

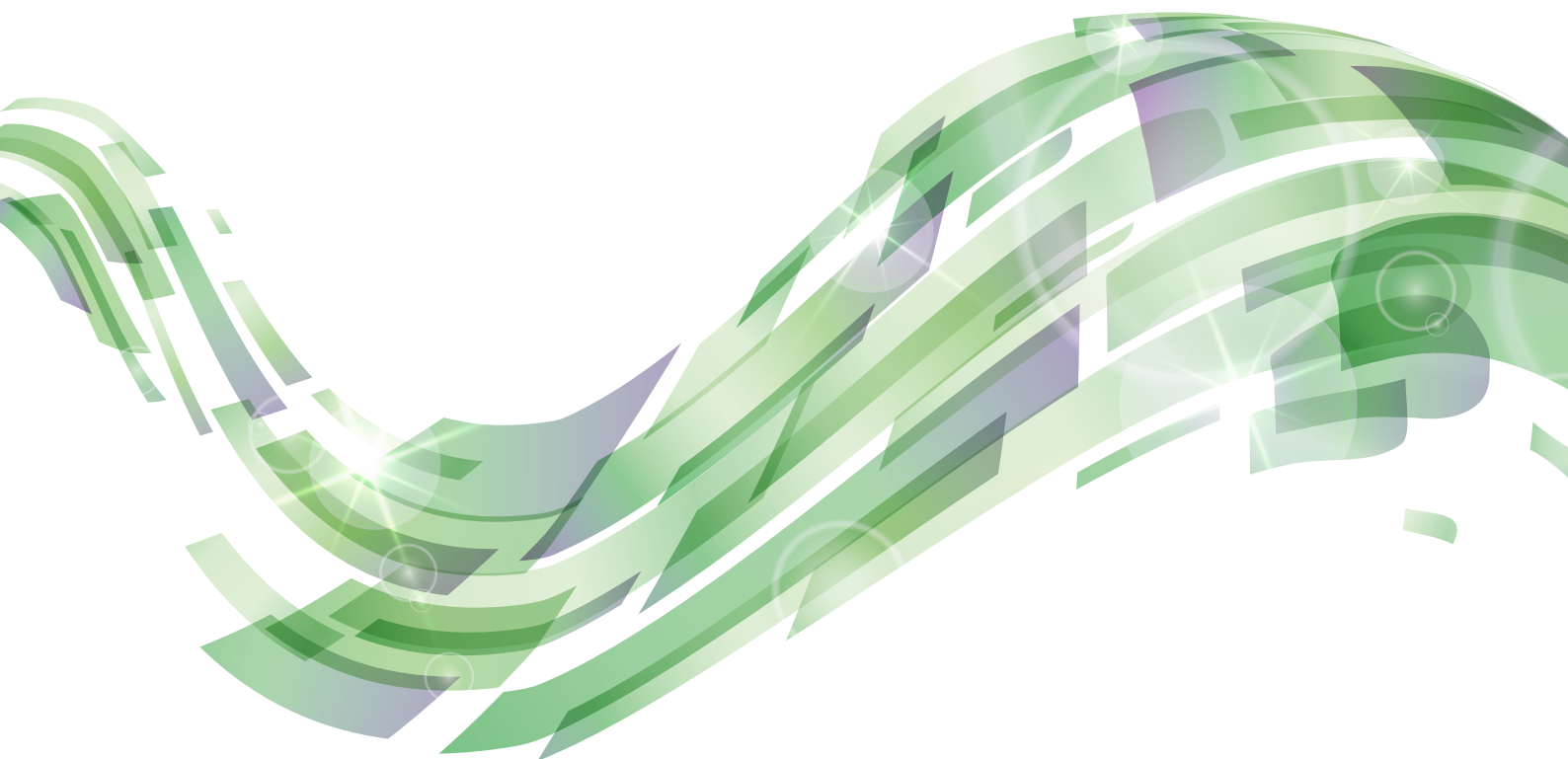


PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1820



GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION 國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	75,158,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	7,516,000 Shares (subject to adjustment)
Number of International Offer Shares	:	67,642,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$4.76 plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1820

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date or such later date as may be agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, but in any event, not later than Wednesday, 19 December 2018. The Offer Price will be not more than HK\$4.76 and is currently expected to be not less than HK\$3.98, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 19 December 2018 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$4.76 for each Offer Share, together with a 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK\$4.76 as finally determined. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our website at www.pmpgc.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscription or purchase of, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting – Underwriting arrangements and expenses – Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

10 December 2018

EXPECTED TIMETABLE ^(Note 1)

If there is any change in the following expected timetable, we will issue an announcement on the website of our Company at www.pmpgc.com and the website of the Stock Exchange at www.hkexnews.hk.

Latest time to complete electronic applications under the

White Form eIPO service through the designated website,

www.eipo.com.hk ^(Note 2) 11:30 a.m. on
Thursday, 13 December 2018

Application lists of the Hong Kong Public Offer open at ^(Note 3) 11:45 a.m. on
Thursday, 13 December 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms 12:00 noon on
Thursday, 13 December 2018

Latest time to complete payment of **White Form eIPO** applications

by effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on
Thursday, 13 December 2018

Latest time for giving **electronic application instructions**

to HKSCC ^(Note 4) 12:00 noon on
Thursday, 13 December 2018

Application lists close ^(Note 3) 12:00 noon on
Thursday, 13 December 2018

Expected Price Determination Date ^(Note 5) Friday, 14 December 2018

Announcement of the final Offer Price, the level of indication

of interest in the International Offer, the level of applications

of the Hong Kong Public Offer and the basis of allocation

of the Hong Kong Offer Shares to be published on the website of the

Stock Exchange at www.hkexnews.hk, and on the website of

our Company at www.pmpgc.com ^(Note 6) Thursday, 20 December 2018

Results of allocations in the Hong Kong Public Offer

(with successful applicants' identification document numbers

or Hong Kong business registration numbers, where appropriate)

to be available through a variety of channels, including the website

of the Stock Exchange at www.hkexnews.hk and the website of

our Company at www.pmpgc.com (for details, please see the section

headed "How to apply for the Hong Kong Offer Shares –

11. Publication of results" in this prospectus) on or before Thursday, 20 December 2018

Results of allocations in the Hong Kong Public Offer

will be available at www.iporesults.com.hk (alternatively:

English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a "search by ID" function from Thursday, 20 December 2018

EXPECTED TIMETABLE *(Note 1)*

Despatch/collection of share certificates or deposit of
the share certificates into CCASS in respect of wholly or
partially successful applications pursuant to
the Hong Kong Public Offer on or before *(Notes 7 & 10)* Thursday, 20 December 2018

Despatch of refund cheques in respect of wholly or partially successful applications
(if applicable) or wholly or partially unsuccessful applications in case
the final Offer Price is less than the maximum Offer Price paid for
the applications pursuant to the Hong Kong Public Offer
on or before *(Notes 8 to 11)* Thursday, 20 December 2018

Despatch of **White Form** e-Refund payment instructions/refund cheques
(if applicable) in respect of wholly or partially unsuccessful
applications on or before *(Note 8 to 11)* Thursday, 20 December 2018

Dealings in Shares on the Stock Exchange
to commence at 9:00 a.m. on Friday, 21 December 2018

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated.
2. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process by completing payment of application monies until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 13 December 2018, the application lists will not open or close on that day. Please refer to the section headed “How to apply for the Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to apply for the Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Friday, 14 December 2018, and in any event will be on or before 5:00 p.m. on Wednesday, 19 December 2018 (Hong Kong time). If, for any reason, the Offer Price is not agreed on or before 5:00 p.m. on Wednesday, 19 December 2018 (Hong Kong time), the Global Offering will not proceed.
6. The announcement will be available for viewing on the “Main Board – Results of allotment” page on the Stock Exchange’s website at www.hkexnews.hk. Information contained in our website does not form part of this prospectus.
7. Share certificates will only become valid at 8:00 a.m. on Friday, 21 December 2018 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.
8. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the maximum Offer Price of HK\$4.76 per Offer Share. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE *(Note 1)*

9. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. Part of your Hong Kong identity card number or passport number or, if you are joint applicants, part of the Hong Kong identity card or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to a delay in encashment or may invalidate your refund cheque.
10. Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 20 December 2018 or such other date as notified by our Company as the date of despatch/collection of share certificates. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus for details.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

11. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application through the designated website at www.eipo.com.hk and whose applications are wholly or partially successful, may collect Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 20 December 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Identification and (where applicable) authorisation documents acceptable to our Share Registrar must be produced at the time of collection. For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, Share certificate(s) will be sent to the address specified in the applicant's application instructions through the designated website at www.eipo.com.hk on or before Thursday, 20 December 2018, by ordinary post and at the applicant's own risk. Applicants who paid the application monies from a single bank account may have e-Refund payment instructions (if any) despatched to the application payment bank account on Thursday, 20 December 2018. Applicants who used multiple bank accounts to pay the application monies may have refund cheques (if any) despatched to the applicants on or before Thursday, 20 December 2018.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus for details of the structure and conditions of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, affiliates, advisors, agents or representatives or any person or party involved in the Global Offering. Information contained in our website, located at www.pmpgc.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before deciding to invest in the Offer Shares.

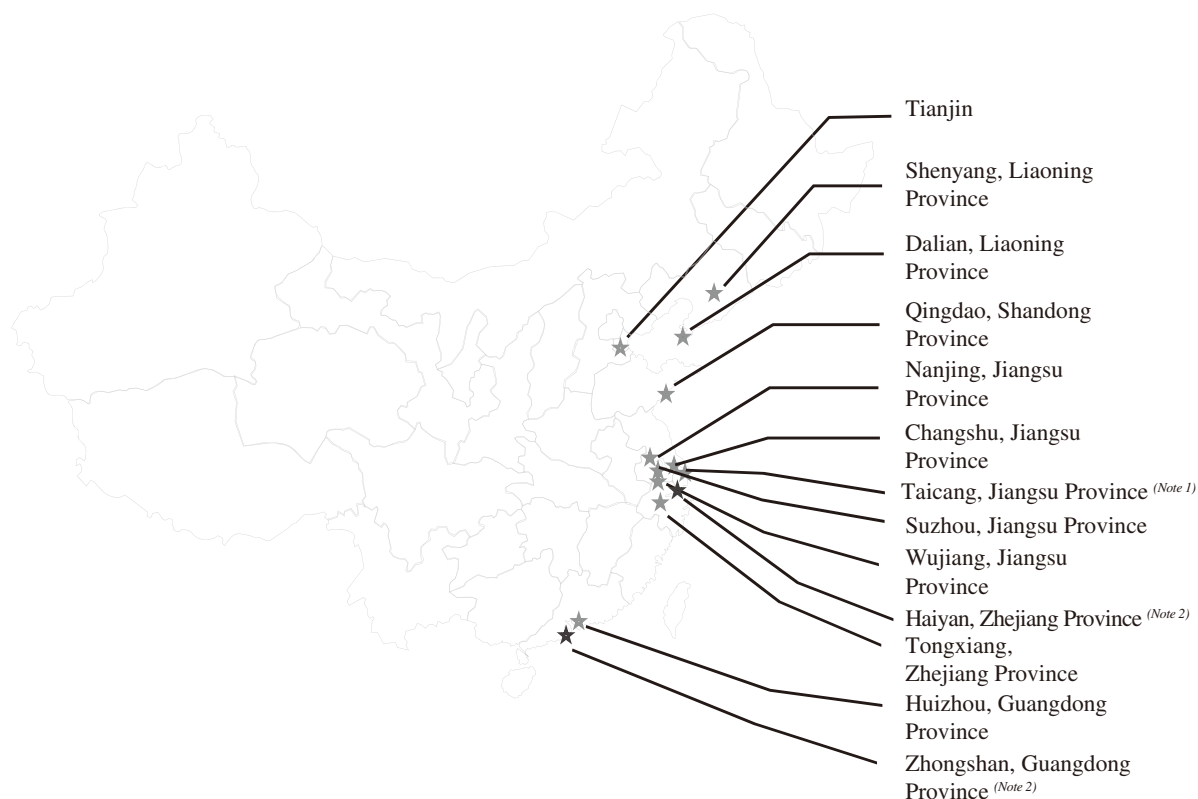
OVERVIEW

We are a corrugated packaging supplier in the PRC with over 20 years of experience and are 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.

