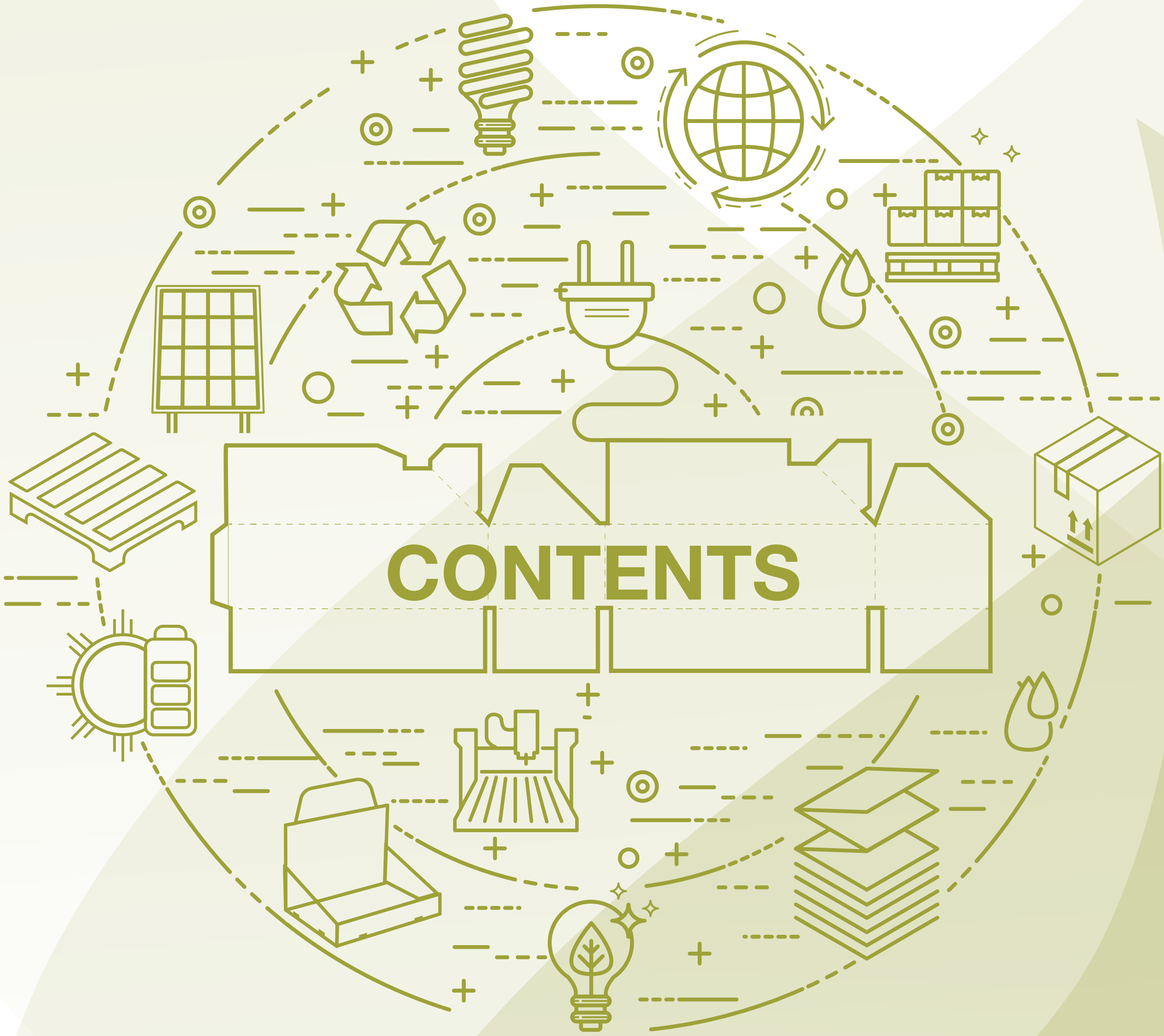
PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
國際濟豐包裝集團
(Incorporated in the Cayman Islands with limited liability)
Stock code : 1820

ANNUAL REPORT 2021



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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cheng Hsien-Chun *(Chairman)*

Non-executive Directors

Mr. Chow Tien-Li
Mr. Philip Tan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ENVIRONMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Cheung Kai Cheong, Willie (resigned on 1 January 2022)
Ms. Fu Chanyi (appointed on 1 January 2022)

AUDITOR

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

PRINCIPAL BANKER

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

REGISTERED OFFICE

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

HEADQUARTERS AND HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

1820

COMPANY'S WEBSITE

http://www.pmpgc.com

Chairman's Statement

Dear Shareholders:

On behalf of the board (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 2021 (the "**Year**").

I would like to take this opportunity to express my sincere gratitude to all the staff of the Group for their efforts contributed to the Group during the Year.

BUSINESS OVERVIEW

During the Year, the national economy in the Mainland China had continued to recover, and many of the industries in the Mainland China, such as food and beverage and home appliance and electronics industries, had recorded increase in sales. However, as a result of the tight supply of raw materials of waste paper and the limitation of power supply implemented by the PRC Government, the upstream paper suppliers were facing continuous rise in costs in raw materials, which had further exerted costs pressure on the operation of paper packaging business.

During the Year, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the COVID-19 pandemic (the "**Pandemic**"). However, given the growth in domestic demand on food and beverages as well as the development of new business in supply chain, which had led to the increasing demand of our products, the Group's revenue had increased by approximately 17.6% but the Group's net profit had decreased by approximately 44.4% for the Year as compared with the financial year ended 2020 (the "**Year 2020**") due to the continuous rise in costs.

In view of the newly established production plant in the Shandong Province (the "**Shandong Plant**"), during the Year, we had switched our production plant in Qingdao City (the "**Qingdao Plant**") into our training and maintenance center. Besides, certain areas of the Qingdao Plant will be used for our storage leasing business.

Notwithstanding the difficult business environment, it is foreseeable by us that the demand of our products will continue to increase and as such, we will acquire more machinery and equipment or upgrade our production equipment through finance lease and/or operating lease, with a view to simplifying our production process and enhancing the level of automated production line. In this respect, for the better management of the lease transactions between the Group and Chongqing Stone Tan Financial Leasing Company Limited (an associate of our controlling shareholders) ("**Chongqing Stone Tan**"), on 24 January 2024, we entered into a new framework agreement with Chongqing Stone Tan for a term until 31 December 2024.

OUTLOOK

Looking forward, we believe the demand of our products will continue to increase constantly as a result of the continuous increase in the number of internet shoppers. We will monitor the growth in demand for household necessities such as food and beverages. Therefore, we will continue taking prudent and cautious steps in business development and consolidate market position in order to improve the benefit of the Group and our shareholders.

Chairman's Statement

APPRECIATION

As usual, I 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 once again extend my appreciation to our management team and fellow staff members for their devoted commitment and contributions during the Year.

Mr. CHENG Hsien-Chun
Chairman

29 March 2022

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2021, the national economy in the Mainland China had continued to recover, and many of the industries in the Mainland China, such as food and beverage and home appliance and electronics industries, had recorded increase in sales. Besides, both the domestic and exported sales had achieved good results while the e-commerce logistics index had reached a level which was close to the average value before the Pandemic. The local economy in 2021 was basically in an upward trend, which had provided a guarantee for the steady development of the paper packaging industry.

However, as a result of the tight supply of raw materials of waste paper and the limitation of power supply implemented by the PRC Government, the upstream paper suppliers were facing continuous rise of costs in raw materials, which had further exerted costs pressure on the operation of paper packaging business. Along with the increase in energy costs and transportation costs, the profit margin of paper packaging business had been inevitably lowered.

In 2021, leading paper packaging enterprises had increased their production capacity by way of mergers and acquisitions or investment in new production plants. With a view to saving the operation costs such as transportation costs so as to improving the profit margin, there was a trend for those paper packaging enterprises to set up their production plants in multiple locations.

In any event, with the goal in achieving "double carbon" and the implementation of plastics ban or restrictions as well as the growing number of internet shoppers, the demand of paper packaging would gradually increase.

BUSINESS REVIEW

During the Year, the Company had continued facing the unfavourable factors arising from the ambience of global economic downturn and the Pandemic. However, given the growth in domestic demand on food and beverages as well as the development of new business in supply chain, which had led to the increasing demand of the Group's products, the Group's revenue increased by approximately 17.6% but the Group's net profit decreased by approximately 44.4% for the Year as compared with the Year 2020 due to the continuous rise in costs. To cope with the Group's growing demand, the Group will acquire more machinery and equipment or upgrade its production equipment, with a view to simplifying the Group's production process and enhancing the level of automated production line. During the Year, in view of the newly established Shandong Plant, the Group had switched its production plant in the Qingdao Plant into a training and maintenance center of the Group. Besides, certain areas of the Qingdao Plant will be used for storage leasing business.

FINANCIAL REVIEW

For the Year, the Company recorded revenue of approximately RMB2,400.4 million, representing an increase of approximately RMB358.8 million or approximately 17.6% as compared with approximately RMB2,041.6 million for the Year 2020. Consolidated gross profit margin was approximately 15.3%, representing a decrease of approximately 3.3% as compared with approximately 18.6% for the Year 2020. Gross profit for the Year was approximately RMB366.7 million, representing a decrease of approximately 3.7% as compared with approximately RMB380.7 million for the Year 2020. Basic earnings per share for the Year amounted to RMB0.15 representing a decrease of approximately 42.3% as compared with RMB0.26 in the Year 2020.

Management Discussion and Analysis

Revenue

During the Year, the Group achieved growth in sales of corrugated sheet boards and corrugated packaging products. For the Year, the Group recorded revenue of approximately RMB2,400.4 million, representing an increase of approximately RMB358.8 million or approximately 17.6% as compared with that for the Year 2020.

