments for land	**10,248**	10,390
Pledged deposits	**22,386**	127,130
	182,146	234,295

12. DIVIDEND

There was no dividend proposed during the Period (six months ended 30 June 2018: nil). A special dividend of HK$0.3 per share for the retained profits up to 31 December 2017 amounted to RMB76,940,000 was paid during the Period.

Besides, a final dividend of HK$0.1 per share in respect of the year ended 31 December 2018 amounted to RMB 26,338,000 was paid on 16 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group continued to further strengthen its market position in the corrugated packaging industry in the People's Republic of China (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 the value of the Company's shareholders (the "**Shareholders**") by expanding its network of production plants and service radius through setting up new production plants.

For the Period, the production plants of the Group continued to record growth in revenue. The net proceeds raised under the global offering (the "**Global Offering**") will be used for establishing its new production plants so as to reducing the strain on production capacity of other production plants. As at the date of this announcement, the Company has identified a number of locations in Foshan that are suitable for the Group to set up its production plant. Besides, the Group had confirmed a site in Shandong province to establish its new production plant. To the best of the Directors' knowledge and based on the information currently available to the Company, it is expected that the construction and commercial production of its new production plant in Foshan would be commenced in the first quarter of 2020 and the fourth quarter of 2020 respectively. For the new production plant in Shandong province, the construction would be commenced in or about September of 2019 while completion would take place by the third quarter of 2020 respectively.

FINANCIAL REVIEW

For the Period, the Company continued to actively sustain the growth of its business operation, generating a total revenue amounted to approximately RMB982.1 million, representing an increase of approximately 8.4% as compared with approximately RMB906.0 million for the six months ended 30 June 2018. Gross profit margin was approximately 18.0%, representing a decrease of approximately 1.5 percent points as compared with approximately 19.5% for the for the six months ended 30 June 2018. Gross profit for the Period was approximately RMB176.7 million, representing a very slight increase of approximately 0.1% as compared with approximately RMB176.6 million for the corresponding period in 2018. Basic earnings per share for the Period amounted to RMB8 cents, representing a decrease of 57.9% as compared with RMB19 cents for the corresponding period in 2018.

During the Period, the Group continued to face the risks of uncertainties in the Sino-US trade war. Given the Group did not sell its products directly to customers located in the United States of America (the "**U.S.**"), the Group's business during the Period had not been materially affected. However, the Group's sales of corrugated packaging products to its customers would depend on the sales of the products of the Group's customers. If the U.S. imposed any trade restrictions to the PRC, the Group's financial performance would be inevitably affected. The management will continue to closely monitor the market conditions and take appropriate steps to cope with the changing demand of the market.

Having considered the overall situations, the Directors keep a conservative view as to the results of the Group in the second half of 2019. The Company will pay close attention to the market condition and the development of the Sino-US trade war.

REVENUE

During the Period, the Group continued to achieve growth in both sales of corrugated packaging products and corrugated sheet boards. For the Period, the Group recorded revenue of approximately RMB982.1 million, representing an increase of approximately RMB76.1 million or approximately 8.4% as compared with that for the six months ended 30 June 2018.

Sales of corrugated packaging products

During the Period, revenue from sales of corrugated packaging products was approximately RMB893.2 million, representing an increase of approximately 8.1% as compared with approximately RMB826.5 million in the corresponding period of 2018, and accounted for approximately 90.9% of the Group's total revenue for the Period. The increase in performance of the sales of corrugated packaging products was mainly attributable to 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 Period, revenue from sales of corrugated sheet boards was approximately RMB88.9 million, representing an increase of approximately 11.8% as compared with approximately RMB79.5 million in the corresponding period of 2018, and accounted for approximately 9.1% of the Group's total revenue for the Period. The increase in sales of corrugated sheet boards was mainly attributable to the sales volume contributed by the new production plant in Taicang.

COST OF SALES

For the Period, cost of sales of the Group was approximately RMB805.4 million, representing an increase of approximately 10.4% as compared with approximately RMB729.4 million for the six months ended 30 June 2018, mainly attributable to (i) the increase in sales volume; and (ii) 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.