According to Frost & Sullivan, we were the seventh largest corrugated packaging supplier in the PRC in terms of revenue for the year ended 31 December 2017. The corrugated packaging industry in China is a highly fragmented market, while we ranked seventh among the corrugated packaging companies in the PRC, we had a market share of approximately 0.65% in the PRC in terms of revenue for the year ended 31 December 2017, according to Frost & Sullivan. The corrugated packaging industry is cyclical to macroeconomic environment and, according to Frost & Sullivan, the growth rate of the selling price of corrugated sheet boards and corrugated boxes in the PRC is expected to stabilise after 2019.

As at the Latest Practicable Date, we operate eleven production plants located in northern, north-eastern, eastern and southern regions of the PRC all of which are equipped with corrugators that have the capacity to produce both corrugated sheet boards and corrugated packaging products. In addition to our new production plants in Huizhou, Guangdong Province and Taicang, Jiangsu Province, the commercial production of which commenced in the second quarter and fourth quarter of 2018, respectively, we intend to establish two production plants in the eastern and southern regions of the PRC. For details, please refer to the sections headed under “Business – Business strategies” and “Future plans and use of proceeds – Use of proceeds”.

The map below shows the geographical coverage of our existing production plants and production plants to be established in the PRC:



SUMMARY

Notes:

1. The production plant in Taicang, Jiangsu Province had not yet commenced commercial production during the Track Record Period.
2. Our Group plans to establish two new production plants in Haiyan, Zhejiang Province and Zhongshan, Guangdong Province and is in the course of selecting suitable site for the production plants as at the Latest Practicable Date.

Our eleven production plants occupy a total gross floor area of approximately 228,015.8 sq.m.. Our maximum production capacity for the three years ended 31 December 2017 were 472.0 million sq.m., 555.4 million sq.m. and 572.6 million sq.m., respectively. Our annualised maximum production capacity for the six months ended 30 June 2018 was 615.6 million sq.m..

COMPETITIVE STRENGTHS

Our Directors consider that our success and potential growth are attributable to the following competitive strengths:

- Our long operating history and established market position have enabled us to capture the growth potential of and to further expand our market share in the PRC corrugated packaging industry
- Our production plants are strategically located in the northern, north-eastern, eastern and southern regions of China and in close proximity to our customers
- We have a solid and long-standing relationship with our major customers, a majority of which are leading players in their respective industries
- We have adopted central procurement and production scheduling systems which enable us to effectively control our costs and optimise our production process with the help of our highly automated and well-implemented ERP system
- Our commitment to providing quality packaging products and packaging solutions as well as environmentally and socially responsible practices has distinguished us from our competitors and put us in a better position in attracting and maintaining internationally renowned customers
- We have an experienced management team with proven track record in the corrugated packaging industry

For details, please refer to the section headed “Business – Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

We strive to further strengthen our market position in the corrugated packaging industry in the PRC. In anticipation of the future growth potential of the PRC corrugated packaging industry brought about by rising demand and market consolidation, we will continue to seek opportunities to realise sustainable growth of our business and increase shareholder value. To achieve this, we plan to focus on the following strategies:

- Continue to expand our network of production plants and service radius coverage to further enhance our geographical coverage and market penetration
- To upgrade our production facilities and purchase new machinery and equipment for our existing production plants to further enhance our production efficiency
- Continue to focus on developing our e-commerce, express delivery and logistic service customer base

For details, please refer to the section headed “Business – Business strategies” in this prospectus.

SUMMARY

PRICING

We set the selling prices of our products based on a cost plus basis and in general, our Group is able to pass on the increase in raw material costs to our customers. Pricing with customers was normally discussed on a half-yearly or yearly basis, when price of raw paper, which is our key raw material, was generally stable before the sudden surge in the third quarter of 2016. In light of the raw paper price fluctuation from the third quarter of 2016 onwards, we review and discuss pricing with our customers each time when the raw paper price fluctuates. Notwithstanding the sudden surge of raw paper prices in the third quarter of 2016, we had been able to pass on most of the increase in raw paper prices to our customers and maintained relatively stable gross profit margins of approximately 21.9%, 20.5% and 21.0% for the three years ended 31 December 2017, respectively. We recorded a slightly lower gross profit margin of 19.5% for the six months ended 30 June 2018 primarily due to the combined results of (i) the increased revenue contributions by two of our major customers to whom we sold our corrugated packaging products at relatively lower gross profit margins mainly because of the discount offered for increased sales volume during the six months ended 30 June 2018, and (ii) the lower gross profit margin recorded by GDBP, which holds our new production plant in Huizhou which commenced commercial production in the second quarter of 2018 and accepted orders from customers at relatively lower margins to better utilise its production capacities in the early development stage. The corrugated packaging industry is cyclical to macroeconomic environment and, according to Frost & Sullivan, the growth rate of the selling price of corrugated sheet boards and corrugated boxes in the PRC is expected to stabilise after 2019. For details, please refer to the section headed “Financial information – Period-to-period comparison of results of operations – Six months ended 30 June 2018 compared with six months ended 30 June 2017 – Gross profit and gross profit margin” in this prospectus.

For details regarding our pricing policy, please refer to the section headed “Business – Sales and marketing – Pricing policy” in this prospectus.

CUSTOMERS AND SUPPLIERS

As at the Latest Practicable Date, we had over 2,000 customers. Out of our top ten customers for the six months ended 30 June 2018, six had a stable business relationship with us for more than five years. During the three years ended 31 December 2017 and the six months ended 30 June 2018, sales to our top five customers amounted to approximately RMB242.2 million, RMB215.9 million, RMB329.1 million and RMB171.6 million, representing approximately 22.6%, 18.2%, 19.9% and 18.9% of our total revenue, respectively. To our Directors’ best knowledge and belief, each of our top five customers during the Track Record Period is an Independent Third Party and none of our Directors or their respective close associates, or Shareholders holding more than 5.0% of the issued share capital of our Company had any interest in our top five customers during the Track Record Period and up to the Latest Practicable Date.

For details, please refer to the section headed “Business – Sales and marketing – Customers” in this prospectus.

As at the Latest Practicable Date, we had around 900 suppliers. For the six months ended 30 June 2018, all of our top five suppliers had more than five years of business relationship with our Group. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our Group’s purchased from our five largest suppliers amounted to approximately RMB485.2 million, RMB554.9 million, RMB861.0 million and RMB535.8 million, respectively, which in aggregate accounted for approximately 67.3%, 67.4%, 71.4% and 76.6%, respectively, of our Group’s total purchases. To our Directors’ best knowledge and belief, each of our top five suppliers during the Track Record Period is an Independent Third Party and none of our Directors or their respective close associates, or Shareholders holding more than 5.0% of the issued share capital of our Company had any interest in our top five suppliers during the Track Record Period and up to the Latest Practicable Date.

For details, please refer to the section headed “Business – Procurement – Suppliers” in this prospectus.

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, since 2017, the drastic fluctuation of prices of raw materials has crushed small-scale manufacturers in the corrugated packaging market. Acquisitions and mergers took

SUMMARY

place within the industry leading to market consolidation. In 2017, market share of the top five corrugated packaging companies in terms of revenue in China was 6.5%, implying a highly fragmented market as compared to other developed countries such as the United States, Japan, Italy and Germany, whose top five corrugated packaging companies accounted for 75.0%, 68.0%, 57.0% and 46.0%, respectively, of the total revenue of their respective corrugated packaging markets in 2017. Although the Chinese corrugated packaging market is still highly fragmented, the industry has been undergoing market consolidation. With the expansion of leading competitors and implementation of stricter environmental regulations by the Chinese government, it is expected that market consolidation in China will accelerate and concentration rate will further increase. According to Frost & Sullivan, in terms of revenue, our Group ranked seventh in China and ranked second in both Yangtze River Delta Region and Bohai Rim Region in 2017.

For details, please refer to the section headed “Industry overview” in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

Highlights of our consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	1,075,227	1,186,794	1,664,102	713,035	905,960
Gross profit	235,005	243,784	348,794	160,390	176,598
Profit before income tax expenses	51,587	70,845	120,241	72,241	61,550
Profit for the year/period	30,183	53,145	85,894	53,360	43,151
Total comprehensive income for the year/period	29,846	55,961	85,766	51,923	41,593

Revenue

All of our corrugated packaging products are customised according to our customers’ needs and specification including materials, dimensions, thickness and artwork to be printed. We generate revenues through the sale of (i) corrugated packaging products, which mainly include corrugated boxes, as well as a small portion of corrugated pallet, display stand, heavy duty packaging and specialised packaging products; and (ii) corrugated sheet boards in the PRC. The following table sets out a breakdown of our revenue by products and their respective sales volumes and average selling prices for the years/periods indicated:

(i) Revenue by products

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Product type										
Corrugated packaging products	935,577	87.0	1,044,037	88.0	1,516,253	91.1	638,058	89.5	826,461	91.2
Corrugated sheet boards	139,650	13.0	142,757	12.0	147,849	8.9	74,977	10.5	79,499	8.8
Total	1,075,227	100.0	1,186,794	100.0	1,664,102	100.0	713,035	100.0	905,960	100.0

The increase in our revenue from 2015 to 2016 was mainly attributable to the increased revenue from the sale of corrugated packaging products as a result of the increased sales volume. The increase in our revenue from 2016 to 2017 and from the six months ended 30 June 2017 to the six months ended 30 June 2018 was mainly attributable to the increased revenue from the sale of corrugated packaging products as a result of both (i) the increase in average selling price, and (ii) the increase in sales volume.

SUMMARY

(ii) Sales volume and average selling price by products

	2015		Year ended 31 December 2016		2017		Six months ended 30 June 2017		Six months ended 30 June 2018	
	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.
Product type										
Corrugated packaging products	295,633,317	3.16	340,193,423	3.07	363,052,019	4.18	162,847,504	3.92	185,087,544	4.47
Corrugated sheet boards	63,907,840	2.19	62,465,163	2.29	44,603,779	3.31	24,041,564	3.12	22,173,256	3.59
Total	359,541,157	2.99	402,658,586	2.95	407,655,798	4.08	186,889,068	3.82	207,260,800	4.37

The increase in our sales volume from 2015 to 2016 was mainly attributable to the increase in sales volume for corrugated packaging products as a result of both (i) the contributions of sales volumes from JSBP and CSBP, which started operations in 2016, and (ii) the increased sales volumes recorded by our other production plants. The increase in our sales volume from 2016 to 2017 was mainly attributable to the increase in sales volume for corrugated packaging products as a result of both (i) the full year effect of sales volume contribution from CSBP in 2017, which started operations in April 2016, and (ii) the increased sales volumes recorded by our other production plants, which was partially offset by the decrease in sales volume for corrugated sheet boards as a result of our strategy to focus more of our resources on the manufacture and sale of corrugated packaging products which have higher gross profit margins. The increase in our sales volume for the six months ended 30 June 2018 as compared to the same period last year was mainly attributable to both (i) the contribution of sales volume from GDBP, which started operations in the second quarter of 2018, and (ii) the increased sales volumes recorded by our other production plants, which was partially offset by the decrease in sales volume for corrugated sheet boards.

Our average selling price remained relatively stable from 2015 to 2016. The increase in average selling price from 2016 to 2017 and from the six months ended 30 June 2017 to the six months ended 30 June 2018 was mainly attributable to the increase in average selling price for both corrugated packaging products and corrugated sheet boards as resulted mainly from the passing on of our increased purchase price of raw paper to our customers.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by product types for the years/periods indicated:

	2015		Year ended 31 December 2016		2017		Six months ended 30 June 2017		Six months ended 30 June 2018	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000 (unaudited)	Gross profit margin % (unaudited)	Gross profit RMB'000	Gross profit margin %
Product type										
Corrugated packaging products	213,903	22.9	221,935	21.3	321,407	21.2	146,660	23.0	166,721	20.2
Corrugated sheet boards	21,102	15.1	21,849	15.3	27,387	18.5	13,730	18.3	9,877	12.4
Total	235,005	21.9	243,784	20.5	348,794	21.0	160,390	22.5	176,598	19.5

SUMMARY

The increase in gross profit from 2015 to 2016 was mainly attributable to the increase in our revenue, which was partially offset by the decrease in our gross profit margin. The increase in gross profit from 2016 to 2017 was mainly attributable to the increases in both our revenue and gross profit margin. The increase in gross profit for the six months ended 30 June 2017 to the six months ended 30 June 2018 was mainly attributable to the increase in our revenue, which was partially offset by the decrease in our gross profit margin.