Sales of corrugated packaging products

During the Year, revenue from sales of corrugated packaging products was approximately RMB2,171.4 million, representing an increase of approximately 16.3% as compared with approximately RMB1,866.8 million for the Year 2020, and accounted for approximately 90.5% of the Group's total revenue for the Year. The increase in performance of the sales of corrugated packaging products was mainly attributable to (i) the increased sales volume contributed by the Group's production plants including the new Shandong Plant; and (ii) the increase of average unit price.

Sales of corrugated sheet boards

During the Year, revenue from sales of corrugated sheet boards was approximately RMB229.0 million, representing an increase of approximately 31.0% as compared with approximately RMB174.8 million for the Year 2020 and accounted for approximately 9.5% of the Group's total revenue for the Year. The increase in sales of corrugated sheet boards was mainly attributable to (i) the increased sales volume contributed by the Group's production plants including the new Shandong Plant and the production plant in Foshan (the "Foshan Plant"); and (ii) the increase of average unit price.

Cost of Sales

For the Year, cost of sales of the Group was approximately RMB2,033.7 million, representing an increase of approximately 22.4% as compared with approximately RMB1,660.9 million for the Year 2020, mainly attributable to (i) the increase in sales volume; (ii) the increase in labour cost; and (iii) the increase in raw paper price.

Gross Profit

Notwithstanding the increase in revenue, gross profit of the Group during the Year was approximately RMB366.7 million, representing a decrease of approximately 3.7% as compared with approximately RMB380.7 million for the Year 2020, of which gross profit from sales of corrugated packaging products decreased by approximately 5.6% to RMB344.4 million, while gross profit from sales of corrugated sheet boards increased by approximately 40.4% to RMB22.3 million. Gross profit margins of the Group for the Year and the Year 2020 reached 15.3% and 18.6%, respectively, of which gross profit margins of sales of corrugated packaging products for the Year and the Year 2020 were 15.9% and 19.5%, respectively, while gross profit margins of sales of corrugated sheet boards were 9.7% and 9.1%, respectively. The decrease of gross profit margin for the Year as compared to the Year 2020 was mainly attributable to (i) the launch and contribution of the new Shandong Plant and the Foshan Plant; (ii) no exemption from social insurance; and (iii) the increase in raw paper cost.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 13.6% from approximately RMB109.6 million for the Year 2020 to approximately RMB124.5 million for the Year. The increase was mainly due to (i) the increase of sales volumes; (ii) the launch and contribution of the new Shandong Plant and the Foshan Plant; and (iii) no exemption from social insurance.

Administrative Expenses

For the Year, the Group's administrative expenses were approximately RMB159.3 million, representing an increase of approximately 17.6% as compared with approximately RMB135.4 million for the Year 2020. The increase was mainly due to (i) the increase in labour cost; (ii) no exemption from social insurance; (iii) the launch and contribution of the new Shandong Plant and the Foshan Plant; and (iv) the employees' compensation for Qingdao Plant.

Finance Costs

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans and interest on sale and leaseback arrangements. Finance costs decreased by approximately 3.2% from approximately RMB28.4 million for the Year 2020 to approximately RMB27.5 million for the Year. The decrease was primarily due to (i) the decrease in financial leasing; and (ii) the decrease in bank interest rate.

Income Tax Expense

Income tax expense decreased by approximately 46.3% from approximately RMB34.8 million for the Year 2020 to approximately RMB18.7 million for the Year, primarily due to the decrease in the Group's profit before income tax. The Group's effective income tax rate remained stable, which was 30.0% for the Year and 30.7% for the Year 2020.

Profit for the Year and Net Profit Margin

The Group's profit decreased by approximately 44.4% from approximately RMB78.4 million for the Year 2020 to approximately RMB43.6 million for the Year. The Group's net profit margin decreased from 3.8% in 2020 to 1.8% in 2021.

Profit attributable to Equity Holders of the Company

During the Year, profit attributable to equity holders of the Company was RMB43.6 million, representing a decrease of approximately 44.4% or approximately RMB34.8 million as compared with approximately RMB78.4 million for the Year 2020.

Liquidity and Capital Resources

Working Capital

As at 31 December 2021, cash and cash equivalents of the Group amounted to approximately RMB58.8 million.

Cash Flows

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

The Group's primary cash expenditures were used to purchase property, plant and equipment and to repay bank and other borrowings. The following table sets out the Group's cash flows from operating activities, investing activities and financing activities for the Year and the Year 2020:

	Year RMB million (approximately)	Year 2020 RMB million (approximately)
Net cash generated from operating activities	**49.0**	112.1
Net cash used in investing activities	**(91.5)**	(49.9)
Net cash generated from/(used in) financing activities	**8.9**	(241.0)
Cash and cash equivalents at the beginning of the year	**95.5**	277.2
Effect of exchange rate changes on cash and cash equivalents	**(3.2)**	(3.0)
Cash and cash equivalents at the end of the year	**58.8**	95.5

Management Discussion and Analysis

Net cash generated from operating activities

During the Year, the Group's net cash generated from operating activities was approximately RMB49.0 million, which comprised cash generated from operations of approximately RMB74.3 million, offset by income tax paid of approximately RMB25.3 million. Net cash generated from operating activities decreased by approximately RMB63.1 million or approximately 56.3% as compared with the net cash generated from operating activities of approximately RMB112.1 million for the Year 2020, which was mainly due to (i) the decrease of profit; (ii) the increase of receivables; and (iii) the decrease of payables.

Net cash used in investing activities

During the Year, the Group's net cash used in investing activities was approximately RMB91.5 million while net cash of approximately RMB49.9 million was used in investing activities for the Year 2020. Net cash used in investing activities was primarily due to the equipment purchase in current plants and the new Foshan Plant.

Net cash generated from/(used in) financing activities

During the Year, the Group's net cash generated from financing activities was approximately RMB8.9 million while net cash of approximately RMB241.0 million was used in financing activities for the Year 2020. The net cash generated from financing activities was mainly attributable to the increase of loans.

Major Acquisitions and Disposals

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

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Human Resources

As at 31 December 2021, the Group had 1,721 full-time employees. The Group has implemented a number of initiatives to enhance the productivity of our employees. The Group conducts periodic performance reviews of most of the Group's employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivise its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

Future Plan

Looking forward, attributable to the change in life style, it is expected that internet shoppers will continue to rise rapidly and as a result, demand of the Group's products will increase constantly. At the same time, the Group will also focus on monitoring the growth in demand for household necessities such as food and beverages. Therefore, the Group will continue to review its production plants network with a view to further strengthening its market position in the corrugated packaging industry in the Mainland China and improve revenue and profitability through broadening geographical coverage and market penetration.

Management Discussion and Analysis

The Company identified certain risks and uncertainties which may affect the Group’s business and operations. Such risks and uncertainties include the continuing increase of prices on key raw materials required by the Group for its production; uncertainty in obtaining external financing and significant level of borrowings to support the Group’s operations; unexpected increase in lending interest rates; decline in utilisation rates due to breakdown of the Group’s production equipment; and the ongoing Pandemic.

The Group will ensure that all such inherent risks and uncertainties pertaining to the Group’s business and operations will be monitored on a timely basis and take all necessary steps to mitigate the risk and cope with any change.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Cheng Hsien-Chun (鄭顯俊), aged 66, is our executive Director and the chairman of the Board appointed on 29 January 2018. He was appointed as a Director on 20 July 2017 and re-designated as our executive Director and the chairman of our Board on 29 January 2018. He is in charge of the overall management, strategic planning and development of the Group. He first joined our Group in 1994 as a senior management of Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd.* (上海濟豐包裝紙業有限公司) ("**SHBP**"), an indirect wholly-owned subsidiary of the Company, and was appointed as the general manager and chairman of SHBP in 1995. He is also a director of all subsidiaries and the general manager of certain subsidiaries of our Group.

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

NON-EXECUTIVE DIRECTORS

Mr. Chow Tien-Li (周天力), aged 65, is our non-executive Director appointed on 29 January 2018. Mr. Chow was a director of Pacific Millennium Paper Group Limited (國際濟豐紙業集團有限公司) ("**PMPG(HK)**"), an indirect wholly-owned subsidiary of the Company, from January 2013 to November 2020. He first joined our Group in 2008 and served as a director and general manager of Pacific Millennium Packaging Corporation* (濟豐包裝(上海)有限公司) ("**PMPC**") and Kunshan Pacific Millennium Packaging Co., Ltd.* (昆山濟豐包裝有限公司) ("**KSBP**"), both are indirect wholly-owned subsidiaries of the Company, during the period from October 2008 to March 2014 and the period from May 2010 to March 2013, respectively. During his previous tenure with our Group, he was mainly responsible for domestic trading in the PRC. Mr. Chow is also a member of the audit committee of the Board.

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

Mr. Philip Tan (談大成) aged 39, is our non-executive Director appointed on 22 December 2019 and has served as a director of PMPG(HK), an indirect wholly-owned subsidiary of the Company, since November 2020. Mr. Tan holds a master of business administration from University of Nebraska, the United States of America ("**US**") and the degree of bachelor of science from School of Business, Babson College, US. Mr. Tan is a son of Mr. Tan Richard Lipin who is the sole director of PMHC and a controlling shareholder of the Company.

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

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

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

Mr. Tan is a member of the audit committee of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Jisheng (王計生), aged 68, is our independent non-executive Director appointed on 30 November 2018. Prior to acting as an independent non-executive Director, Mr. Wang was an independent director of PMPG (HK), an indirect wholly-owned subsidiary of the Company, during the period from January 2013 to January 2018, responsible for providing independent advice to the Group. He was not involved in the day-to-day management of the Group while he was an independent director of PMPG (HK). He completed the Senior Executive Program organised by the Faculty of Business Administration of National University of Singapore in November 2001.