GROSS PROFIT

Gross profit of the Group during the Period was approximately RMB176.7 million, representing a very slight increase of approximately 0.1% as compared with approximately RMB176.6 million for the six months ended 30 June 2018, of which gross profit from sales of corrugated packaging products increased by approximately 2.8% to RMB171.4 million, while gross profit from sales of corrugated sheet boards decreased by approximately 46.5% to RMB5.3 million. Gross profit margins of the Group in the six months ended 30 June 2018 and 2019 reached 19.5% and 18%, respectively, of which gross profit margins of sales of corrugated packaging products in the six months ended 30 June 2018 and

2019 were 20.2% and 19.2%, respectively, while gross profit margins of sales of corrugated sheet boards were 12.4% and 6%, respectively. The decrease of gross profit margin in the Period as compared to the corresponding period in 2018 was mainly attributable to (i) the decrease in selling prices of corrugated packaging products and corrugated sheet boards sold by the Group; and (ii) the increase in costs attributable to the set-up of new production plant in Taicang incurred since the second half of 2018.

SELLING AND DISTRIBUTION EXPENSES

Sales and distribution expenses increased by approximately 24.0% from RMB42.6 million for the six months ended 30 June 2018 to RMB52.8 million for the 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 staff.

ADMINISTRATIVE EXPENSES

For the Period, the Group's administrative expenses were approximately RMB70.9 million, representing an increase of approximately 16.4% as compared with approximately RMB60.9 million for the six months ended 30 June 2018. The increase was mainly due to (i) the increase in staff costs; and (ii) the increase in administrative expense incurred by the new production plant in Taicang and Huizhou.

FINANCE COSTS

Finance costs comprise interest on lease liabilities net of capitalised amounts, interest on bank loans, and interest on sale and leaseback arrangements. Finance costs increased by approximately 43.3% from RMB12.5 million for the six months ended 30 June 2018 to RMB17.9 million for the Period. The increase was primarily due to the increase in (i) interest on bank loans as a result of the increase in the Group's average bank borrowings as well as interest rate; and (ii) interest on lease liabilities resulted from adoption of IFRS 16 as set out in note 3 to the condensed consolidated interim financial statements in this announcement.

INCOME TAX EXPENSE

Income tax expense decreased by approximately 40.8% from approximately RMB18.4 million for the six months ended 30 June 2018 to RMB10.9 million for the Period, primarily due to the decrease in the Group's profit before income tax. The Group's effective income tax rate remained stable, which was 29.9% and 30.9% for the six months ended 30 June 2018 and 2019 respectively.

PROFIT FOR THE PERIOD AND NET PROFIT MARGIN

The Group's profit decreased by approximately 43.6% from approximately RMB43.2 million for the six months ended 30 June 2018 to approximately RMB24.3 million for the Period. The Group's net profit margin decreased from 4.8% for the six months ended 30 June 2018 to 2.5% for the Period. The decrease in profit was mainly due to (i) the decrease in selling prices of corrugated packaging products and corrugated sheet boards sold by the Group; and (ii) the increase in costs attributable to the set-up of new production plant in Taicang incurred since the second half of 2018.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the Period, profit attributable to equity holders of the Company was RMB24.3 million, representing a decrease of approximately 43.6% or RMB18.9 million as compared with RMB43.2 million for the six months ended 30 June 2018.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at 30 June 2019, bank balances and cash of the Group amounted to approximately RMB210.0 million.

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 investing activities, namely release of pledged deposit due to decrease in bank loans and facilities.

The Group's primary cash outflows were used for loan repayment during the Period. The following table sets out the Group's cash flows from operating activities, investing activities and financing activities for the six months ended 30 June 2018 and 2019.

	For the six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(unaudited)	(audited)
Net cash generated from operating activities	**81.5**	114.1
Net cash generated from/(used in) investing activities	**85.2**	(156.3)
Net cash (used in)/generated from financing activities	**(300.6)**	108.1
Cash and cash equivalents at beginning of the period	**347.9**	73.7
Effect of exchange rate changes on cash and cash equivalents	**(4.0)**	0.4
Cash and cash equivalents at end of the period	**210.0**	140.0

Net cash generated from operating activities

During the Period, our net cash generated from operating activities was approximately RMB81.5 million, which comprised of cash generated from operations of approximately RMB99.9 million, offset by income tax of approximately RMB18.4 million. Net cash generated from operating activities decreased by approximately RMB32.6 million or 28.6% as compared with the net cash of RMB114.1 million generated from operating activities for the six months ended 30 June 2018, mainly due to the decrease in trade payables to our suppliers as resulted mainly from the decrease in raw paper prices and the decrease in net profit for the Period.