The decrease in our gross profit margin from 2015 to 2016 was mainly attributable to the decrease in gross profit margin for corrugated packaging products as resulted from the relatively lower gross profit margins being recorded by JSBP and CSBP in 2016. The increase in our gross profit margin from 2016 to 2017 was mainly attributable to (i) the higher portion of our sales being contributed by the sale of corrugated packaging products which have higher gross profit margin; and (ii) the increase in gross profit margin for corrugated sheet boards as a greater portion of our production capacity was allocated to our corrugated packaging products production in view of the increased customer demand, which allowed us to be more selective and provide corrugated sheet boards to customers with higher gross profit margins. The decrease in gross profit margin for the six months ended 30 June 2018 as compared to the same period last year was mainly attributable to (i) the increase in revenue contributions by two of our major customers, to whom we sold our corrugated packaging products at relatively lower gross profit margins, mainly because of the discount offered for increased sales volume during the six months ended 30 June 2018; and (ii) the lower gross profit margin recorded by GDBP, which holds our new production plant in Huizhou which commenced commercial production in the second quarter of 2018 and accepted orders from customers at relatively lower gross profit margins to better utilise its production capacities in the early development stage.

Others

We recorded a relocation compensation of EIT paid as other income in the amount of approximately RMB20.4 million for the year ended 31 December 2016, which represented reimbursement by the local government of EIT paid by us in 2014 on the relocation compensation received. Please refer to the section headed “Financial information – Discussion of selected consolidated statements of comprehensive income items – Other income and other gain and losses, net” in this prospectus for further details.

For further details, please refer to the section headed “Financial information” in this prospectus.

Highlights of our consolidated statements of financial position

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Non-current Assets	326,492	352,509	420,869	484,938
Current Assets	483,683	683,383	688,754	927,989
Current liabilities	447,822	606,196	679,335	911,507
Net current assets	35,861	77,187	9,419	16,482
Non-current liabilities	24,806	36,188	63,334	92,873
Total equity	337,547	393,508	366,954	408,547

SUMMARY

Summary of our consolidated statements of cash flows

Cash flows

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Net cash generated from operating activities	108,479	63,002	90,234	114,086
Net cash used in investing activities	(11,957)	(28,002)	(50,064)	(156,273)
Net cash (used in)/generated from financing activities	(140,629)	73,434	(148,483)	108,083
Net (decrease)/increase in cash and cash equivalents	(44,107)	108,434	(108,313)	65,896
Cash and cash equivalents at the beginning of the year/period	118,124	74,501	183,408	73,767
Effect of exchange rate changes on cash and cash equivalents	484	473	(1,328)	381
Cash and cash equivalents at the end of the year/period	<u>74,501</u>	<u>183,408</u>	<u>73,767</u>	<u>140,044</u>

For details, please refer to the section headed “Financial information – Liquidity and capital resources – Cash flow analysis” in this prospectus.

Key Financial Ratios

The following table sets forth our Group’s key financial ratios for the Track Record Period:

	As at 31 December			As at
	2015	2016	2017	30 June
				2018
Current ratio ^(Note 1)	1.08	1.13	1.01	1.02
Quick ratio ^(Note 2)	0.93	0.98	0.84	0.85
Gearing ratio ^(Note 3)	0.73	0.93	0.99	1.38
Debt to equity ratio ^(Note 4)	0.41	0.41	0.76	0.75

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June
				2018
Net profit margin ^(Note 5)	2.8%	4.5%	5.2%	4.8%
Interest coverage ratio ^(Note 6)	5.24	5.68	7.91	5.92
Return on equity ^(Note 7)	9.4%	14.5%	21.4%	22.4%
Return on assets ^(Note 8)	3.6%	5.8%	8.0%	6.9%

Notes:

- Current ratio represents current assets divided by current liabilities as at the end of period.
- Quick ratio represents current assets (net of inventories) divided by current liabilities as at the end of period.
- Gearing ratio represents total borrowings divided by total equity as at the end of period.
- Debt to equity ratio is calculated by dividing net debt by total equity as at the end of period.
- Net profit margin is calculated by the profit for the year/period divided by the revenue for the year/period.
- Interest coverage represents profit before interest and tax divided by interest recorded during the year/period.

SUMMARY

7. Return on equity is calculated by dividing profit for the year/period by average of beginning and closing total equity plus dividend declared but not paid for the year/period. Profit for the period is adjusted on an annualised basis.
8. Return on assets is calculated by dividing profit for the year/period by average of beginning and closing total assets for the year/period. Profit for the period is adjusted on an annualised basis.

For further details of the key financial ratios, please refer to the section headed “Financial information – Key financial ratios” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Controlling Shareholders include Mr. Richard Tan, PMHC, Golden Ford, Elite Age and Star Concord. Immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, our Controlling Shareholders (except Mr. Richard Tan who was/is not, and will not be, interested in any Shares) will continue to be (or deemed to be) interested in aggregate of 180,379,200 Shares, representing approximately 60% of the issued and outstanding share capital of our Company. As (i) each of PMHC, Golden Ford, Elite Age and Star Concord are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power of general meetings of our Company immediately following the Listing; and (ii) Mr. Richard Tan, the protector of the TCC Entrepreneur Trust and the sole director of PMHC, is entitled to, despite he has no interest in any Share, indirectly exercise or control the exercise of 30% or more of the voting power of general meetings of our Company or in a position to control the composition of a majority of our Board, each of Mr. Richard Tan, PMHC, Golden Ford, Elite Age and Star Concord shall be regarded as a Controlling Shareholder under the Listing Rules.

For details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

DIVIDENDS

For the two years ended 31 December 2016, our Group did not distribute any dividends to our shareholders. For the year ended 31 December 2017, an interim dividend of US\$16,580,000 (equivalent to approximately RMB112,320,000) was declared of which US\$10,295,000 (equivalent to approximately RMB69,823,000) and US\$6,285,000 (equivalent to approximately RMB39,793,000) was paid during the year ended 31 December 2017 and the six months ended 30 June 2018, respectively. For the six months ended 30 June 2018, our Group did not distribute any dividends to our shareholders. Dividend payments are discretionary and will be subject to the recommendation of our Board and approval of the Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in a given year in the future will depend on, among others, our Group’s results of operations, available cash flows and financial conditions, operating and capital requirements, the amount of distributable profits based on the IFRSs, the Articles, applicable laws and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future.

The historical dividend payments may not be indicative of future dividend trends. We currently do not have a formal dividend policy or a fixed dividend payout ratio. There can be no assurance that any dividends will be paid. Investors should consider the risk factors affecting our Group as set out under the section headed “Risk factors” and the cautionary notice regarding the forward-looking statements contained under the section headed “Forward-looking statements” in this prospectus. For details, please refer to the section headed “Financial information – Dividend” in this prospectus.

LEGAL COMPLIANCE AND LITIGATION

As at the Latest Practicable Date, to the best knowledge of our Directors, there were no litigation or arbitration proceedings pending or threatened against our Group that could have a material adverse effect on our financial conditions and results of operations. Up to the Latest Practicable Date, our Group had certain non-compliance matters which we had rectified. For details, please refer to the section headed “Business – Non-compliance” in this prospectus.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In addition to our then existing production plants in the northern, north-eastern and eastern regions of the PRC, we have extended our presence in the southern region of the PRC since the establishment of GDBP in December 2016, which holds our new production plant in Huizhou, Guangdong Province, the PRC, the commercial production of which was commenced in the second quarter of 2018; and have further strengthened our establishment in the eastern region of the PRC since the establishment of TCBP in August 2017, which holds our new production plant in Taicang, Jiangsu Province, the PRC, the commercial production of which was commenced in the fourth quarter of 2018. For the six months ended 30 June 2018, GDBP had an annualised maximum production capacity of 45.0 million sq.m. We estimate that TCBP will contribute an additional annual production capacity of 116.2 million sq.m. to our Group. Please refer to the section headed “Business” in this prospectus for details.

Our Directors confirmed that there had been no material adverse change in the operation, financial or trading position or prospect of our Group since 30 June 2018 and up to the date of this prospectus.

LISTING EXPENSES INCURRED AND TO BE INCURRED

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. During the Track Record Period, we have incurred listing expenses, including legal, professional and other fees, in connection with the Global Offering. We expect the total estimated amount of listing related fees, including underwriting commissions, with the assumption of an Offer Price of HK\$4.37 per Offer Share (being the mid-point of the Offer Price range) would be approximately HK\$37.2 million, of which approximately HK\$8.6 million and HK\$7.0 million were charged to our administrative expenses for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively. We expect an additional amount of approximately HK\$5.0 million to be further recognised as administrative expenses for the second half of the year ending 31 December 2018, and approximately HK\$16.6 million to be deducted from equity upon the Listing.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses paid and payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$4.37 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$3.98 to HK\$4.76, and the Over-allotment Option is not exercised) are approximately HK\$291.2 million.

Our Directors intend to apply the net proceeds (assuming the mid-point of the indicative Offer Price range is determined and the Over-allotment Option is not exercised) from the Global Offering for the following purposes:

- approximately HK\$214.5 million, representing approximately 73.6% of the net proceeds from the Global Offering, will be used to expand our corrugated box plants network in the eastern and southern regions of the PRC, of which:
 - approximately HK\$107.2 million, representing approximately 36.8% of the net proceeds from the Global Offering will be used to set up the manufacturing facilities in our new production base in Haiyan, Zhejiang Province, the PRC; and
 - approximately HK\$107.2 million, representing approximately 36.8% of the net proceeds from the Global Offering will be used to set up the manufacturing facilities in our new production base in Zhongshan, Guangdong Province, the PRC;
- approximately HK\$49.1 million, representing approximately 16.9% of the net proceeds from the Global Offering, will be used to upgrade our production facilities and purchase new manufacturing facilities; and

SUMMARY

- approximately HK\$27.6 million, representing approximately 9.5% of the net proceeds from the Global Offering, will be used towards working capital and other general corporate purposes.

For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

GLOBAL OFFERING STATISTICS

The unaudited pro forma statement of consolidated net tangible assets of our Group has been prepared by our Directors to illustrate the effect of the Global Offering on the unaudited consolidated net tangible assets of our Group as if the Global Offering had taken place on 30 June 2018.

	Consolidated net tangible assets of our Group as at 30 June 2018 HK\$'000 (Note 1)	Estimated net proceeds from the Global Offering HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of our Group HK\$'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (Note 4)	Market capitalisation HK\$ (Note 5)
Based on an Offer Price of HK\$3.98 per Offer Share	459,453	284,352	743,805	2.47	1,197 million
Based on an Offer Price of HK\$4.76 per Offer Share	459,453	340,509	799,962	2.66	1,431 million

Notes:

1. The consolidated net tangible assets of our Group as at 30 June 2018 have been calculated based on the consolidated total equity as at 30 June 2018 of RMB408.5 million extracted from the Accountants' Report set out in Appendix I to this prospectus and translated to HK\$ at the rate of RMB1 to HK\$1.125.
2. The estimated net proceeds from the Global Offering are based on 75,158,000 Shares (25% of 300,632,000 Shares expected to be in issue immediately following the completion of the Global Offering) at the Offer Price of HK\$3.98 per Offer Share (being the low-end of the Offer Price) and HK\$4.76 per Offer Share (being the high-end of the Offer Price), after deduction of the estimated underwriting commissions and other estimated related expenses which has not yet been accounted for prior to 30 June 2018 and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,632,000 Shares expected to be in issue immediately following the completion of the Global Offering.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions entered into subsequent to 30 June 2018.
5. The market capitalisation is calculated based on 300,632,000 Shares expected to be in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

RISK FACTORS

We have broadly categorised the risks and uncertainties involved in our business and operations into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Shares and the Global Offering. Among these, certain significant risk factors that you should consider may include:

- (a) The prices of key raw materials and the prices of our products may significantly impact our business
- (b) We may experience difficulties in managing our growth
- (c) We may face uncertainties as a result of our recent rapid expansion
- (d) We may not be able to maintain our profit margin in the future
- (e) There may be uncertainty in obtaining external financing and significant level of borrowings and we may be adversely affected by increases in interest rates
- (f) If we are unable to maintain our existing level of production capacity utilisation rates, our margins and profitability may be materially and adversely affected

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of technical terms” in this prospectus.