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

Mr. Kiang Tien Sik David (江天錫), aged 75, 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) 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 positions in different banks. He was appointed as the chief executive, China/Macau of Standard Chartered Bank, a group company of Standard Chartered PLC, a company listed in the London Stock Exchange and the Stock Exchange, in 1993, the chief executive of Bangkok Bank Public Company Limited, Hong Kong Branch, a company listed on The Stock Exchange of Thailand, in 1996 and the managing director and chief executive of N M Rothschild & Sons (Hong Kong) Limited in 1998 and was the chief executive of Da Tang Xi Shi International Group Limited* (大唐西市國際集團有限公司). Through his experience in the senior management positions held in different banks and financial institutions, Mr. Kiang has experience in internal controls and reviewing and analysing audited financial statements of public companies.

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

Biographies of Directors and Senior Management

Dr. Su Morley Chung Wu (蘇崇武), aged 66, is our independent non-executive Director appointed on 30 November 2018. During the period from March 1994 to January 1995, Dr. Su served as the general manager and a director of SHBP. Dr. Su obtained a Ph.D. in education from East China Normal University (華東師範大學), the PRC, in January 2007 and a Master degree of business administration in December 1983 from the University of Chicago, US. He was a certified public accountant of the Illinois State of US during the period from September 1984 to September 1988. Dr. Su is currently the chairman of Creative Manger Ventures (上海馬槽投資管理有限公司) and the general manager of Shanghai Care Corner Counseling Center (關懷心理諮詢有限公司—上海分公司). He also held various senior management position with different companies under Golden Ford Investments Limited or its affiliates including the vice president and corporate strategy director of Pacific Millennium Investment Corporation from 2006 to 2012 and a director of International Paper Manufacturing & Distribution Limited (formerly known as Future's Safe Company Limited) from 1987 to 1999. Through his management experience, he was involved in the reviewing and analysing of the financial books of the respective companies for his budget planning and formation of business strategies. Dr. Su is a member of the audit committee and the remuneration committee, and the chairman of the environment committee of the Board.

SENIOR MANAGEMENT

Ms. Long Yanping (龍艷萍), aged 58, is our corporate controller appointed on 29 January 2018. She joined the Group in 1994 and has been mainly responsible for accounting and financial control. She is currently the corporate controller of the Company and is responsible for the accounting and financial control function of the Group. She is also a director of all existing operating subsidiaries of the Group in the PRC. She graduated from China University of Mining and Technology (中國礦業大學) (formerly known as Institute for Coal Mining Management of Beijing (北京煤炭管理幹部學院)), the PRC majoring in financial management and accounting of coal in July 1988.

Mr. Liu Mingming (劉鳴鳴), aged 51, is our corporate human resources & administration director appointed on 1 January 2021. He joined our Group in 1998 , and he mainly engaged in software development and IT project research & development management. In addition, he has been our management information systems (MIS) director since 2012, responsible for the management of our information technology and enterprise resource planning system. Mr. Liu graduated from Shanghai Jiaotong University with a bachelor degree in Applied Physics. Prior to joining the Group, he had worked for Yangtze Computer Group from 1994 to 1997.

Mr. Lan Tsung Hsien (藍宗賢), aged 66, is our corporate technical director appointed on 29 January 2018 and also the supervisor of all subsidiaries of our Group in the PRC. Mr. Lan is also our project director and central scheduling director appointed on 1 January 2021. He joined the Group in 1996 as the production manager of certain production plants of the Group. He graduated from the National Cheng Kung University (國立成功大學), Taiwan majoring in Mechanical Engineering in June 1977. As the corporate technical director, Mr. Lan is responsible for the Group's equipment and facilities management, including supervising the installation project of equipment in new production plans and conducting maintenance and safety check of the current equipment.

Report of the Directors

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) including a fair view of the Group's business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Year and an indication of likely future development in the Group's business are set out in "Chairman's Statement" on pages 3 to 4, "Management Discussion and Analysis" on pages 5 to 9 and Note 33 to the consolidated financial statements on pages 87 to 93. These discussions form part of this Report of the Directors.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 38 of this annual report.

FINAL DIVIDEND

For the Year, the Directors proposed a final dividend of HK$0.08 per share of the Company (the "**Share(s)**") (Year 2020: HK$0.16) payable to Shareholders whose names appear on the register of members of the Company on 8 July 2022. The final dividend is subject to approval by the Shareholders in the annual general meeting ("**AGM**"). It is expected that the final dividend will be paid on 20 July 2022.

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

In order to determine the identity of the Shareholders who are entitled to the final dividend, the register of members of the Company will be closed from Tuesday, 5 July 2022 to Friday, 8 July 2022 (both dates inclusive), during which period no transfer of shares will be effected. The final dividend will be paid in Hong Kong dollars. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 4 July 2022.

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.

FIVE-YEAR FINANCIAL SUMMARY

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

LISTING AND USE OF PROCEEDS

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

As at 31 December 2021, all the net proceeds from the Listing were used up for the following purposes:

Use of Proceeds	Net proceeds from the Listing *HK$ million* (approximately) Proceeds available for use	Proceeds used	Proceeds unused
For expansion of production plants network	138.2	138.2	—
For upgrading production facilities and purchasing new machinery and equipment	44.4	44.4	—
For repayment of certain bank loans	55.0	55.0	—
For general working capital	24.9	24.9	—
Total	262.5	262.5	0.0

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the top five customers in aggregate and the single largest customer accounted for approximately 13.6% and 4.6%, respectively, of the Group's total sales. During the Year, the top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 71.9% and 38.3%, respectively, of the Group's total purchases. None of our Directors or any of their respective associates or, so far as our Directors were aware, any Shareholder who owned 5% or more of our issued share capital as at 31 December 2021, had any interest in any of our five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

Report of the Directors

TAX RELIEF AND EXEMPTION

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 27 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 41 to 42 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB409.2 million.

DIRECTORS

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

Executive Director:

Mr. Cheng Hsien-Chun *(Chairman)*

Non-executive Directors:

Mr. Chow Tien-Li
Mr. Philip Tan

Independent non-executive Directors:

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

In accordance with Article 16.2 of the Articles, each of the Directors shall hold office until the next following 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 10 to 12 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTOR'S SERVICE AGREEMENT AND LETTER OF APPOINTMENT

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

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

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

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

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

As at 31 December 2021, none of the Directors or the Controlling Shareholders is interested in any businesses apart from our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 28 to the consolidated financial statements. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and 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 Year.

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

With effect from 2 August 2021, Mr. Philip Tan (談大成), a non-executive Director, has been appointed as an independent non-executive director of Daphne International Holdings Limited (whose shares are listed on the Stock Exchange with stock code 210) ("DIH"), the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the board of directors of DIH.

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

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares held (Note 1)	Percentage of shareholdings
Mr. Cheng Hsien-Chun ("**Mr. Cheng**")	Interest in controlled corporation (Note 2)	15,578,800 (L)	5.18%
Mr. Chow Tien-Li	Beneficial Owner	2,254,000 (L)	0.75%
Mr. Tan Philip	Beneficial Owner	1,445,000 (L)	0.48%

Notes:

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

2. The 15,578,800 Shares are held by Lead Forward. As Lead Forward is wholly-owned by Mr. Cheng, the chairman and executive Director, he is deemed, or taken, to be interested in all the Shares held by Lead Forward under the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of shareholdings
Pacific Millennium Holdings Corporation ("**PMHC**")	Beneficial Owner	189,488,200 (L)	63.02%
Golden Ford Investments Limited ("**Golden Ford**") (Note 2)	Interest in controlled corporation	192,424,200 (L)	64.00%
Elite Age International Limited ("**Elite Age**") (Note 3)	Interest in controlled corporation	192,424,200 (L)	64.00%
Star Concord Worldwide Limited ("**Star Concord**") (Note 3)	Trustee	192,424,200 (L)	64.00%
Ample Bright Management Limited ("**Ample Bright**") (Note 4)	Interest in controlled corporation	192,424,200 (L)	64.00%
Fortune China Resources Limited ("**Fortune China**") (Note 4)	Trustee	192,424,200 (L)	64.00%
Tsai Wen Hao ("**Mr. Tsai**") (Note 5)	Interest in Trustee	192,424,200 (L)	64.00%
Tan Richard Lipin ("**Mr. Tan**") (Note 5)	Interest in Trustee	192,424,200 (L)	64.00%
Lead Forward (Note 6)	Beneficial Owner	15,578,800 (L)	5.18%

Notes:

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

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register of the Company referred to therein.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Year, neither the Company nor any of its subsidiaries 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; offer new Shares on a pro rata basis to the existing Shareholders;

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

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

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

CONTINUING CONNECTED TRANSACTIONS

Since 2013, the Group has been entering into lease transactions with Chongqing Stone Tan 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 for a term which ended on 31 December 2020. Chongqing Stone Tan is a company incorporated in the PRC with limited liability whose principal business is provision of finance lease service and is an associate of the Company's Controlling Shareholder.

On 29 December 2020, the Company and Chongqing Stone Tan renewed the Framework Agreement by entering into a new framework agreement (the "**New Framework Agreement**"), pursuant to which Chongqing Stone Tan agreed to continue providing machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business for a term of 3 years commencing on 1 January 2021 and ending on 31 December 2023.