Net cash generated from/(used in) investing activities

During the Period, the Group's net cash generated from investing activities was approximately RMB85.2 million, as compared with net cash used in investing activities of RMB156.3 million for the six months ended 30 June 2018. The increase is mainly attributable to the release of pledged deposit as partially offset by the proceeds from purchase of property, plant and equipment.

Net cash (used in)/generated from financing activities

During the Period, the Group's net cash used in financing activities was approximately RMB300.6 million as compared with the net cash generated from financing activities of approximately RMB108.1 million for the six months ended 30 June 2018. The net cash used in financing activities is mainly attributable to loan repayment and distribution of dividends during the Period.

USE OF NET PROCEEDS FROM LISTING

Upon the listing of Shares on the Stock Exchange (the "**Listing**") 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 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. As at 30 June 2019, the net proceeds were used for the following purposes (if any):

	Net proceeds from the Listing		
Use of proceeds	**Proceeds available for use**	**Proceeds used**	**Proceeds unused**
		HK$ million	
For expansion of production plants network	193.2	—	193.2
For upgrading production facilities and purchasing new machinery and equipment	44.4	19.6	24.8
For working capital	24.9	20.9	4.0
Total	262.5	40.5	222.0

The Group has been seeking a suitable site for the establishment of production plant in Haiyan, Zhejiang Province, since June 2018 to engage in the manufacturing of corrugated sheet boards and corrugated packaging products. As disclosed in the Group's 2018 annual report, the Group was in negotiation with the local government for a new site in Haiyan due to unexpected change in the availability of the original site. During the Period, the Group was offered a few new sites as alternatives to the original site. However, these new sites are either too close to seaboard (which is considered not suitable for storage of corrugated sheet boards) or offered at a relatively high rent, which the Board considers not suitable for the Group to establish its new production plant. Since the Group is unable to identify a suitable site in Haiyan despite its effort made and with a view to reducing the strain on the production capacity of other production plants, the Group plans to apply a portion of the proceeds raised from the Listing to establish a new production plant in Shandong province after taking into account various factors such as the rental level and location of customers. Given the vicinity of the new site in Shandong province is surrounded by manufacturers of automotive parts and other manufacturers which require high demand of corrugated packaging, the Directors believe that the demand and business potential in the area will be similar to that of in Haiyan.

It is expected that construction of the new production plant in Shandong province would be commenced in or about September of 2019 and that completion would take place by the third quarter of 2020. Notwithstanding the establishment of new production plant in Shandong province, the Group will continue to seek suitable site in Haiyan and establish another production plant through internal resources should a suitable site in Haiyan be identified.

MAJOR ACQUISITIONS AND DISPOSALS

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares during the Period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (six months ended 30 June 2018: nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Except for deviation from provision A.2.1 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 14 to the Listing Rules, the Company had no material deviation from the CG Code since the shares were listed on the Main Board of the Stock Exchange on 21 December 2018. Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Hsien-Chun ("**Mr. Cheng**") is the only executive Director, who performs similar function to that of a chief executive officer, and he also performs as the chairman of the Board. As Mr. Cheng has considerable experience in the corrugated packaging industry and has been assuming day-to-day responsibilities of managing and leading the Group since 1995, the Board believes that Mr. Cheng, being the executive Director and the chairman of the Board has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning of the Group which is in the best interest of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Period and up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Group and has also reviewed and confirmed the Group's unaudited financial results for the Period and discussed auditing, internal control, risk management systems and financial reporting matters of the Group.

The Audit Committee comprises four directors, namely Mr. Kiang Tien Sik David (chairman), Mr. Chow Tien-Li, Mr. Wang Jisheng and Dr. Su Morley Chung Wu. None of them is employed by or otherwise affiliated with the former or current independent auditor of the Company.

In addition, BDO Limited, the independent auditor of the Company, has reviewed the condensed consolidated financial statements for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

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

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

Hong Kong, 26 August 2019

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