“Ample Bright”	Ample Bright Management Limited, a company incorporated under the laws of BVI with limited liability on 6 January 2004;
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) or, where the context so requires, any of them to be used in connection with the Hong Kong Public Offer;
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 30 November 2018 and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in Appendix III to this prospectus;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of our Company established by our Board;
“Board”	the board of directors of our Company;
“Business Day”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business;
“BVI”	the British Virgin Islands;
“CAGR”	compound annual growth rate;
“Cayman Islands”	the Cayman Islands, a British Overseas Territory;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;

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“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant;
“China” or “PRC”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Hong Kong, Macau and Taiwan;
“Chinese Government” or “PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“Chongqing Stone Tan”	Chongqing Stone Tan Financial Leasing Company Limited* (重慶談石融資租賃有限公司), a company incorporated under the laws of the PRC with limited liability on 10 November 2010 and principally engaging in the business of provision of finance lease service. It is an associate of Golden Ford (a Controlling Shareholder) and thus a connected person of our Company;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time;
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Company”, “our Company”, “we” or “us”	Pacific Millennium Packaging Group Corporation (國際濟豐包裝集團), a company incorporated under the laws of the Cayman Islands on 31 July 2014 as an exempted company with limited liability, and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which was subsequently assumed by it;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;

DEFINITIONS

“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“Controller”	Mr. Richard Tan, the protector of the TCC Entrepreneur Trust and the sole director of PMHC, who is able to exercise the control of 30% or more voting rights in our Company by virtue of his capacity as the protector of the TCC Entrepreneur Trust;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in case of our Company, means Star Concord, Elite Age, Golden Ford, PMHC and the Controller;
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“CSBP”	Changshu Pacific Millennium Packaging & Paper Industries Co., Ltd.* (常熟濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 23 June 2015 and an indirect wholly owned subsidiary of our Company;
“Deed of Indemnity”	the deed of indemnity dated 30 November 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein), details of which are set out in the section headed “D. Other information – 1. Estate duty, tax and other indemnity” in Appendix IV to this prospectus;
“Deed of Non-competition”	the deed of non-competition executed by our Controlling Shareholders in favour of our Company on 30 November 2018, details of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertaking” in this prospectus;
“Director(s)”	the director(s) of our Company;
“DLBP”	Dalian Pacific Millennium Packaging & Paper Industries Co., Ltd.* (大連濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 15 November 2007 and an indirect wholly owned subsidiary of our Company;
“Dr. Su”	Dr. Su Morley Chung Wu, an independent non-executive Director;
“EIT”	the PRC Enterprise Income Tax;

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“EIT Law”	the Enterprise Income Tax Law of the PRC (《企業所得稅法》), as amended, supplemented or otherwise modified from time to time;
“Elite Age”	Elite Age International Limited, a company incorporated under the law of BVI with limited liability on 5 January 2004 and a Controlling Shareholder;
“Fortune China”	Fortune China Resources Limited, a company incorporated under the laws of BVI with limited liability on 30 March 2006 and is the corporate trustee of the TCC Education Trust with Mr. Richard Tan as the officer;
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, which is an Independent Third Party;
“GDBP”	Guangdong Pacific Millennium Packaging & Paper Industries Co., Ltd.* (廣東濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 20 December 2016 and an indirect wholly owned subsidiary of our Company;
“GDP”	gross domestic product;
“Global Offering”	the Hong Kong Public Offer and the International Offer;
“Golden Ford”	Golden Ford Investments Limited, a company incorporated under the laws of the Independent State of Samoa with limited liability on 3 July 2002 and a Controlling Shareholder;
“ GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited;
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of the present subsidiaries, the present subsidiaries and the business carried on by the subsidiaries or, as the case may be, the predecessors;
“HFBP”	Hefei Pacific Millennium Packaging & Paper Industries Co., Ltd.* (合肥濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 4 March 2010 and an indirect wholly owned subsidiary of our Company, and was deregistered on 13 March 2014;

DEFINITIONS

“HK\$” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“HKSCC Nominees”	HKSCC Nominees Limited;
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC;
“Hong Kong Offer Shares”	the 7,516,000 Shares initially offered by us for subscription pursuant to the Hong Kong Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Global Offering” in this prospectus;
“Hong Kong Public Offer”	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1% of the Offer Price, SFC transaction levy of 0.0027% of the Offer Price and Stock Exchange trading fee of 0.005% of the Offer Price) on the terms and conditions described in this prospectus and the Application Forms;
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting” in this prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 7 December 2018 relating to the Hong Kong Public Offer entered into among our Company, our Controlling Shareholders, the executive Director, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – Hong Kong Underwriting Agreement” in this prospectus;
“IFRSs”	International Financial Reporting Standards;
“Independent Third Party(ies)”	a person or persons or a company or companies which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquires, is not or are not our connected person(s) within the meaning ascribed under the Listing Rules;

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“International Offer Shares”	the 67,642,000 Shares being initially offered by our Company pursuant to the International Offer, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure and conditions of the Global Offering” in this prospectus;
“International Offer”	the offering of International Offer Shares by the International Underwriters, as further described in the section headed “Structure and conditions of the Global Offering” in this prospectus;
“International Underwriters”	the underwriters of the International Offer that are expected to enter into the International Underwriting Agreement;
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or before the Price Determination Date by, amongst other parties, our Company, our Controlling Shareholders, the executive Director, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters in respect of the International Offer, as further described in the section headed “Underwriting – International Underwriting Agreement” in this prospectus;
“Joint Bookrunners”	SPDBI Capital, Mason Securities Limited, China Industrial Securities International Capital Limited, Crosby Securities Limited, Shenwan Hongyuan Capital (H.K.) Limited, China Tonghai Securities Limited, Dongxing Securities (Hong Kong) Company Limited, Yicko Securities Limited, Blackwell Global Securities Limited and Fulbright Securities Limited;
“Joint Lead Managers”	SPDBI Capital, Mason Securities Limited, China Industrial Securities International Capital Limited, Crosby Securities Limited, Shenwan Hongyuan Capital (H.K.) Limited, China Tonghai Securities Limited, Dongxing Securities (Hong Kong) Company Limited, Yicko Securities Limited, Blackwell Global Securities Limited and Fulbright Securities Limited;
“JSBP”	Jiangsu Pacific Millennium Packaging & Paper Industries Co., Ltd.* (江蘇濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 6 July 2015 and an indirect wholly owned subsidiary of our Company;

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“KSBP”	Kunshan Pacific Millennium Packaging Co., Ltd.* (昆山濟豐包裝有限公司), a company incorporated under the laws of the PRC with limited liability on 25 May 2010 and an indirect wholly owned subsidiary of our Company which was deregistered on 9 February 2017;
“Latest Practicable Date”	30 November 2018, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication;
“Lead Forward”	Lead Forward Limited (領前有限公司), a company incorporated under the laws of BVI with limited liability on 2 January 2014 and a shareholder of our Company holding 20% interest immediately prior to the Global Offering;
“Listing”	listing of the Shares on the Main Board;
“Listing Committee”	the listing subcommittee of the board of directors of the Stock Exchange;
“Listing Date”	the date, expected to be on or about Friday, 21 December 2018, on which our Shares are listed and dealings in our Shares commence on the Main Board;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, (as amended, supplemented or otherwise modified from time to time);
“Macau”	the Macao Special Administrative Region of the PRC;
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the GEM of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the GEM of the Stock Exchange;
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 30 November 2018 and which will become effective upon Listing, as amended from time to time, a summary of which is set out in Appendix III to this prospectus;
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部);

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“Mr. Cheng”	Mr. Cheng Hsien-Chun (鄭顯俊), a shareholder holding 87.7% of Lead Forward and also an executive Director and chairman of the Board of our Company;
“Mr. Chow”	Mr. Chow Tien-Li (周天力), a shareholder holding 5% of Lead Forward and also a non-executive Director of our Company;
“Mr. Lan”	Mr. Lan Tsung-Hsien (藍宗賢), a shareholder holding 7.3% of Lead Forward and also a senior management of our Company;
“Mr. Leon Tan”	Mr. Tan Li-an (談理安), the protector of the TCC Education Trust and the sole director of Elite Age. He is the younger brother of Mr. Richard Tan;
“Mr. Richard Tan”	Mr. Tan Richard Lipin (談理平), the protector of the TCC Entrepreneur Trust and the Controller. He is the elder brother of Mr. Leon Tan;
“Mr. Tsai”	Mr. Tsai Wen Hao (蔡文豪), the officer of the trustee of TCC Entrepreneur Trust;
“Mr. Wang”	Mr. Wang Jisheng (王計生), an independent non-executive Director;
“NJBP”	Nanjing Pacific Millennium Packaging & Paper Industries Co., Ltd.* (南京濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 14 January 2006 and an indirect wholly owned subsidiary of our Company;
“Nomination Committee”	the nomination committee of our Company established by the Board;
“NPC”	National People’s Congress of the People’s Republic of China (中華人民共和國全國人民代表大會), the national legislative body of the PRC;

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“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$4.76 and expected to be not less than HK\$3.98, at which the Offer Shares are to be offered for subscription pursuant to the Global Offering, to be agreed upon by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and us on or before the Price Determination Date;
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares issued pursuant to the Over-allotment Option;
“Over-allotment Option”	the option granted by us to the International Underwriters exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to 11,273,000 Shares at the Offer Price (representing approximately 15% of the Shares initially being offered under the Global Offering) to cover overallocation in the International Offer, the details of which are described in the section headed “Underwriting – Over-allotment Option” in this prospectus;
“PMHC”	Pacific Millennium Holdings Corporation, a company incorporated under the laws of BVI with limited liability on 23 December 1996 and a Controlling Shareholder;
“PM Industries”	Pacific Millennium Industries Corporation, a company incorporated under the Laws of BVI with limited liability on 31 October 1991;
“PM Investment”	Pacific Millennium Investment Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on 19 May 1999;
“PMPC”	Pacific Millennium Packaging Corporation* (濟豐包裝(上海)有限公司), a company incorporated under the laws of the PRC with limited liability on 10 October 2008 and an indirect wholly-owned subsidiary of our Company;
“PMPG (HK)”	Pacific Millennium Paper Group Limited (國際濟豐紙業集團有限公司), a company incorporated under the laws of Hong Kong with limited liability on 21 November 2001 and an indirect wholly-owned subsidiary of our Company;

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“PMPHL”	Pacific Millennium Packaging Holdings Limited (國際濟豐包裝控股有限公司), a company incorporated under the laws of BVI with limited liability on 12 August 2014 and a direct wholly-owned subsidiary of our Company;
“PRC Company Law”	the Company Law of the PRC 《中華人民共和國公司法》, as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time;
“PRC Government” or “State”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“PRC Legal Advisers”	King & Wood Mallesons, the legal adviser to our Company as to the laws of the PRC;
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price;
“Price Determination Date”	the date expected to be on or before Friday, 14 December 2018 or such later time as Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree but in any event not later than Wednesday, 19 December 2018 on which the Offer Price is determined;
“QDBP”	Qingdao Pacific Millennium Packaging & Paper Industries Co., Ltd.* (青島濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 21 March 1996 and an indirect wholly owned subsidiary of our Company;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Remuneration Committee”	the remuneration committee of our Company established by our Board;
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganisation and corporate structure” in this prospectus;

DEFINITIONS

“RMB” and “Renminbi”	the lawful currency of the PRC;
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of HK\$0.01 each;
“Shareholder(s)”	holders of the Shares;
“SHBP”	Shanghai Pacific Millennium Packaging & Paper Industries Co., Ltd.* (上海濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 29 March 1994 and an indirect wholly owned subsidiary of our Company;
“SCNPC”	The Standing Committee of the National People’s Congress (全國人民代表大會常務委員會);
“Smart Legend”	Smart Legend Limited, a company incorporated under the laws of BVI on 28 October 2002, which was ultimately wholly-owned by the father of Mr. Richard Tan;
“SPDBI Capital” or “Sole Sponsor”	SPDB International Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, acting as the sponsor to the Listing;
“SPDBI Capital” or “Sole Global Coordinator”	SPDB International Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, acting as the sole global coordinator of the Global Offering;
“Star Concord”	Star Concord Worldwide Limited, a company incorporated under the laws of BVI with limited liability on 8 March 2006 and is the corporate trustee of the TCC Entrepreneur Trust with Mr. Tsai as the officer;
“State Council”	the State Council of the PRC (中華人民共和國國務院);

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“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into between PMHC and SPDBI Capital pursuant to which SPDBI Capital may borrow up to 11,273,000 Shares from PMHC for the purpose of covering over-allocation in the International Offer;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance;
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules;
“SYBP”	Shenyang Pacific Millennium Packaging & Paper Industries Co., Ltd.* (瀋陽濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 5 September 2013 and an indirect wholly owned subsidiary of our Company;
“SZBP”	Suzhou Pacific Millennium Packaging & Paper Industries Co., Ltd.* (蘇州濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 23 September 2002 and an indirect wholly owned subsidiary of our Company;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by SFC (as amended, supplemented or otherwise modified from time to time);
“Tax”	all forms of taxation, estate duties, deductions, withholdings, duties, imposts, levies, fees, charges, social security contributions and rates imposed, levied, collected, withheld or assessed by any local, municipal, regional, urban, governmental, state, federal or other body in Hong Kong, Macau, the PRC, the BVI, Samoa or the Cayman Islands and any interest, additional taxation, penalty, surcharge or fine in connection therewith;
“TCBP”	Taicang Pacific Millennium Packaging & Paper Industries Co., Ltd.* (太倉濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 23 August 2017 and an indirect wholly owned subsidiary of our Company;
“TJBP”	Tianjin Pacific Millennium Packaging & Paper Industries Co., Ltd.* (天津濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 14 February 2007 and an indirect wholly owned subsidiary of our Company;

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“Track Record Period”	the period comprising the three years ended 31 December 2017 and the six months ended 30 June 2018;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“United States” or “U.S.”	the United States of America;
“US\$” or “U.S. dollars”	the lawful currency for the time being of the United States;
“VAT”	value-added tax;
“WHBP”	Wuhu Pacific Millennium Packaging & Paper Industries Co., Ltd.* (蕪湖濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 14 December 2005 and an indirect wholly owned subsidiary of our Company;
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ name(s);
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk ;
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited;
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS;
“YTBP”	Yantai Pacific Millennium Packaging & Paper Industries Co., Ltd.* (煙台濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 27 April 2006 and an indirect wholly owned subsidiary of our Company which was deregistered on 18 June 2013;

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“ZJBP”	Zhejiang Pacific Millennium Packaging & Paper Industries Co., Ltd.* (浙江濟豐包裝紙業有限公司), a company incorporated under the laws of the PRC with limited liability on 6 January 2006 and an indirect wholly owned subsidiary of our Company; and
“%”	per cent.