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

Period	Maximum outstanding balance (including value added tax ("VAT"))	Annual interest payment plus handling fee (including VAT)
For the year ended 31 December 2021	RMB62.7 million	RMB4.3 million
For the year ending 31 December 2022	RMB62.6 million	RMB4.4 million
For the year ending 31 December 2023	RMB62.0 million	RMB5.0 million

As the highest applicable percentage ratio in respect of the maximum amount of the annual caps under the New Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the New Framework Agreement are subject to the announcement, reporting and annual review requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the Year, the maximum outstanding balance (including VAT) under the continuing continued transactions was less than RMB80.3 million and the annual interest payment plus handling fee (including VAT) paid by the Group to Chongqing Stone Tan was less than RMB6.5 million.

For details of the New Framework Agreement, please refer to the announcement of the Company dated 29 December 2020.

On 24 January 2022, for the better management of the lease transactions between the Group and Chongqing Stone Tan and in view that the Group is required to purchase more machinery and equipment through finance and/or operating lease to cope with its growing business, the Company and Chongqing Stone Tan terminated the Framework Agreement and entered into a new framework agreement. Please refer to the section headed "SIGNIFICANT EVENT AFTER THE YEAR" for details.

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

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

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

(ii) on normal commercial terms; and

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

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

The auditor of the Company has issued their unqualified report containing their findings and 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.

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

CHARITABLE DONATIONS

During the Year, the Group made no charitable donations.

SIGNIFICANT EVENT AFTER THE YEAR

Continuing Connected Transactions

On 24 January 2022, for the better management of the lease transactions between the Group and Chongqing Stone Tan and in view that the Group is required to purchase more machinery and equipment through finance and/or operating lease to cope with its growing business, the Company and Chongqing Stone Tan entered into a new framework agreement, pursuant to which Chongqing Stone Tan agreed to continue providing machinery and equipment lease service to the Group for the purchase of various machinery and equipment for the Group's business for a term commencing on the date of the new framework agreement and ending on 31 December 2024. The new annual caps for the lease transactions under the new framework agreement for the three years ending 31 December 2024 are RMB140.0 million (equivalent to approximately HK$166.3 million), RMB82.0 million (equivalent to approximately HK$97.4 million) and RMB94.0 million (equivalent to approximately HK$111.7 million) respectively. The new framework agreement and the transactions contemplated thereunder (including the new annual caps) had been approved in the extraordinary general meeting of the Company held on 29 March 2022. For details of the continuing connected transactions, please refer to the circular of the Company dated 8 March 2022.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed in the Corporate Governance Report on page 26 of this annual report, the Company had complied with all applicable code provisions as in force during the Year under the CG Code as set out in Appendix 14 to the Listing Rules. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 33 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

BDO Limited, Certified Public Accountants, shall retire in the 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, 29 March 2021

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICE

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

Under code provision C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng 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 the best interest of the Group.

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

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

THE BOARD

Board Composition

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

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

The biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" on pages 10 to 12 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 with our Company. Each of our non-executive Directors (including independent non-executive Directors) has signed an appointment letter or a service agreement with the Company.

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

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

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

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

Responsibilities

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

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

Induction and Continuous Training and Professional Development

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

On 9 December 2021, the Company, together with its Hong Kong legal advisers, organized training sessions for the Directors explaining the on-going obligations and responsibilities as a director of a Hong Kong listed company. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

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

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

Independence of Independent Non-Executive Directors

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

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

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

Board Committees

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

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

Audit Committee

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

At present, the Audit Committee comprises of 5 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 and Mr. Philip Tan being non-executive Directors.

Pursuant to the meeting of the Audit Committee on 29 March 2022, the Audit Committee has reviewed, among other things, the consolidated financial statements of the Company for the Year, including the accounting principles and practices adopted by the Company, report prepared by the external auditor covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Group's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditor.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with code provision E.1.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and review performance based remuneration and ensure none of the Directors determine their own remuneration. At present, the Remuneration Committee comprises Mr. Wang Jisheng (Chairman), Mr. Cheng and Dr. Su Morley Chung Wu. Pursuant to the meeting of the Remuneration Committee on 9 December 2021, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

Remuneration of Directors and Senior Management

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

During the Year, one Remuneration Committee meeting was held on 9 December 2021 for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management of the Group. All members of the Remuneration Committee attended the meeting in person. The biographies of the senior management of the Company are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. The remuneration of the senior management of the Company (other than Directors) by band for the Year is as follows:

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

Nomination Committee

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

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

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

During the Year, the Nomination Committee held one (1) meeting on 9 December 2021 for, among other matters, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendation to the Board on the appointment or re-appointment of Directors.

Environment Committee

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

During the Year, the Environment Committee held one (1) meeting on 29 June 2021 for reviewing the implementation of environment related matters.

Corporate Governance Functions

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

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

Attendance Record of Directors

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

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

Board Meetings

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

Model Code for Securities Transactions

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

COMPANY SECRETARY

On 1 January 2022, Mr. Cheung Kai Cheong, Willie ("**Mr. Cheung**") resigned as the Company Secretary and on the same day, Ms. Fu Chanyi was appointed as the Company Secretary in place of Mr. Cheung. According to Rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year. For the Year, Mr. Cheung had taken no less than 15 hours of relevant professional training.

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

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the "Independent Auditor's Report" on pages 34 to 37 of this annual report.

Internal controls and risk management

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

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

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

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

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

External Auditor

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

For the Year, the remuneration paid or payable to BDO in respect of annual audit services provided to the Company and non-audit services provided in respect of reviewing the condensed consolidated interim financial statements amounted to approximately RMB1,053,000 and RMB167,000, respectively. The remuneration paid or payable to another auditor for audit services in the PRC was approximately RMB879,000.

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

Shareholders' Rights

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

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

Convening an EGM and Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

INVESTOR RELATIONS

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

Constitutional Documents

Conditionally adopted by a special resolution dated 30 November 2018, the Articles were adopted with effect from 21 December 2018 (i.e. the date of listing of the Shares). As at the date of this report, no change has been made to the Articles since its adoption. The Articles are available on the websites of the Stock Exchange and the Company.

Environmental, Social and Governance Report

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

Independent Auditor's Report

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TO THE SHAREHOLDERS OF PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION
(incorporated in the Cayman Islands 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 38 to 97, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT LOSS ON TRADE RECEIVABLES

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

As at 31 December 2021, the carrying amount of the Group's trade receivables (net of impairment loss) was RMB625,101,000. 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 impairment loss on trade receivables of RMB980,000 during the year.

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

Our response:

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

— obtaining an understanding of the model adopted by management in estimating lifetime expected credit losses 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

— inspecting cash receipts from customers after the financial year end date relating to trade receivable balances as at 31 December 2021, 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.

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

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

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

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

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

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

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

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

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

Hong Kong, 29 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	7	**2,400,426**	2,041,606
Cost of sales		**(2,033,701)**	(1,660,943)
Gross profit		**366,725**	380,663
Other income and other gains and losses, net	8	**7,777**	7,320
Selling and distribution expenses		**(124,507)**	(109,592)
Administrative expenses		**(159,293)**	(135,434)
Impairment loss on trade receivables, net	10	**(846)**	(1,299)
Finance costs	9	**(27,526)**	(28,439)
Profit before income tax	10	**62,330**	113,219
Income tax expense	13	**(18,701)**	(34,800)
Profit for the year		**43,629**	78,419
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**(422)**	(1,476)
Total comprehensive income for the year		**43,207**	76,943
Earnings per share (RMB) — basic	14	**15 cents**	26 cents

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**695,730**	610,150
Prepayments for purchase of property, plant and equipment		**13,343**	3,455
Deferred tax assets	16	**12,752**	9,243
		721,825	622,848
Current assets			
Inventories	17	**164,781**	161,150
Trade receivables, bills receivables, other receivables, deposits and prepayments	18	**683,690**	596,592
Pledged deposits	19	**13,250**	11,250
Bank balances and cash	20	**58,799**	95,530
		920,520	864,522
Current liabilities			
Trade and other payables	21	**342,190**	357,258
Contract liabilities	22	**3,744**	3,251
Dividend payable		**—**	—
Bank and other borrowings	23	**347,616**	291,252
Loans from immediate holding company	24	**61,489**	—
Tax payable		**7,029**	10,163
Lease liabilities	25	**20,566**	18,871
		782,634	680,795
Net current assets		**137,886**	183,727
Total assets less current liabilities		**859,711**	806,575
Non-current liabilities			
Bank and other borrowings	23	**11,791**	8,575
Lease liabilities	25	**217,525**	150,133
		229,316	158,708
Net assets		**630,395**	647,867

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Equity			
Share capital	26	**2,442**	2,442
Reserves	27	**627,953**	645,425
Total equity		**630,395**	647,867

On behalf of the board of directors

Mr. Cheng Hsien-Chun
Director

Mr. Kiang Tien Sik David
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27)	Merger reserve RMB'000 (Note (a))	Translation reserve RMB'000 (Note (b))	Surplus reserve RMB'000 (Note (c))	Retained profits RMB'000	Total RMB'000
At 1 January 2020	2,442	398,312	16,844	(4,483)	101,702	116,846	631,663
Profit for the year	—	—	—	—	—	78,419	78,419
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	—	—	—	(1,476)	—	—	(1,476)
Total comprehensive income for the year	—	—	—	(1,476)	—	78,419	76,943
Dividend declared (Note 31)	—	—	—	—	—	(60,739)	(60,739)
Transfer to surplus reserve	—	—	—	—	13,165	(13,165)	—
At 31 December 2020 and 1 January 2021	**2,442**	**398,312**	**16,844**	**(5,959)**	**114,867**	**121,361**	**647,867**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**43,629**	**43,629**
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**(422)**	**—**	**—**	**(422)**
Total comprehensive income for the year	**—**	**—**	**—**	**(422)**	**—**	**43,629**	**43,207**
Dividend declared(Note 31)	**—**	**—**	**—**	**—**	**—**	**(60,679)**	**(60,679)**
Transfer to surplus reserve	**—**	**—**	**—**	**—**	**9,326**	**(9,326)**	**—**
At 31 December 2021	**2,442**	**398,312**	**16,844**	**(6,381)**	**124,193**	**94,985**	**630,395**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Notes:

(a) Merger reserve

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

(b) Translation reserve

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

(c) Surplus reserve

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Operating activities		
Profit before income tax	**62,330**	113,219
Adjustments for:		
Depreciation of property, plant and equipment	**87,363**	79,411
Finance costs	**27,526**	28,439
Interest income	**(1,214)**	(2,919)
Impairment loss on inventories	**1,827**	1,631
Impairment loss on trade receivables	**980**	1,481
Reversal of impairment loss on inventories	**(1,479)**	(1,252)
Reversal of impairment loss on trade receivables	**(134)**	(182)
COVID-19-related rent concessions	**—**	(707)
Gain on early termination of lease	**(48)**	—
Loss on disposal of property, plant and equipment	**332**	608
Operating cash flows before working capital changes	**177,483**	219,729
Increase in inventories	**(3,979)**	(4,602)
Increase in trade receivables, bills receivables, other receivables, deposits and prepayments	**(86,425)**	(9,591)
Decrease in trade and other payables	**(13,209)**	(58,503)
Increase in contract liabilities	**493**	525
Cash generated from operations	**74,363**	147,558
Income tax paid	**(25,344)**	(35,412)
Net cash generated from operating activities	**49,019**	112,146
Investing activities		
Purchase of property, plant and equipment	**(81,796)**	(60,502)
Proceeds from disposal of property, plant and equipment	**4,422**	11,159
Prepayments made for purchase of property, plant and equipment	**(13,343)**	(3,455)
Increase in pledged deposits	**(2,000)**	—
Interest received	**1,214**	2,919
Net cash used in investing activities	**(91,503)**	(49,879)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Financing activities		
Dividend paid	**(60,679)**	(99,331)
Interest paid on bank loans	**(12,333)**	(13,781)
Repayment of interest element of lease liabilities	**(10,219)**	(9,243)
Interest paid on sale and leaseback arrangements	**(4,382)**	(5,498)
Interest paid on loans from immediate holding company	**(601)**	—
Increase in loans from immediate holding company	**62,979**	—
Repayment of capital element of lease liabilities	**(25,437)**	(24,193)
Proceeds from bank and other borrowings	**367,688**	300,000
Repayment of bank and other borrowings	**(308,108)**	(388,982)
Net cash generated from/(used in) financing activities	**8,908**	(241,028)
Net decrease in cash and cash equivalents	**(33,576)**	(178,761)
Cash and cash equivalents at beginning of the year	**95,530**	277,247
Effect of exchange rate changes on cash and cash equivalents	**(3,155)**	(2,956)
Cash and cash equivalents at end of the year	**58,799**	95,530
Analysis of cash and cash equivalents:		
Bank balances and cash	**58,799**	95,530

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 34 to the consolidated financial statements.

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

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

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

(a) Adoption of revised IFRSs — effective on 1 January 2021

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

- Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 Interest Rate Benchmark Reform — Phase 2
- Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has not early applied any amended IFRSs that is not yet effective for the current accounting period, except the amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021. None of these amended IFRSs has a material impact on the Group's results and financial position for the current or prior period.

(b) Revised IFRSs that have been issued but are not yet effective

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

Amendments to IAS 16	Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Annual Improvements to IFRSs 2018–2020	Amendment to IFRS 9 Financial Instruments, and Illustrative Examples accompanying IFRS 16 Leases[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]

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

(b) Revised IFRSs that have been issued but are not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2022.

[2] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

[3] Effective for annual periods beginning on or after 1 January 2023.

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

Amendments to IAS 16 — Proceeds before Intended Use

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

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

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

Amendments to IFRS 3 — Reference to the Conceptual Framework

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

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

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

(b) Revised IFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to IFRSs 2018–2020 — Amendment to IFRS 9 Financial Instruments, and Illustrative Examples accompanying IFRS 16 Leases

Details of the amendments that are expected to be applicable to the Group are as follows:

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

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

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

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8 — Definition of Accounting Estimates

The amendments introduce a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (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 net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

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

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

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

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

Leasehold land:	2%
Other leased properties:	4.75%–4.9%

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leasing

The Group as a lessee

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

Right-of-use asset

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

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the 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, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments

(i) Financial assets

Classification

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

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

Measurement

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

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

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

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

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

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

Derecognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition (Continued)

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

— the carrying amount of the financial asset transferred; and

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

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

(ii) Impairment loss on financial assets

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

— Trade receivables

— Financial assets included in other receivables and deposits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Measurement of ECLs

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Definition of default

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

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

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

Credit-impaired financial assets

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

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

— significant financial difficulty of the borrower or issuer;

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Write-off

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

(iii) Financial liabilities

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

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

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

(iv) Effective interest method

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

(f) Cash and cash equivalents

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

(g) Inventories

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Contract assets and contract liabilities

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

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

A contract liability is recorded when the payment is made or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer control of the goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer. The unsatisfied performance obligations as at 31 December 2021 are disclosed in Note 22 to the consolidated financial statements.

(i) Revenue recognition

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

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

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

(i) Sales of goods

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

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

There is no warranty clause in the contracts with customers.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(ii) Interest income

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

(j) Government grants/subsidies

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

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

(k) Income taxes

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Foreign currency

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

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

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

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

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

(m) Employee benefits

(i) Short term employee benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(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.

(iii) Termination benefits

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

(n) Impairment of non-financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Borrowing costs

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

(p) Provisions and contingent liabilities

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

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

(q) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

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

(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.

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.

(r) Dividends

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Given COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, 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) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(ii) Determining the lease term

As explained in accounting policy Note 4(d), the lease liability is initially recognised at present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(iii) Useful lives of property, plant and equipment (including right-of-use assets)

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iv) 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.

(v) 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.

The economic downturn and uncertainties that have arisen as a result of COVID-19 pandemic have made these estimates more judgemental, which the Group has taken into account in its determination of applicable expected credit losses.

(vi) Income taxes and deferred tax

The Group is subject to income taxes in the PRC and Hong Kong. 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 segment

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

(b) Geographical information

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

(c) Information about major customers

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2021 and 2020.

7. REVENUE

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

	2021 **RMB'000**	2020 RMB'000
Corrugated packaging products	**2,171,436**	1,866,773
Corrugated sheet boards	**228,990**	174,833
	2,400,426	2,041,606

7. REVENUE (Continued)

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:

	2021 RMB'000	2020 RMB'000
Revenue by industry		
Food and beverage	**625,381**	518,504
Paper and packaging	**350,759**	296,694
Non-food-and-beverage-consumables (Note (i))	**335,049**	329,997
Supplier chain solution	**110,651**	95,622
E-commerce	**38,678**	49,445
Home electronics	**58,070**	54,465
Others (Note (ii))	**881,838**	696,879
	2,400,426	2,041,606

Notes:

(i) Non-food-and-beverage-consumables include, but not limited to, daily household products such as shampoo, detergent, skin care products.

(ii) Others include home furniture, computer and electronic device such as mobile phones, cameras, textile, machinery, medical products, etc.

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

8. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000
Sales of other materials and consumables	**1,866**	418
Interest income	**1,214**	2,919
Government subsidies (Note)	**4,538**	4,670
Sundry income/(expense)	**491**	(79)
Loss on disposal of property, plant and equipment	**(332)**	(608)
	7,777	7,320

Note:

The amount includes subsidies for payroll support of RMB1,734,000 (2020: RMB624,000) received during the year. There were no unfulfilled conditions attached to these subsidies by the relevant PRC local government.

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**10,219**	9,243
Less: amounts capitalised in property, plant and equipment (Note)	**(9)**	(83)
	10,210	9,160
Interest on bank loans	**12,333**	13,781
Interest on sale and leaseback arrangements	**4,382**	5,498
Interest on loans from immediate holding company	**601**	—
	27,526	28,439

Note:

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

10. PROFIT BEFORE INCOME TAX

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

	2021 RMB'000	2020 RMB'000
Cost of inventories sold (Note (i))	**2,033,701**	1,660,943
Depreciation of property, plant and equipment (Note (ii))	**87,363**	79,411
Auditor's remuneration	**2,099**	1,707
Freight charges	**84,843**	76,325
Short-term lease expense	**3,190**	4,296
Impairment loss on inventories	**1,827**	1,631
Reversal of impairment loss on inventories	**(1,479)**	(1,252)
Impairment loss on trade receivables	**980**	1,481
Reversal of impairment loss on trade receivables	**(134)**	(182)
Impairment loss on trade receivables, net	**846**	1,299
Exchange gain, net	**(2,026)**	(103)
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and benefits	**208,755**	172,182
— Retirement benefit costs	**26,469**	14,086

Notes:

(i) Cost of inventories sold for the year ended 31 December 2021 includes RMB1,536,759,000, RMB111,461,000, RMB41,417,000, RMB118,132,000 and RMB69,331,000 (2020: RMB1,240,915,000, RMB82,931,000, RMB36,964,000, RMB97,446,000 and RMB64,107,000), relating to costs of raw materials consumed, costs of accessories, outsourced production costs, employee benefits expenses and depreciation of property, plant and equipment respectively. The amounts disclosed of employee benefits expenses and depreciation of property, plant and equipment included in cost of inventories sold are also included in the respective total amounts disclosed separately above.