Unless expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at an exchange rate of HK\$1.00 = RMB0.8892 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.

The English names of the PRC entities, the PRC laws or regulations or the PRC government authorities mentioned in this prospectus are translation or transliteration from their Chinese names and are for identification purpose only. If there is any discrepancy or inconsistency, the Chinese version shall prevail.

GLOSSARY OF TECHNICAL TERMS

“British Standards Institution”	A global service provider of International Standard, business area includes standard development, technology information providing, system certification and quality inspection
“carbon neutral”	a term used to describe the action of achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset, or buying enough carbon credits to make up the difference. It is used in the context of carbon dioxide releasing processes associated with transportation, energy production, and industrial processes
“corrugated carton/corrugated box”	a box made of corrugated sheet boards after printing, die-cutting, and gluing or stapling, which is used for storing, protecting and shipping of goods
“corrugated medium”	paper used to form the corrugated or fluted component of a corrugated sheet board
“corrugated sheet board”	sheet board formed by a corrugator by gluing fluted corrugated medium to one or more sheets of linerboard. The most common types of corrugated sheet board include single-face corrugated board, single-wall corrugated board, double-wall corrugated board and triple-wall corrugated board
“corrugation” or “flute”	the wave shapes or ridges that are pressed into the corrugating medium
“corrugator”	an automated production line which consists of machinery that presses corrugated medium into flutes, applies glue to the corrugated medium and affixes sheets of linerboard to form corrugated sheet board
“die-cutting”	the process of cutting materials into a desired shape using a die
“double-wall corrugated board”	combination of two fluted corrugated medium interleaved with and glued between three sheets of linerboard
“ERP system”	acronym for “Enterprise Resource Planning System”, a software-packaged system which integrates several areas of an organisation such as planning, purchasing, inventory, sales, marketing, finance, and human resources into a single unified system

GLOSSARY OF TECHNICAL TERMS

“flexographic printing”	a type of rotary letterpress printing using flexible plates and fast-drying, water-soluble ink
“heavy duty packaging”	corrugated packaging product made of high grade corrugated sheet board which is used for heavy products that weighs over 55 kg or with a total dimension (length by width by height) of more than 2500 mm
“International Safe Transit Association” or “ISTA”	an organization focused on transportation packaging. ISTA testing program evaluates protecting performance of packaging to the products
“ISO”	the acronym for International Organisation for Standardisation, a worldwide federation of national standards bodies, whose mission is to develop industrial standards that facilitate international trade
“ISO 9001”	the requirements specified by the ISO for a quality management system where an organisation needs to demonstrate its ability to consistently provide product that meets customer and applicable regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable regulatory requirements
“ISO 14001”	the requirements specified by the ISO for an environmental management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organisation subscribes, and information about significant environmental aspects
“key raw material”	raw paper, including corrugated medium and linerboard
“kg”	kilograms
“km”	kilometres
“linerboard”	paperboard used for the inner layers and outer facings of corrugated sheet board. The two common types of linerboard are kraft linerboard and test linerboard

GLOSSARY OF TECHNICAL TERMS

“OHSAS 18001”	Occupational Health and Safety Assessment Series, which is the internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“pallet” or “corrugated pallet”	a large tray or platform made primarily from corrugated sheet board for carrying goods which are being lifted or placed in storage, especially one that can be raised by a fork-lift truck
“Radio Frequency Identification Technology” or “RFID”	A communication technology to identify the specific target, read and write related data through radio signal without establish mechanical or optical contact between identify system and specific target
“single-face corrugated board”	combination of one fluted corrugated medium glued to one sheet of linerboard
“single-wall corrugated board”	combination of one fluted corrugated medium glued between two sheets of linerboard
“special packaging”	a type of corrugated packaging products that is used for the packaging of special products such as flammable or explosive products, fragile products etc.
“triple-wall corrugated board”	combination of three fluted corrugated medium interleaved with and glued between four sheets of linerboard
“m”	metres
“m ² ” or “sq.m.”	square metres
“m ³ ”	cubic metres
“mm”	millimetres

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “project”, “anticipate”, “seek”, “may”, “will”, “would” and “could” or similar words or statements, in particular, in the sections headed “Business” and “Financial information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Financial information” with respect to trends in prices, volumes;
- operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

FORWARD-LOOKING STATEMENTS

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

Investing in the Offer Shares involves a high degree of risk. You should carefully consider all the information set forth in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares. Our business, financial conditions, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

There are certain risks and uncertainties involved in our business and operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Shares and the Global Offering.

RISKS RELATING TO OUR BUSINESS

The prices of key raw materials and the prices of our products may significantly impact our business.

Our business operations are affected by the prices of our key raw materials and our products. Our successful operations depend on our ability to obtain from our suppliers sufficient quantities of key raw materials at acceptable prices and quality levels in a timely manner. Linerboard and corrugated medium are the most important raw materials in our Group's production chain. For the three years ended 31 December 2017 and the six months ended 30 June 2018, the procurement amount of linerboard accounted for approximately 48.0%, 49.2%, 51.3% and 53.0% of our total purchase while corrugated medium accounted for approximately 35.0%, 36.2%, 37.2% and 37.9% of our total purchase for the respective years/period.

As the purchase of linerboard and corrugated medium comprises a substantial portion of our total purchase, any increase in the cost of linerboard and corrugated medium may have a negative impact on our results of operations and prospects.

As the prices of these key raw materials are affected from time to time by a number of factors including general economic conditions, environmental and conservation regulations and their demand and supply situation, they may fluctuate beyond our expectation and control.

Our Group does not deploy any financial instrument to hedge the price risks of key raw materials. As such, there is no guarantee that we are able to procure sufficient key raw materials at competitive price. In the event that the prices of these key raw materials fluctuate under abnormal conditions and/or there is a shortage in supply, it may result in disruption to our production schedule and could have a negative impact on our financial conditions and profitability. Furthermore, if our Group fails to pass on such increase in key raw materials costs to our customers, it may adversely affect our profit margin.

RISK FACTORS

We may experience difficulties in managing our growth.

The revenue of our Group grew from approximately RMB1,075.2 million for the year ended 31 December 2015 to RMB1,186.8 million for the year ended 31 December 2016 and further to RMB1,664.1 million for the year ended 31 December 2017 while the net profit of our Group grew from approximately RMB30.2 million to RMB53.1 million and further to RMB85.9 million for the same period. The revenue of our Group increased from approximately RMB713.0 million for the six months ended 30 June 2017 to RMB906.0 million for the six months ended 30 June 2018, while the net profit of our Group decreased from approximately RMB53.4 million to RMB43.2 million for the same period.

As our production plants already reached an average estimated production capacity utilisation rate of approximately 70.2% for the six months ended 30 June 2018, our future growth may be adversely affected if we are not able to expand our production capacity in time to meet the growing demand for our products. For further details of utilisation rates of our production plants, please refer to the section headed “Business – Production – Production capacity and utilisation rate” in this prospectus. Whether we will be able to achieve or maintain similar level of growth in the future will be subject to a number of factors that may be beyond our control, including but not limited to whether market demand for corrugated paper packaging products will continue to sustain, whether we are able to achieve the expected operational efficiency and whether we are able to capture business opportunities in a timely and effective manner. There is no assurance that we will be able to achieve or maintain similar level of growth in turnover and profit in the future.

We may face uncertainties as a result of our recent rapid expansion.

We plan to expand our production capacity by expanding our production plants network in eastern and southern regions of the PRC and upgrading our existing production facilities and purchasing new machinery and equipment for our existing production plants. For details of our expansion plans, please refer to the sections headed “Business – Business strategies” and “Future plans and use of proceeds” in this prospectus. Such expansion may place a significant strain on our managerial, operational and financial resources. The successful implementation of such plans will depend on a number of factors that may be beyond our control, including but not limited to our ability to manage our expansion, our ability to achieve operational efficiency and any unforeseen difficulties which may arise in the setting up of new production lines or plants, or the reengineering and modification of our existing production facilities. As a result, we may incur additional start-up costs or our cost of production may increase and thus adversely affect our profit margin in the short run.

Moreover, the implementation of our expansion plans is subject to other operational and market risks, including the inability to procure, or delays in receiving, the equipment and technology necessary for expansion, delays or complications in the design and roll-out of new technologies, or delays in obtaining or the inability to obtain government approvals or the requisite licences. If we fail to effectively manage these risks, our ability to meet our expansion goals would be limited, and the implementation of such expansion plans may be delayed. Further, there may be an increase in costs, or an impediment with respect to our growth rate. Accordingly, our business operations and expansion plans could be materially and adversely affected, and we may not be able to sustain our historical rates of growth and maintain our position.

RISK FACTORS

We may not be able to maintain our profit margin in the future.

We achieved gross profit margin of approximately 21.9%, 20.5%, 21.0% and 19.5%, respectively, for the three years ended 31 December 2017 and the six months ended 30 June 2018. For the same period, our net profit margin was approximately 2.8%, 4.5%, 5.2% and 4.8%, respectively. The corrugated packaging industry is cyclical to macroeconomic environment and, according to Frost & Sullivan, the growth rate of the selling price of corrugated sheet boards and corrugated boxes in the PRC is expected to stabilise after 2019. As our profitability is dependent upon a number of factors some of which are beyond our control, such as price of raw materials, labour and other production costs, market competition and the market demands for our customers' products, there is no assurance that we will be able to maintain such gross profit margins or net profit margins in the future as those in the Track Record Period. Our results during the Track Record Period were commensurate with the cyclical business cycle in the corrugated packaging industry and any price fluctuation would have a material adverse impact on our profit margin. Accordingly, our financial conditions may be adversely affected.

There may be uncertainty in obtaining external financing and significant level of borrowings and we may be adversely affected by increases in interest rates.

We have relied on short-term borrowings to fund a portion of our capital requirements, and we expect to continue to do so in the future. As at 31 December 2015, 2016 and 2017 and 30 June 2018, we had short-term interest bearing bank borrowings of approximately RMB165.2 million, RMB299.0 million, RMB243.3 million and RMB405.7 million, representing approximately 20.4%, 28.9%, 21.9% and 28.7% of our total assets for the same period, respectively. All our existing bank borrowings are from banks in the PRC.

We may not be able to obtain bank loans or renew existing credit facilities in the future on favourable terms, if at all. Further, any fluctuation in interest rates will affect the amount of debt payments. If adequate funding is not available to us on favourable terms, if at all, we may not be able to fund our existing operations and develop or expand our business and therefore our business, financial conditions and results of operations may be materially and adversely affected.

If we are unable to maintain our existing level of production capacity utilisation rates, our margins and profitability may be materially and adversely affected.

During the three years ended 31 December 2017 and the six months ended 30 June 2018, we achieved estimated production capacity utilisation rates of approximately 76.2%, 72.7%, 71.6% and 70.2%, respectively, for our corrugated sheet boards and corrugated packaging products. For details of the estimated production capacity utilisation rates of each of our production plants, please refer to the section headed "Business – Production – Production capacity and utilisation rate" in this prospectus. The utilisation rates of our production plants depend primarily on the demand for our products. The utilisation rates may also be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters and breakdown of our production equipment. There is no assurance that we will be able to maintain a comparable level of output and utilisation rates for our Group's production plants in the future. In the event that we are unable to maintain the existing level of utilisation rates for any or all of our production plants, our business, financial conditions and operating results may be materially and adversely affected.

RISK FACTORS

We rely on the continuous service of our executive Director and senior management and may be adversely affected by the loss of key executives.

Our ability to effectively implement our business plans and maintain continuous growth is dependent on the continuous and committed services of our executive Director, namely, Mr. Cheng and members of our senior management, namely, Ms. Long Yanping, Mr. Jiang Xiaogang and Mr. Lan. Our executive Director and senior management play an important role in the management of our daily operations and implementation of our business plans by contributing their technical know-how and managerial experience. Our executive Director and senior management on average have more than 20 years of experience in corrugated packaging industry and have made significant contribution to our Group's development. For details of the credentials and experience of our executive Director and senior management, please refer to the section headed "Directors, senior management and employees" in this prospectus.

There is no assurance that these key executive and members of senior management will not voluntarily terminate their employment with our Group, nor can our Group assure that suitable key executive and senior management team member replacement can be found. If any of our key executive or members of our senior management ceases to work for us, we may not be able to recruit and retain personnel with equivalent or comparable credentials in a timely manner. This may negatively affect our day-to-day management and the operations of our production plants. The departure of one or more of our executive Director or senior management members may thus have a significant adverse impact on the management of our business operations.

We may not be able to maintain an effective quality control system for our products, and any failure or deterioration of our quality control system would adversely affect our operations and financial conditions.

The quality of our products is critical to the success of our business. The quality of our products is mainly dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. For further details of our quality control system, please refer to the section headed "Business – Quality control" in this prospectus. Any failure of our quality control system or non-adherence to the measures under such quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial conditions and results of operations.

The stability and expansion of our operations may be adversely affected by difficulties in recruiting staff, and increasing staff costs.

Our smooth daily operations also depend on our ability to attract and retain management and technical personnel who possess the experience and expertise with respect to the corrugated packaging business for our continuous growth and future success. If we fail to recruit the personnel with the relevant experience at a reasonable cost or at all, it may negatively affect our operations.

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Our production plants are located in major cities of northern, north-eastern, eastern and southern regions of the PRC. According to Frost & Sullivan, along with the continuous growth of economy, the average income level of the Chinese residents has increased continuously in recent years. From 2012 to 2017, the per capita annual disposable income of urban residents increased from approximately RMB24,564.7 to RMB36,396.0, representing a CAGR of approximately 8.2%. The salary level of employees in manufacturing industry in the PRC has also been increasing in recent years. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our staff costs amounted to approximately RMB135.3 million, RMB146.6 million, RMB170.5 million and RMB73.9 million, respectively, representing approximately 12.6%, 12.4%, 10.2% and 8.2% of our revenue during the respective periods. Frost & Sullivan estimates that by 2022, the per capita annual disposable income of urban residents and rural residents are projected to grow at a CAGR of 7.7% and 8.3% respectively, from 2017. In view of the rising cost of living and hence the need to pay higher salary to attract staff, we may not be able to increase the prices of our products high enough to pass these increased staff costs onto our customers, in which case our business and results of operations would be materially and adversely affected.

We generally do not enter into long-term contracts with our customers and are thus subject to uncertainty and potential volatility with respect to our revenue from period to period.

Our customers are predominantly end users. Our sales agreements with our customers are normally for a term of one year without minimum procurement undertaking and in the form of “framework agreement” which allows our customers to choose not to renew the agreement normally 30 days before the expiry of the contract period. Accordingly, there is no assurance that any of our major customers will continue to purchase products from us at the same level, or at all, as they have done so historically. The securing of our customers depends on factors such as our marketing strategies, quality of our products, market demand for our products and services and level of competition in the industry.

Should any of our major customers materially reduce their purchases from us or terminate their business relationships with us, our business and financial performance may be adversely affected.

We depend on certain major suppliers.

According to Frost & Sullivan, the industry of linerboard and corrugated medium, i.e. our key raw materials, in the PRC have relatively higher level of concentration. Our total purchase of the key raw materials from our top 3 suppliers accounted for approximately 60.7%, 61.2%, 67.0% and 73.1% of our total purchase for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. We usually entered into one-year framework supply contracts with our suppliers for supply of the key raw materials, but without any price-locking or guarantee of quantity terms. If, for whatever reasons, any of our major suppliers for linerboard and corrugated medium cannot supply us with a sufficient amount of key raw materials, our total cost of purchase may increase or we may face a shortage of the key raw materials for our production. In any of these events, our results could be adversely affected.

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If we fail to collect trade receivables from our customers and/or are exposed to payment defaults by our customers, our cash flow position and results of our operations may be adversely affected.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, our total trade receivables amounted to approximately RMB276.2 million, RMB336.2 million, RMB435.5 million and RMB459.6 million, respectively, and a provisions for impairment of trade receivables of approximately RMB5.2 million, RMB5.6 million, RMB5.3 million and RMB5.8 million, respectively, which represented approximately 1.9%, 1.7%, 1.2% and 1.3% of the total trade receivables for the same period, were made. Our trade receivables of approximately RMB20.7 million, RMB18.8 million, RMB21.0 million and RMB20.4 million, which represented approximately 7.5%, 5.6%, 4.8% and 4.4% of the total trade receivables, were overdue but not impaired as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Please refer to the section headed “Financial information – Discussion of selected consolidated statements of comprehensive income items – Impairment loss or gain on trade receivables” in this prospectus for further details regarding our trade receivables that were overdue but not impaired. During the Track Record Period, impairment loss on trade receivables recorded and recognised in profit or loss amounted to approximately RMB4.0 million, RMB1.2 million, RMB1.1 million and RMB0.8 million, respectively, for the relevant period. Please refer to Note 10 to the Accountants’ Report contained in Appendix I to this prospectus for further details. We cannot assure you that we will be able to collect all trade receivables, in particular those overdue by more than three months from our customers. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause provisions for trade receivables to be made in the future, and may adversely affect our cash flow position and results of operations.

Our inventories may be subject to write-off if they are not effectively managed.

Our inventories consist primarily of raw materials, work in progress, finished goods and consumables. Our inventories increased by approximately RMB22.3 million from approximately RMB66.7 million as at 31 December 2015 to approximately RMB89.0 million as at 31 December 2016, by approximately RMB29.1 million from approximately RMB89.0 million as at 31 December 2016 to approximately RMB118.1 million as at 31 December 2017 and further by approximately RMB35.5 million from approximately RMB118.1 million as at 31 December 2017 to approximately RMB153.6 million as at 30 June 2018. During the Track Record Period, impairment loss on inventories recorded and recognised in profit or loss amounted to approximately RMB1.0 million, RMB0.6 million, RMB1.2 million and RMB1.0 million, respectively. Please refer to Note 10 to the Accountants’ Report contained in Appendix I to this prospectus for further details. We cannot assure you that we can effectively manage our inventory levels or would not have significant levels of obsolete or excessive inventories. In the event we cannot effectively manage our inventory levels, our business, financial conditions and results of operations could be materially adversely affected.

The increase in our Group’s net profit for the year ended 31 December 2016 was largely contributed by, among others, the receipt of the one-off relocation compensation of EIT paid which is non-recurring in nature.

Our net profit increased by approximately 75.8% from approximately RMB30.2 million for the year ended 31 December 2015 to approximately RMB53.1 million for the year ended 31 December 2016, which was largely contributed by, among others, the increase in our other income and other gain and losses, net during the year. Other income and other gain and losses, net of our Group increased by approximately 457.8% from approximately RMB4.5 million for the year ended 31 December 2015 to

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approximately RMB25.1 million for the year ended 31 December 2016 and decreased by approximately 87.3% from approximately RMB25.1 million for the year ended 31 December 2016 to approximately RMB3.2 million for the year ended 31 December 2017. Such fluctuation was mainly due to the one-off relocation compensation of EIT paid of approximately RMB20.4 million received from the People's Government of Nanxiang Town, Jiading District, Shanghai, the PRC being recorded, which is non-recurring in nature, for the year ended 31 December 2016 but not for the year ended 31 December 2015 or 2017. Please refer to Note 8 to the Accountants' Report contained in Appendix I to this prospectus for further details. Potential investors should note that net profit of our Group may fluctuate due to any non-recurring events to our Group.

We may face risks relating to the real properties we leased.

As at the Latest Practicable Date, six of our eleven production plants were leased from Independent Third Parties. During the Track Record Period, the leased production plants of DLBP and SYBP had title defects. As at the Latest Practicable Date, renewal of the land use right for the parcel of land leased by DLBP had been completed and the lessor of production plant occupied by SYBP had obtained its building ownership certificate (for details, please refer to the section headed "Business – Non-compliance" in this prospectus). However, we cannot assure you that we would not be affected by the punishment that may be imposed on the relevant lessors for their previous failure in obtaining necessary permits or certificates timely.

We have certain non-compliance issues with our self-owned buildings during the Track Record Period.

Our failure to obtain the requisite PRC government approvals, permits and the land use right certificates may result in such buildings being considered as illegal and unauthorised structures. Pursuant to the relevant PRC laws, the competent authorities may order demolition or, forfeiture of such buildings and/or require us to pay a penalty. Please refer to the section headed "Business – Properties – Owned properties" in this prospectus for further details. If we are forced to relocate or are ordered to pay any penalty due to the above non-compliance issues, our financial position may be adversely affected.

We may face risk regarding the recoverability of deferred tax assets.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, deferred tax asset has been recognised in respect of unused tax losses of approximately RMB19,955,000, RMB24,752,000, RMB13,783,000 and RMB16,673,000, respectively, while no deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB2,766,000, nil, RMB4,802,000 and RMB6,474,000, respectively, 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. While the deferred tax assets may enable our Group to reduce future tax payments, our deferred tax assets may also pose risk to us as its recoverability is dependent on our ability to generate sufficient future taxable profits before the expiry of the related tax losses.

We cannot assure you that the deferred tax assets can be recovered. In case that we are unable to generate sufficient taxable profits to utilise the tax losses before their expiry, we may have to write-down the deferred tax assets, which may significantly affect our profit and loss and financial conditions in the year of the write-down.

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We rely on independent logistic companies and delivery agents.

The success of our operation depends on the timely delivery of our products to our customers which depends, in turn, on an effective transportation infrastructure.

We do not have our own transportation team. During the Track Record Period and up to the Latest Practicable Date, we entered into contracts with independent logistic companies and delivery agents for transportation or delivery of our products to locations designated by our customers. Should the logistic companies and delivery agents fail to comply with the terms of our contracts with them or any regulatory requirements, they may fail to transport or deliver our products to our customers in a timely manner or at all. Our business, financial performance and operations may thereby be adversely affected.

The logistics service providers we engaged are normally responsible for any loss or damage to our products during delivery and are responsible for the insurance coverage in respect of our products delivered by them. There is no assurance that those logistics service providers have sufficient insurance coverage for our products delivered by them, if at all. As such, our customers may have liability claims against us if there is loss or damage to our products during delivery and the logistics service providers do not have any or sufficient insurance coverage. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims are ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial conditions and results of operations.

We may experience breakdown in our information technology system that could adversely affect our business, financial conditions and operations results.

We depend heavily on the stable operations of our information technology system including the ERP system, the Bluebook system and RFID recognition system. ERP system is a comprehensive software designed to integrate business processes and functions, by permitting the sharing of common data and practices in a real-time environment; Bluebook system keeps track the maintenance and repairing data and RFID recognition system to manage and track our key raw materials. Any breakdown in our information technology system could adversely affect our business, financial conditions and operating results.

Our sales may be affected by seasonality.

Our sales have been affected by seasonality in the past. Revenue fluctuations throughout the year are common for the corrugated paper packaging products industry which is subject to seasonal variation. We generally record higher sales revenue in the third quarter each year. Also, we normally experience a surge in orders which need to be delivered before the Chinese New Year period and before “double 11”, where most online shopping malls are having big sales on their products. On the other hand, we generally record lower revenue during and around Chinese New Year. We may be exposed to risks associated with such seasonal factors and the fluctuation of demand of our products. Should there be any adverse change of market conditions during the peak season, our profitability may be adversely affected.

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Any unexpected disruption at our production facilities could have a material adverse effect on our business, financial conditions and results of operations.