(ii) Depreciation of property, plant and equipment for the year ended 31 December 2021 includes depreciation of right-of-use assets amounted to RMB23,882,000 (2020: RMB19,341,000).

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 2021

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

Year ended 31 December 2020

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive director				
Cheng Hsien-Chun	—	2,206	16	2,222
Non-executive directors				
Chow Tien-Li	258	—	—	258
Philip Tan	213	—	—	213
Independent non-executive directors				
Wang Jisheng	258	—	—	258
Kiang Tien Sik	258	—	—	258
Su Morley Chung Wu	258	—	—	258
	1,245	2,206	16	3,467

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

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

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2020: nil).

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2020: one) was a director of the Group and the remaining four (2020: four) were individuals who are neither a director nor chief executive of the Company. The emoluments of the five highest paid individuals during the year were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	**6,037**	6,131
Retirement benefits scheme contributions and housing fund	**336**	268
	6,373	6,399

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

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

	Number of Individuals	
	2021	2020
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**4**	4
HK$1,500,000 or above	**1**	1
	5	5

13. INCOME TAX EXPENSE

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

	2021 RMB'000	2020 RMB'000
Current tax		
— Provision for PRC enterprise income tax for the year	**22,210**	31,502
— Withholding tax on dividend	**—**	2,585
	22,210	34,087
Deferred tax (Note 16)		
— Origination and reversal of temporary differences	**(3,509)**	713
Income tax expense	**18,701**	34,800

No provision of Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2021 and 2020.

Provision for PRC enterprise income tax is based on the statutory rate of 25% (2020: 25%) of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2021 and 2020.

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

13. INCOME TAX EXPENSE (Continued)

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

	2021 RMB'000	2020 RMB'000
Profit before income tax	**62,330**	113,219
Tax on profit before income tax, calculated at PRC enterprise income tax rate of 25%	**15,582**	28,305
Effect of different tax rate of subsidiary operating in Hong Kong	**270**	1,094
Tax effect of expenses not deductible for tax purposes	**2,199**	3,703
Tax effect of income not taxable for tax purposes	**(133)**	(1,719)
Tax effect of tax losses not recognised	**783**	832
Tax effect of withholding tax on dividend	**—**	2,585
Income tax expense	**18,701**	34,800

14. BASIC EARNINGS PER SHARE

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

	2021	2020
Profit for the year (RMB'000)	**43,629**	78,419
Weighted average number of ordinary shares in issue (in thousand)	**300,632**	300,632
Basic earnings per share (RMB)	**15 cents**	26 cents

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year of RMB43,629,000 (2020: RMB78,419,000) and weighted average number of ordinary shares of 300,632,000 in issue during the year (2020: 300,632,000 ordinary shares).

No diluted earnings per share is presented as the Group has no potential ordinary shares for the years ended 31 December 2021 and 2020.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note (a))	RMB'000
Cost:								
At 1 January 2020	127,423	64,069	542,044	40,876	1,153	3,319	202,049	980,933
Additions	–	5,392	62,143	4,765	188	1,630	7,355	81,473
Disposals	–	–	(18,464)	(1,338)	(155)	–	(3,086)	(23,043)
Transfer from construction in progress	–	–	1,834	14	–	(1,848)	–	–
Exchange adjustment	–	–	–	–	–	–	(299)	(299)
At 31 December 2020 and 1 January 2021	127,423	69,461	587,557	44,317	1,186	3,101	206,019	1,039,064
Additions	–	13,975	70,464	7,020	–	4,029	83,042	178,530
Disposals	–	–	(12,868)	(1,453)	–	–	(2,658)	(16,979)
Transfer from construction in progress	–	–	2,434	668	–	(3,102)	–	–
Exchange adjustment	–	–	–	(1)	–	–	(17)	(18)
At 31 December 2021	127,423	83,436	647,587	50,551	1,186	4,028	286,386	1,200,597
Accumulated depreciation:								
At 1 January 2020	68,499	15,629	229,003	28,762	483	–	17,629	360,005
Charge for the year	5,551	4,669	44,985	4,672	193	–	19,341	79,411
Eliminated on disposals	–	–	(6,922)	(1,206)	(148)	–	(2,137)	(10,413)
Exchange adjustment	–	–	–	–	–	–	(89)	(89)
At 31 December 2020 and 1 January 2021	74,050	20,298	267,066	32,228	528	–	34,744	428,914
Charge for the year	5,550	5,140	48,113	4,448	230	–	23,882	87,363
Eliminated on disposals	–	–	(8,352)	(1,215)	–	–	(1,851)	(11,418)
Exchange adjustment	–	–	–	(1)	–	–	9	8
At 31 December 2021	79,600	25,438	306,827	35,460	758	–	56,784	504,867
Net carrying amount:								
At 31 December 2021	47,823	57,998	340,760	15,091	428	4,028	229,602	695,730
At 31 December 2020	53,373	49,163	320,491	12,089	658	3,101	171,275	610,150

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Right-of-use assets

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

	Note	2021 RMB'000	2020 RMB'000
Ownership interests in leasehold land held for own use, carried at amortised cost, with remaining lease term of:	(i)		
— Between 10 and 50 years		**9,542**	9,825
Other properties leased for own use, carried at depreciated cost	(ii)	**220,060**	161,450
		229,602	171,275

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**284**	284
Other properties leased for own use	**23,598**	19,057
	23,882	19,341
Interest on lease liabilities (Note 9)	**10,219**	9,243
Expense relating to short-term leases	**3,190**	4,296

During the year, gross carrying amount of additions to right-of-use assets and disposals of right-of-use assets upon early termination of the leases were RMB83,042,000 (2020: RMB7,355,000) and RMB2,658,000 (2020: RMB3,086,000) respectively.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 30(b) and 25, respectively to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

(ii) Other properties leased for own use

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

(b) As at 31 December 2021 and 2020, the Group's buildings were situated in the PRC and were used by the Group.

(c) As at 31 December 2021, the Group's buildings with carrying amounts of RMB47,823,000 (2020: RMB53,373,000) were pledged to secure bills payable and the banking facilities granted to the Group (Note 19 to the consolidated financial statements).

(d) As at 31 December 2021, the net carrying amounts of the Group's plant and equipment pledged under sales and leaseback arrangements (Note 23(b) to the consolidated financial statements) were RMB69,085,000 (2020: RMB62,008,000).

16. DEFERRED TAX ASSETS

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	Total RMB'000
At 1 January 2020	2,223	7,733	9,956
Credited/(Charged) to profit or loss	116	(829)	(713)
At 31 December 2020 and 1 January 2021	**2,339**	**6,904**	**9,243**
(Charged)/Credited to profit or loss	**(41)**	**3,550**	**3,509**
At 31 December 2021	**2,298**	**10,454**	**12,752**

As at 31 December 2021, the Group had unused tax losses of approximately RMB59,759,000 (2020: RMB42,440,000) available for offset against future profits.

As at 31 December 2021, deferred tax asset has been recognised in respect of such tax losses of approximately RMB41,822,000 (2020: RMB27,623,000) while no deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB17,937,000 (2020: RMB14,817,000) 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 2020, no deferred tax liabilities had been provided for retained profits of approximately RMB189,000. The Group expected that these profits would be retained by the PRC subsidiaries and/or reinvested in these subsidiaries by the Group in the foreseeable future. In accordance with Caishui [2018] No.102 (Circular 102) as detailed in Note 13 to the consolidated financial statements, there is no tax consequence on the dividends distributed by the PRC subsidiaries if such dividends will be reinvested in the PRC subsidiaries.

17. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**130,699**	129,973
Work in progress	**3,686**	3,923
Finished goods	**16,884**	14,544
Consumables	**13,512**	12,710
	164,781	161,150

As at 31 December 2021, accumulated impairment loss on inventories amounted to RMB2,061,000 (2020: RMB1,713,000).

During the year ended 31 December 2021, reversal of impairment loss on inventories of RMB1,479,000 (2020: RMB1,252,000) were recognised in profit or loss as the Group subsequently sold these inventories above their carrying amounts.

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

	2021 RMB'000	2020 RMB'000
Trade receivables	**632,233**	533,432
Bills receivables	**12,832**	18,387
Less: allowance for impairment losses	**(7,132)**	(7,637)
	637,933	544,182
Other receivables	**15,973**	20,479
Deposits	**20,605**	22,380
Prepayments	**9,179**	9,551
	683,690	596,592

As at 31 December 2021 and 2020, bills receivables would mature within 180 days and were not past due.

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

The ageing analysis of trade and bills receivables (net of impairment losses) as at 31 December 2021 and 2020, based on invoice dates, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 month	**322,452**	265,283
Over 1 month but within 3 months	**267,008**	238,290
Over 3 months but within 1 year	**48,473**	40,609
	637,933	544,182

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

19. PLEDGE OF ASSETS

As at 31 December 2021 and 2020, 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	2021 RMB'000	2020 RMB'000
Property, plant and equipment	15(c), 15(d)	**116,908**	115,381
Right-of-use assets of land and buildings	15(a)	**9,542**	9,825
Pledged deposits		**13,250**	11,250
		139,700	136,456

20. BANK BALANCES AND CASH

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

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

21. TRADE AND OTHER PAYABLES

	2021 **RMB'000**	2020 RMB'000
Trade payables	**212,804**	231,212
Bills payables	**56,250**	56,250
Accruals and other payables	**73,136**	69,796
	342,190	357,258

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

The ageing analysis of trade and bills payables, based on the invoice dates, as at 31 December 2021 and 2020 is as follows:

	2021 **RMB'000**	2020 RMB'000
Within 1 month	**182,955**	196,075
Over 1 month but within 3 months	**59,068**	62,813
Over 3 months but within 1 year	**27,031**	28,574
	269,054	287,462

22. CONTRACT LIABILITIES

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

	2021 RMB'000	2020 RMB'000
Sales of goods	**3,744**	3,251

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

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

There were no contract assets as at 31 December 2021 and 2020 recognised in the consolidated statements of financial position.