Smooth and consistent daily operations of our production facilities are highly crucial to our business. Regular repair and maintenance programmes for our production facilities are scheduled by our production department. We cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery happened, our business, financial conditions and results of operations could be adversely impacted.

Our production requires significant and constant supply of electricity and water. If at any time we do not have adequate electricity and water to sustain normal production due to blackouts, shortage of electricity and water, we may need to limit, delay or halt production, and any disruption to such supply may adversely affect our production flow, prevent us from meeting customer orders and/or increase our costs of production, which could adversely affect our business and financial performance.

Developments adverse to our major customers may have a negative impact on our business and performance.

Whether our sales can continue to grow depends, to a large extent, on the business performance of our major customers, which are in turn affected by many factors, including but not limited to consumer preference and market acceptance of their products, as well as the consumer spending power and sentiments in markets where our major customers operate. If there is implementation of any new law or regulation which would lead to a reduction in the sales of our customers' products, the demand for our corrugated paper packaging products may be adversely affected correspondingly.

The trade war between the United States and China may adversely affect our business operations and financial performance.

A recent trade war has been initiated between the U.S. and the PRC, and trade flows for certain products exported from the PRC to the U.S. were impacted. For instance, the export of machinery, vehicles, aircraft, vessels, electrical equipment, technological goods and chemicals, among other goods, from the PRC to the U.S. were subject to a new tariff of 25%.

As disclosed in the section headed "Business – Sales and marketing – Customers" in this prospectus, our major customers during the Track Record Period comprised renowned and/or leading players in the food and beverage, paper and packaging, non-food-and-beverage-consumables, supplier chain solution, e-commerce, home electronics and other industries in the PRC. Although we did not sell directly to customers located in the U.S. during the Track Record Period, our customers may make sales to the U.S. of their own products. As a corrugated packaging supplier, our sales of corrugated packaging products to our customers would depend on the sales of our customers' products, which may be adversely affected if the U.S. imposes any trade restrictions on our customers' products.

As at the Latest Practicable Date, the U.S. had not announced any trade policies under the trade war that may directly impact the above industries our major customers engage in. However, we cannot predict whether any anti-dumping duties, tariffs or quota fees will be imposed on our existing and future customers' products. If any of such duties, tariffs or quota fees are imposed on our customers' products, our customers' sales may be affected and they may in turn reduce their orders to us for corrugated packaging products, which could materially and adversely affect our financial position, business and results of operations.

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In addition, though we mainly procure raw materials from countries outside the U.S. during the Track Record Period, our customers might request our Group to procure from suppliers located in the U.S. If any of our customers designate us to procure raw materials from suppliers located in the U.S. for such raw materials that are impacted by any trade policies under the trade war, our business operations and financial performance might be adversely affected.

RISK RELATING TO THE INDUSTRIES IN WHICH OUR GROUP OPERATES

Our profitability may be adversely affected by the intense competition in the corrugated packaging industry in the PRC.

The products and services of corrugated packaging industry are relatively homogeneous. We compete on the basis of our product quality, consistency, performance and price. If we are unable to control our costs in connection with our planned expansion or anticipate and respond to changing customer preferences, we may not be able to compete successfully. The corrugated packaging industry, in which our Group operates, is fragmented and competitive. The market players compete with each other in terms of brand recognition and quality. If our Group's current and potential competitors have competitive advantage over the quality and variety of corrugated packaging product offerings or price, we may not be able to compete effectively which in turn could have an adverse impact on our sales of corrugated packaging products and our results of business operations.

The PRC economic, political and social conditions, as well as government policies, could adversely affect our business, financial conditions and results of operations.

A substantial part of our business, assets and operations are located in or derived from our operations in the PRC. As a result, our business, financial conditions and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government exerts substantial control over the growth of the domestic economy by means of resource allocation, setting policy on foreign exchange and payment of debts denominated in foreign currencies, setting monetary policy and giving preferential treatment to specific industries or companies. In recent years, the PRC government has implemented market-oriented reforms. Such economic reform measures could be adjusted or revised and may differ between industries or various regions in the PRC. As such, we may not benefit from such measures. Further, there can be no assurance that the PRC government will continue to pursue economic reforms and we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on our current or future business. Even if new policies may benefit our business in the long term, we cannot assure you that we will be able to successfully adjust to such policies. The PRC is one of the fastest-growing economies in the world in recent years, in terms of GDP. Nevertheless, the PRC may fail to sustain such growth rate, and growth rates in recent periods have been lower than that in the past. If there is a slowdown in the economic growth of the PRC or if its economy experiences a recession, demand for our products may also decrease and our business, financial conditions and results of operations may be materially and adversely affected.

Cost of environmental and work safety compliance may adversely affect our business operations and financial results.

Our business is subject to certain PRC laws and regulations relating to environmental and safety matters. Under these laws and regulations, we are required to maintain safe production conditions and to

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protect the occupational health of our employees. We cannot assure you we will not experience any material accidents or work injuries in the course of our manufacturing process in the future. In addition, our manufacturing process produces pollutants such as wastewater, noise and wastepaper. The discharge of pollutants from our production plants into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial conditions or results of operations.

The amended PRC Labour Contract Law, any labour shortages, increased labour cost or other factors affecting our labour force may adversely affect our business, profitability and reputation.

During the Track Record Period, certain of our subsidiaries engaged third party employment agencies to dispatch contract workers for folding and gluing and stacking processes of our corrugated packaging products production and security and cleaning services at our production plants that generally have higher turnover rates. On 28 December 2012, The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**PRC Labour Contract Law**”) was amended to impose more stringent requirements on labour dispatch and more stringent penalties on unlawful labour dispatch practices, and such amendments became effective on 1 July 2013. According to the amendments, the number of dispatched worker that we use may not exceed a certain percentage of our total number of employees to be decided by the Ministry of Human Resources and Social Security of the PRC (人力資源和社會保障部) and the dispatched worker can only engage in temporary, auxiliary or substitutive work. The amended PRC Labour Contract Law also requires dispatched workers and full-time employees doing the same work to receive the same compensation. According to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) (the “**Dispatch Provisions**”) promulgated by the Ministry of Human Resources and Social Security on 24 January 2014, which became effective on 1 March 2014, the number of dispatched worker used by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched workers). The Dispatch Provisions further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched workers to below 10% of the total number of its employees prior to 1 March 2016. In addition, an employer is not permitted to hire any new dispatched worker until the number of its dispatched workers has been reduced to below 10% of the total number of its employees.

The application and interpretation of those new requirements under the amended PRC Labour Contract Law are limited and uncertain. In addition, the amended PRC Labour Contract Law imposes more stringent penalties on unlawful labour dispatch practices. During the Track Record Period, the number of dispatched staff engaged by SZBP, TJBP, CSBP, JSBP and SYBP had exceeded the regulatory threshold. For details, please refer to the section headed “Business – Non-compliance” in this prospectus. If we are found to be in violation of the new rules regulating dispatched worker and fail to rectify the non-compliance within a time limit, a penalty ranging from RMB5,000 to RMB10,000 per headed worker may be imposed on each violation.

In addition, if any dispatched worker suffers losses arising from an employer’s violation of the PRC Labour Contract Law, we will be jointly liable with labour dispatched agent to the relevant

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dispatched workers for such losses. We cannot assure you that, after assumption of such liability, we will successfully obtain reimbursement from the relevant labour dispatched agent.

Epidemics, acts of war and other disasters may adversely affect our operations.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under threat of flood, earthquake, typhoon, sandstorm or drought. Our business, results of operations and financial conditions may be adversely affected if such natural disasters occur. We may be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, it could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our results of operations.

RISKS RELATING TO THE PRC

Most of our assets are located in the PRC and almost all of our revenue is derived from our operations in the PRC. As a result, our assets and operations are subject to significant political, economic, legal and other uncertainties associated with doing business in the PRC, which are discussed below in greater details.

Changes in political and economic policies may have adverse impact on our operations.

We generated all our revenue from sales of products in the PRC during the Track Record Period. We anticipate that revenue from sales of our products in the PRC will continue to represent a large proportion of our total revenue in the medium term as most of our customers are located in the PRC. As such, our results of operations and prospects are and will continue to be subject to economic, legal and political developments in the PRC to a significant extent.

The government involvement plays a pivotal role in affecting many aspects of the PRC economy, such as allocation of resources, capital reinvestment, levels of development, growth rate, and control of foreign exchange. We cannot assure you that there will not be any unfavourable changes in the PRC's political, economic and governmental policies and measures that could impact the industries in which we or our major customers operate, which could in turn diminish the demand for our products.

PRC foreign exchange control may limit our ability to pay dividends and make other payments in foreign currencies.

We receive most of our revenue in RMB, which is not freely-convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our subsidiaries to use our revenue generated in RMB to pay dividends to us. Under existing foreign exchange regulations in the PRC, following completion of the Global Offering, our PRC subsidiaries may make payment of dividends without prior approval from SAFE by producing documents including but not limited to commercial documents evidencing dividend allocation, provided that they are processed through PRC banks licensed to engage in foreign currency transactions. The PRC government has stated publicly that it intends to make the RMB freely convertible in the future. However, uncertainty exists as to whether the PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC, in which case our ability to pay dividends or satisfy other foreign exchange requirements may be adversely affected.

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We may be deemed to be a PRC tax resident and we may be subject to PRC tax on our worldwide income.

We may be considered as a PRC resident enterprise under the EIT Law and be subject to 25% PRC EIT on our global income.

Under the EIT Law, if a non-PRC resident enterprise does not have any establishment in the PRC, or in case such non-PRC resident enterprise has an establishment in the PRC, its income derived from the PRC is not related to its PRC establishment, its income derived from the PRC will be subject to a tax rate of 10%. However, if an enterprise incorporated outside the PRC has its “de facto management organisation” located within the PRC, the enterprise may be recognised as a PRC resident enterprise and thus may be subject to an EIT at the rate of 25% on its worldwide income, excluding equity-investment income such as dividends and bonus between qualified PRC resident enterprises. The term “de facto management organisations” refers to entities exercising overall management and control over issues such as operations, personnel, finance and assets. Substantially all of our management team members are residing in the PRC. If most of them continue to reside in the PRC, there is no assurance that our offshore companies will not be deemed as PRC resident enterprises under the EIT Law and therefore be subject to the EIT at a rate of 25% on our worldwide income.

Dividends from our PRC subsidiaries paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC.

Under the EIT Law, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments in connection with earnings since 1 January 2008 from PRC subsidiaries to their foreign shareholders are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains an approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. In accordance with the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (the “**2015 Administration Measures**”), which was promulgated by SAT on 27 August 2015 and became effective from 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. To enjoy the tax preferential treatment, the nontax resident shall file documents as required by the 2015 Administration Measures with the relevant tax authority when filing tax returns or withholding and declaration through a withholding agent. Such documents include the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the nonresident taxpayer to pay up the non-payment or underpayment of the tax within the specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by

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SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our Hong Kong subsidiary.

The PRC regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may adversely affect the value of your investment.

Our Group plans to finance our PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholders' loans or additional capital contributions, which require registration with, or approvals from, the PRC government authorities. Any shareholders' loans made to our PRC subsidiaries must be registered with the local branch of the SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment which our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of or filing with MOFCOM or its local counterpart.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the requisite government approvals on a timely basis, or at all, with respect to making future borrowings or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. Should we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity as well as our ability to fund and expand our business.

Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC.

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. During the Track Record Period, an interim dividend of US\$16,580,000 (equivalent to approximately RMB112.3 million) was declared for the year ended 31 December 2017. The majority of our business operations are conducted through our subsidiaries in the PRC and hence, our revenue and profit are substantially contributed by our subsidiaries in the PRC.

Our ability to pay dividends to our Shareholders is primarily dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon, amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. There is no assurance that we will be able to declare or distribute any dividend in the future.

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You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers.

Our Company was incorporated under the laws of the Cayman Islands and a substantial part of our businesses, assets and operations are located in the PRC. In addition, most of our Directors and officers are residents of the PRC. As a result, it may not be possible to effect service of legal process upon us or our Directors and officers in the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan and most other western countries. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned 《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. Therefore, it may be difficult for you to enforce against us and our Directors and officers in the PRC any judgments obtained from non-PRC courts.

Moreover, although we will be subject to the Listing Rules and the Takeovers Code upon Listing, our Shareholders will not be able to bring actions on the basis of violation of the Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

Changes and uncertainties in the PRC legal system may have an adverse impact on our operations.