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	**3,251**	2,726

23. BANK AND OTHER BORROWINGS

	Notes	2021 RMB'000	2020 RMB'000
Bank loans, secured	(a)	**330,000**	265,000
Other borrowings, secured	(b)	**29,407**	34,827
		359,407	299,827
Categorised as:			
Current liabilities		**347,616**	291,252
Non-current liabilities		**11,791**	8,575
		359,407	299,827

Notes:

(a) During the year, the average effective interest rates of the Group's bank loans ranged from 3.85% to 3.90% per annum (2020: 3.85% to 3.90% per annum).

Properties with net carrying amounts of RMB47,823,000 (2020: RMB53,373,000) were pledged for the Group's banking facilities in connection with the bank loans.

As at 31 December 2021 and 2020, all bank loans were scheduled to be repaid within one year.

(b) As at 31 December 2021, other borrowings represented seven (2020: seven) sale and leaseback arrangements for plant and equipment entered into with Chongqing Stone Tan Financial Leasing Limited, a related company over which one of the controlling shareholders of the Company has significant influence. As at 31 December 2021, the transactions are classified as secured loan financing instead of disposal of the underlying assets as the transfers of the plant and equipment to the buyer-lessor do not satisfy the requirements to be accounted for as a sale of the assets. The carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were RMB69,085,000 (2020: RMB62,008,000) as at 31 December 2021.

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

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

As at 31 December 2020, future lease payments are due to the buyer-lessor as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than 1 year	28,515	2,263	26,252
Later than 1 year and not later than 2 years	8,797	222	8,575
	37,312	2,485	34,827

24. LOANS FROM IMMEDIATE HOLDING COMPANY

During the year, the Group obtained loans of RMB41,836,000 and RMB19,653,000 from its immediate holding company , Pacific Millennium Holdings Corporation. The loans of RMB41,836,000 and RMB19,653,000 carries interest at One-Month Hong Kong Interbank Offered Rate ("HIBOR") plus 3% and One-Month HIBOR plus 2.6% per annum respectively. Both loans are denominated in Hong Kong Dollors (HK$), unsecured and are repayable within one year from date of drawdown.

As at 31 December 2021, the loans from immediate holding company qualified as fully exempt connected transactions under Chapter 14A.90 of the Listing Rules.

25. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2021 and 2020:

	2021		2020	
	Present value RMB'000	**Minimum lease payments RMB'000**	Present value RMB'000	Minimum lease payments RMB'000
Not later than 1 year	**20,566**	**31,925**	18,871	26,891
Later than 1 year and not later than 2 years	**16,891**	**27,476**	13,553	20,608
Later than 2 years and not later than 5 years	**56,523**	**82,083**	36,994	54,696
Over 5 years	**144,111**	**171,095**	99,586	115,935
	238,091	**312,579**	169,004	218,130
Less: total future interest expenses		**(74,488)**		(49,126)
Present value of lease liabilities		**238,091**		169,004

Note: The balance included lease liabilities of RMB12,493,000 (2020: RMB3,410,000) owing to Chongqing Stone Tan Financial Leasing Limited, a related party over which one of the controlling shareholders of the Company has significant influence.

26. SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	Par value	
		HK$'000	
Ordinary shares of par value of HK$0.01 each			
Authorised			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	600,000,000	6,000	
	Number	HK$'000	RMB'000
Issued and fully paid			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	300,632,000	3,006	2,442

27. RESERVES

The Group

The amount of the Group's reserves and movements during the year are presented in the consolidated statement of changes in equity on pages 41 to 42.

The Company

	Share premium RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020	398,312	21,132	26,544	445,988
Profit for the year	—	—	45,736	45,736
Other comprehensive income for the year:				
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	—	(16,901)	—	(16,901)
Total comprehensive income for the year	—	(16,901)	45,736	28,835
Dividends (Note 31)	—	—	(60,739)	(60,739)
At 31 December 2020 and 1 January 2021	**398,312**	**4,231**	**11,541**	**414,084**
Profit for the year	**—**	**—**	**61,508**	**61,508**
Other comprehensive income for the year:				
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	**—**	**(5,717)**	**—**	**(5,717)**
Total comprehensive income for the year	**—**	**(5,717)**	**61,508**	**55,791**
Dividends (Note 31)	**—**	**—**	**(60,679)**	**(60,679)**
At 31 December 2021	**398,312**	**(1,486)**	**12,370**	**409,196**

28. RELATED PARTY TRANSACTIONS

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

			Transaction amount	
Name of related parties	**Related party relationship**	**Type of transaction**	**2021 RMB'000**	2020 RMB'000
Pacific Millennium Holdings Corporation	Immediate holding company	Use of trademarks (Note (iii))	**–**	—
Pacific Millennium Holdings Corporation	Immediate holding company	Interest expenses on loans (Note (i))	**601**	—
北京羊阿吉餐飲有限公司	The entity is owned by the spouse of a director of the Company	Administrative and entertainment charges (Note (i))	**220**	—
Shanghai Asia Corp. Communications Inc. Limited* 上海寰亞信息技術有限公司	The entity is a subsidiary of one of the controlling shareholders of the Company	Administrative and support charges (Note (i))	**283**	1,019
Suzhou Asia Corp. Communications Inc. Limited* 蘇州寰亞信息技術有限公司	The entity is wholly-owned by a member of the key management personnel of the Group	Domain hosting and support charges (Note (i))	**89**	568
Shanghai Pacific Millennium Asia Corp. Communications Inc. Limited* 上海濟豐寰亞信息技術有限公司	The entity is wholly-owned by a member of the key management personnel of the Group	Domain hosting and support charges (Note (i))	**142**	5
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Interest expenses on lease liabilities (Note (ii))	**224**	821
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))	**4,382**	5,498
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Handling fee in relation to leases (Note (ii))	**397**	41

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

28. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

(ii) Details of sale and leaseback and lease arrangements as at 31 December 2021 and 2020 are set out in Note 23(b) and 25 respectively to the consolidated financial statements.

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

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

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

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

	2021 RMB’000	2020 RMB’000
Short-term benefits	**4,598**	4,685
Retirement benefits scheme contributions and housing fund	**156**	87
	4,754	4,772

29. CAPITAL COMMITMENTS

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

	2021 RMB’000	2020 RMB’000
Commitment for the acquisition of property, plant and equipment	**1,060**	3,582

30. NOTES SUPPORTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group entered into lease arrangements with Chongqing Stone Tan Financial Leasing Limited for plant and equipment with total capital value at the inception of the leases of RMB12,051,000 (2020: RMB4,119,000).

(b) Reconciliation of liabilities arising from financing activities

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

	Bank and other borrowings (Note 23) RMB'000	Lease liabilities (Note 25) RMB'000	Total RMB'000
At 1 January 2021	**299,827**	**169,004**	**468,831**
Changes from cash flows:			
Interest paid on bank loans	**(12,333)**	**–**	**(12,333)**
Interest paid on sale and leaseback arrangements	**(4,382)**	**–**	**(4,382)**
Repayment of interest element of lease liabilities	**–**	**(10,219)**	**(10,219)**
Repayment of capital element of lease liabilities	**–**	**(25,437)**	**(25,437)**
Proceeds from bank loans	**367,688**	**–**	**367,688**
Repayment of bank loans	**(275,000)**	**–**	**(275,000)**
Repayment under sale and leaseback arrangements	**(33,108)**	**–**	**(33,108)**
Total changes from financing cash flows:	**42,865**	**(35,656)**	**7,209**
Exchange adjustments:	**–**	**(27)**	**(27)**
Other changes:			
Interest expenses	**12,333**	**–**	**12,333**
Capitalised borrowing costs	**–**	**9**	**9**
Addition in leases	**–**	**95,093**	**95,093**
Finance charges on sale and leaseback arrangements	**4,382**	**–**	**4,382**
Finance charges on lease liabilities	**–**	**10,210**	**10,210**
Early termination of the leases	**–**	**(542)**	**(542)**
Total other changes	**16,715**	**104,770**	**121,485**
At 31 December 2021	**359,407**	**238,091**	**597,498**

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

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

	Bank and other borrowings (Note 23) RMB'000	Lease liabilities (Note 25) RMB'000	Total RMB'000
At 1 January 2020	388,809	183,496	572,305
Changes from cash flows:			
Interest paid on bank loans	(13,781)	—	(13,781)
Interest paid on sale and leaseback arrangements	(5,498)	—	(5,498)
Repayment of interest element of lease liabilities	—	(9,243)	(9,243)
Repayment of capital element of lease liabilities	—	(24,193)	(24,193)
Proceeds from bank loans	300,000	—	300,000
Repayment of bank loans	(355,000)	—	(355,000)
Repayment under sale and leaseback arrangements	(33,982)	—	(33,982)
Total changes from financing cash flows:	(108,261)	(33,436)	(141,697)
Exchange adjustments:	—	(203)	(203)
Other changes:			
Interest expenses	13,781	—	13,781
Capitalised borrowing costs	—	83	83
Addition in leases	—	11,475	11,475
Finance charges on sale and leaseback arrangements	5,498	—	5,498
Finance charges on lease liabilities	—	9,160	9,160
COVID-19-related rent concessions	—	(707)	(707)
Early termination of the leases	—	(864)	(864)
Total other changes	19,279	19,147	38,426
At 31 December 2020	299,827	169,004	468,831

31. DIVIDENDS

	RMB'000
Year ended 31 December 2021	
— Final dividend of HK$0.16 per share for 2020	40,612
— Interim dividend of HK$0.08 per share	20,067
	60,679
Year ended 31 December 2020	
— Final dividend of HK$0.075 per share for 2019	20,486
— Special dividend of HK$0.15 per share	40,253
	60,739

The directors proposed a final dividend of HK$0.08 per share (2020: HK$0.16) payable to shareholders whose names appear on the register of members of the Company on 8 July 2022. The final dividend is subject to approval by the shareholders in the annual general meeting of the Company to be held on 28 June 2022. The final dividend of HK$0.08 per share proposed after the end of the reporting period has not been recognised as a liability in the consolidated statement of financial position.

Final dividend in respect of the year ended 31 December 2020 amounted to HK$0.16 per share was approved by the shareholders in the annual general meeting of the Company held on 29 June 2021 (2020: final dividend of HK$0.075 per share for the year ended 31 December 2019). The final dividend of HK$0.16 per share of RMB40,612,000 (after exchange realignment) was paid on 16 July 2021.

The interim dividend of HK$0.08 per share of RMB20,067,000 (after exchange realignment) was declared on 27 August 2021 and was paid on 17 December 2021.

32. CAPITAL RISK MANAGEMENT

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

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

32. CAPITAL RISK MANAGEMENT (Continued)

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

	2021 RMB'000	2020 RMB'000
Indebtedness	**658,987**	468,831
Less: Bank and cash balances (including pledged deposits)	**(72,049)**	(106,780)
Net indebtedness	**586,938**	362,051
Total equity	**630,395**	647,867
Net debt-to-equity percentage	**93%**	56%

33. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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. 17% (2020: 13%) of the trade receivables were due from the five largest customers of the Group, all of which have long term business relationships with the Group. The directors of the Company believe that the credit risk of trade receivables is not significant.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

As at 31 December 2021

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

As at 31 December 2020

	Weighted average lifetime ECLs rate	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Collective assessment				
Not past due	0.00%	502,534	—	502,534
Past due				
1–90 days	0.00%	22,851	—	22,851
91–180 days	20.20%	175	(35)	140
181–270 days	51.20%	554	(284)	270
		526,114	(319)	525,795
Individual assessment	100%	7,318	(7,318)	—
Total		533,432	(7,637)	525,795

There is no material change in the ECLs rates for trade receivables aged past due between 91–180 days and 181–270 days as at 31 December 2021 and 2020 mainly due to no significant change in the historical default rates of trade receivables based on which the ECLs rates are determined. The ECLs rates also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**7,637**	7,657
Impairment loss recognised	**980**	1,481
Reversal of impairment loss previously recognised	**(134)**	(182)
Written off	**(1,351)**	(1,319)
At end of year	**7,132**	7,637

For other receivables and deposits, the directors of the Company periodically assess individually the recoverability of deposits and other receivables based on historical settlement records, past experience and also quantitative and qualitative information including forward-looking information available without undue cost or effort at reporting date. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs. For the year ended 31 December 2021 and 2020, the Group assessed the ECLs for deposits and other receivables were insignificant and thus no loss allowance was recognised.

33. 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 proposed borrowings exceed certain predetermined authorised levels. The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2021					
Trade and other payables	**328,191**	**328,191**	**328,191**	**–**	**–**
Bank and other borrowings	**359,407**	**370,520**	**357,955**	**12,565**	**–**
Loans from immediate holding company	**61,489**	**62,816**	**62,816**	**–**	**–**
Lease liabilities	**238,091**	**312,579**	**31,924**	**109,560**	**171,095**
	987,178	**1,074,106**	**780,886**	**122,125**	**171,095**
As at 31 December 2020					
Trade and other payables	350,806	350,806	350,806	–	–
Bank and other borrowings	299,827	309,991	301,194	8,797	–
Lease liabilities	169,004	218,130	26,891	75,304	115,935
	819,637	878,927	678,891	84,101	115,935

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

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

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

	2021		2020	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate borrowings:				
Bank loans, secured	**3.85%**	**330,000**	3.89%	265,000
Other borrowings, secured	**10.20%**	**29,407**	10.01%	34,827
Lease liabilities	**10.15%**	**238,091**	9.72%	169,004
		597,498		468,831
Floating rate borrowings:				
Loans from immediate holding company	**2.92%-3.26%**	**61,489**	—	—
		658,987		468,831

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

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

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in interest rates at 31 December 2021 with all other variables held constant:

	2021 RMB'000	2020 RMB'000
Increase by 1%	**(513)**	—
Decrease by 1%	**513**	—

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

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

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

	2021 RMB'000	2020 RMB'000
Assets or liabilities denominated in HK$		
Bank balances and cash	**627**	3,403
Trade receivables, bills receivables, other receivables, deposits and prepayments	**853**	460
Trade and other payables	**(38)**	(36)
Lease liabilities	**(380)**	(1,781)
	1,062	2,046
Assets or liabilities denominated in US$		
Bank balances and cash	**1,200**	4,576
Trade receivables, bills receivables, other receivables, deposits and prepayments	**630**	1,560
Trade and other payables	**(1,525)**	(1,300)
	305	4,836
Overall net exposure	**1,367**	6,882

33. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

The following table indicates the approximate change in the Group's profit for the year ended 31 December 2021 and 2020 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.

	2021		2020	
	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%**	**53**	5%	102
	(5%)	**(53)**	(5%)	(102)
US$	**5%**	**15**	5%	242
	(5%)	**(15)**	(5%)	(242)

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

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

34. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital	Proportion of effective equity interest held by the Group 2021	2020	Principal activities, place of operation
Pacific Millennium Packaging Holdings Limited(1)(4) 國際濟豐包裝控股有限公司	12 August 2014, the British Virgin Islands	US$1	**100%**	100%	Investment holding, Hong Kong
Pacific Millennium Paper Group Limited(1)(4) 國際濟豐紙業集團有限公司	21 November 2001, Hong Kong	US$24,695,524	**100%**	100%	Investment holding, Hong Kong
上海濟豐包裝紙業有限公司 Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd. ("SHBP")(2)(3)(5)	29 March 1994, the PRC	RMB246,000,000	**100%**	100%	Sale of packaging materials, the PRC
青島濟豐包裝紙業有限公司 Qingdao Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	21 March 1996, the PRC	US$3,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
蘇州濟豐包裝紙業有限公司 Suzhou Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	23 September 2002, the PRC	US$4,250,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
蕪湖濟豐包裝紙業有限公司 Wuhu Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	14 December 2005, the PRC	US$1,260,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
浙江濟豐包裝紙業有限公司 ZheJiang Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	6 January 2006, the PRC	US$5,560,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
南京濟豐包裝紙業有限公司 Nanjing Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	14 January 2006, the PRC	US$5,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
濟豐包裝(上海)有限公司 Pacific Millennium Packaging Corporation(2)(6)	10 October 2008, the PRC	US$500,000	**100%**	100%	Sale of packaging materials, the PRC
大連濟豐包裝紙業有限公司 Dalian Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	15 November 2007, the PRC	US$3,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC
天津濟豐包裝紙業有限公司 Tianjin Pacific Millennium Packaging & Paper Industries Co., Ltd.(2)(6)	14 February 2007, the PRC	US$6,000,000	**100%**	100%	Manufacture and sale of packaging materials, the PRC

34. PARTICULARS OF SUBSIDIARIES (Continued)

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

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

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

(3) The authorised/registered capital of the respective subsidiaries listed above were fully paid as at 31 December 2021 except for the registered capital of SHBP, TCBP and CZBP which have paid up capital of RMB245,886,135, US$10,087,957and US$nil respectively.

(4) The legal entity is private limited company.

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

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

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables, bills receivables, other receivables and deposits	**659,563**	567,299
Pledged deposits	**13,250**	11,250
Bank balances and cash	**58,799**	95,530
	731,612	674,079
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**328,191**	350,806
Loans from immediate holding company	**61,489**	—
Bank and other borrowings	**359,407**	299,827
Lease liabilities	**238,091**	169,004
	987,178	819,637

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

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

The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as at 31 December 2021 and 2020 were assessed to be insignificant. The carrying values of the non-current portion of bank and other borrowings also approximate their fair values as at 31 December 2021 and 2020.

36. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2021 RMB'000	2020 RMB'000
Non-current asset			
Investments in subsidiaries		**168,626**	168,626
Current assets			
Amounts due from subsidiaries		**242,608**	244,433
Prepayments		**109**	—
Bank balances and cash		**334**	3,503
		243,051	247,936
Current liabilities			
Other payables		**39**	36
Net current assets		**243,012**	247,900
Total assets less current liabilities		**411,638**	416,526
Equity			
Share capital	26	**2,442**	2,442
Reserves	27	**409,196**	414,084
Total equity		**411,638**	416,526

37. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The significant non-adjusting event which took place after 31 December 2021 is set out in the section headed "Significant event after the Year" in the Report of the Directors.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 29 March 2022.

Five-Year Financial Summary

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**2,400,426**	2,041,606	2,073,856	2,019,410	1,664,102
Profit before income tax	**62,330**	113,219	109,255	127,956	120,241
Income tax expense	**(18,701)**	(34,800)	(33,071)	(37,684)	(34,347)
Profit for the year	**43,629**	78,419	76,184	90,272	85,894

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**1,642,345**	1,487,370	1,670,042	1,666,359	1,109,623
Total liabilities	**(1,011,950)**	(839,503)	(1,038,379)	(965,830)	(742,669)
Net assets	**630,395**	647,867	631,663	700,529	366,954

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

The financial information for the years ended 31 December 2018 and 2017 was extracted from the prospectus of the Company dated 10 December 2019.