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. Consequently, developments and changes in PRC laws and regulations, including their interpretation and enforcement, may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares, and liquidity and market prices of the Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price will be determined by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and us. The Offer Price may differ from the market price of our Shares after the Global Offering. We cannot give assurances that the Listing of our Shares on the Stock Exchange will result in the development of an active or liquid trading market for the Shares following the Global Offering or in

RISK FACTORS

the future or, if it does develop, that it will be sustained after the Listing or that the market price of our Shares will not decline below the Offer Price.

We may require additional funding for future growth.

We may be presented with opportunities to expand our business through acquisitions and/or building more production plants in the future. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified.

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Global Offering, except Frost & Sullivan and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the

RISK FACTORS

forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Global Offering.

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst reports. We do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provision of the Listing Rules:

CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waiver in relation to certain continuing connected transaction between us and a connected person of our Company under Chapter 14A of the Listing Rules. Please refer to the section headed “Connected transactions” in this prospectus for details.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Group’s business and operations has been and will continue to be located, managed and conducted primarily in the PRC.

Our Board comprises only one executive Director, one non-executive Director and three independent non-executive Directors. At present, Mr. Cheng is the only executive Director and is not an ordinarily resident in Hong Kong or based in Hong Kong.

Due to the geographical focus of our business as set out above, our Directors consider that it would be practically difficult and commercially not feasible for our Company to appoint two executive Directors who are ordinary residents in Hong Kong and station them in Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, an application has thus been made to the Stock Exchange for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules and such waiver has been granted by the Stock Exchange. The arrangements proposed by our Company for maintaining at all times regular, adequate and effective communication with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules are as follows:

- (a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, one of whom is ordinarily resident in Hong Kong, and will act as our Company’s principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. The two authorised representatives appointed are Mr. Cheng, our executive Director, and Mr. Cheung Kai Cheong, Willie, our company secretary appointed pursuant to the Listing Rules. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) our Company shall promptly inform the Stock Exchange if there is any change to the authorised representatives;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) all the authorised representatives have means to contact all members of our Board (including the non-executive Director and independent non-executive Directors) or of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (a) each Director will provide his mobile phone numbers, residential phone numbers, office phone numbers, facsimile numbers (if applicable) and email addresses (if applicable) to the authorised representatives; (b) in the event that any Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation to the authorised representatives; and (c) each Director and authorised representative of our Company will provide his mobile phone number, office phone number, facsimile number (if applicable) and email address (if applicable) to the Stock Exchange;
- (d) if circumstances require, meeting of our Board can be convened and held in such manner as permitted under the Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (e) our executive Director has confirmed that he possesses a Hong Kong Identity Card which allows him to travel freely to Hong Kong and will be able to come to Hong Kong and meet the Stock Exchange upon reasonable short notice, when required; and
- (f) our Company has appointed SPDBI Capital as compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, who will also act at all times, in addition to the two authorised representatives of our Company, as the principal channel of communication between our Company and the Stock Exchange, from the Listing Date to the date when our Company published its annual report for the first full financial year immediately after the Listing Date.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, affiliates, advisors, agents or representatives or any person, or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure and conditions of the Global Offering are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offer. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters, and the International Offer is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

The Global Offering is managed by the Sole Global Coordinator. If, for any reasons, the Offer Price is not agreed upon among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distributions of this prospectus in any jurisdiction, other than in Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF SHARES ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 1,000 Shares. The stock code of the Shares is 1820.

REGISTERS AND HONG KONG STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by International Corporation Services Limited at Harbour Place, 2nd Floor, 103 South Church Street, P.O. Box 472, George Town, Grand Cayman KY1-1106, Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Applications Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSIONS

For the purpose of illustration only and unless otherwise specified in this prospectus, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at an exchange rate of HK\$1.00 = RMB0.8892 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements have been made for the shares to be admitted into CCASS.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Director</i>		
Cheng Hsien-Chun (鄭顯俊)	Room 503, 5/F, No. 17, South Shui Cheng Road, Changning District, Shanghai, PRC	Chinese (Taiwan)
<i>Non-executive Director</i>		
Chow Tien-Li (周天力)	1/F, No. 42, South Lane 8, Xinchang Village, Donghe Town, Taidong County, Taiwan	Chinese (Taiwan)
<i>Independent non-executive Directors</i>		
Wang Jisheng (王計生)	Room 51, Lane 176 South Wulumuqi Road, Xu Hui District, Shanghai, PRC	Chinese
Kiang Tien Sik, David (江天錫)	Flat A2, 9/F, Evergreen Villa, 43 Stubbs Road, Hong Kong	Chinese
Su, Morley Chung Wu (蘇崇武)	Room 2802, No. 3, 388 Furongjiang Road, Changning District, Shanghai, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

**Sole Sponsor and Sole Global
Coordinator**

SPDB International Capital Limited

(a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)

Suites 3207–3212,
One Pacific Place,
88 Queensway,
Hong Kong

**Joint Bookrunners and Joint Lead
Managers**

SPDB International Capital Limited

Suites 3207–3212,
One Pacific Place,
88 Queensway,
Hong Kong

Mason Securities Limited

19th Floor,
Lee Garden Three,
1 Sunning Road,
Causeway Bay,
Hong Kong

**China Industrial Securities International Capital
Limited**

7th Floor,
Three Exchange Square,
8 Connaught Place,
Central,
Hong Kong

Crosby Securities Limited

5th Floor,
Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited

Level 19,
28 Hennessy Road,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Tonghai Securities Limited

18th–19th Floor,
China Building,
29 Queen's Road Central,
Hong Kong

Dongxing Securities (Hong Kong) Company Limited

Suites 6805-6806A,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong

Yicko Securities Limited

19th Floor,
Tung Ning Building,
125–127 Connaught Road Central,
Hong Kong

Blackwell Global Securities Limited

26th Floor,
Overseas Trust Bank Building,
160 Gloucester Road,
Wanchai,
Hong Kong

Fulbright Securities Limited

33/F, Cosco Tower
Grand Millennium Plaza,
183 Queen's Road Central,
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Mason Ching & Associates

Room 2403,
24th Floor,
World-Wide House,
19 Des Voeux Road Central,
Hong Kong

As to PRC law:

King & Wood Mallesons

25th Floor,
Guangzhou CTF Finance Centre,
No.6 Zhujiang East Road,
Zhujiang New Town,
Tianhe District, Guangzhou,
Guangdong Province,
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Cayman Islands law:

Travers Thorp Alberga

Attorneys-at-law

1205A, The Centrium,

60 Wyndham Street,

Central,

Hong Kong

**Legal advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

Li & Partners

22nd Floor,

World-Wide House,

19 Des Voeux Road Central,

Hong Kong

As to PRC law:

Jingtian & Gongcheng

34th Floor, Tower 3,

China Central Place,

No.77 Jianguo Rd.,

Beijing,

PRC

Auditors and reporting accountants

BDO Limited

Certified Public Accountants,

25th Floor, Wing On Centre,

111 Connaught Road Central,

Central,

Hong Kong

Receiving bank

**Industrial and Commercial Bank
of China (Asia) Limited**

33rd Floor,

ICBC Tower,

3 Garden Road,

Central,

Hong Kong

CORPORATE INFORMATION

Registered office	Harbour Place, 2nd Floor, 103 South Church Street, PO Box 472, George Town, Grand Cayman KY1-1106, Cayman Islands
Principal place of business in Hong Kong	Suite 2104, 21st Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong
Headquarters and head office	A303, 3rd Floor, Block 2, No. 398, Tian Lin Road, Shanghai, PRC
Authorised representatives	Cheng Hsien-Chun Room 503, 5th Floor, No 17 South Shuicheng Road, Changning District, Shanghai, PRC Cheung Kai Cheong, Willie 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Company secretary	Cheung Kai Cheong, Willie (CPA) 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Members of the Audit Committee	Kiang Tien Sik David (<i>Chairman</i>) Chow Tien-Li Su Morley Chung Wu Wang Jisheng
Members of the Remuneration Committee	Wang Jisheng (<i>Chairman</i>) Cheng Hsien-Chun Su Morley Chung Wu

CORPORATE INFORMATION

Members of the Nomination Committee	Cheng Hsien-Chun (<i>Chairman</i>) Wang Jisheng Kiang Tien Sik David
Principal share registrar and transfer office	International Corporation Services Ltd. Harbour Place, 2nd Floor, 103 South Church Street, PO Box 472, 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
Principal banker	Shanghai Pudong Development Bank Co., Ltd. Jiading Sub-branch No. 199, Bole Road, Shanghai, PRC
Compliance adviser	SPDB International Capital Limited Suites 3207–3212 One Pacific Place, 88 Queensway, Hong Kong
Website of our Company	<u>http://www.pmpgc.com</u> <i>(information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information that appears in this section is extracted from a commissioned report, industry report prepared by Frost & Sullivan and derived from various governmental, official or publicly available documents, the Internet or other sources and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. The industry report is commissioned by our Group. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading in any material aspect. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by our Group, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or any other parties involved in the Global Offering, except Frost & Sullivan and no representation is given as to the accuracy and completeness of such information. Accordingly, you should not rely on such information in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent advisory firm with relevant industry experience, to conduct an analysis of and to report on, the corrugated packaging market in the PRC. The report we commissioned has been prepared by Frost & Sullivan independent of our influence. We paid a fee of HK\$400,000 for the preparation and use of the industry report. Our payment of such fee is not contingent upon the results or the analysis therein.

Established in 1961, Frost & Sullivan has conducted industry research and provided market and enterprise strategies, consultancy and training services for several industries, including automobile, transportation and logistics, chemical engineering, energy and power systems, environmental protection technologies, electronics, information and telecommunication technologies, and medical and healthcare. In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research includes interviewing industry experts and recognised third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades.

The forecasts were made by Frost & Sullivan based on the following assumptions:

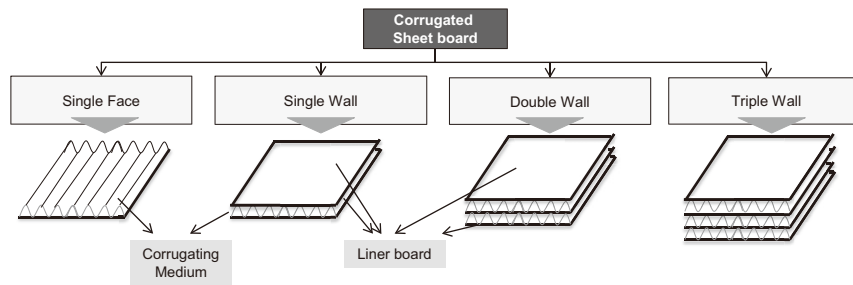
- The social, economic and political conditions in the PRC and the world currently discussed will remain stable during the forecast period;
- Government policies on corrugated packaging industry in the PRC will remain unchanged during the forecast period;
- The corrugated packaging market in the PRC will be continuously growing driven by the growing demand from China's food and beverage and non-food-and beverage consumables, appliances and electronics and e-commerce and express industries.

Our Directors have taken reasonable care in reviewing and discussing the above assumptions and factors with Frost & Sullivan, and nothing has come to the attention of our Directors to indicate that the disclosure of projections and industry data relating to future periods in this section is misleading. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the relevant industries in China.

OVERVIEW OF CHINA CORRUGATED PACKAGING MARKET

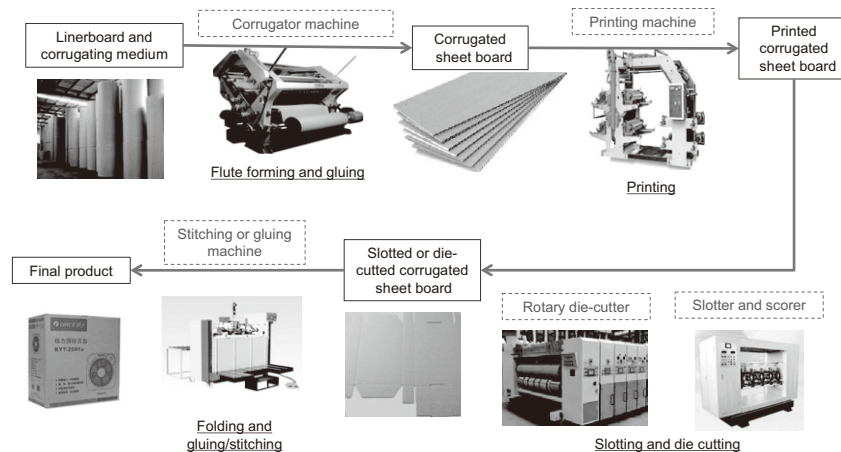
Introduction

Corrugated boxes are widely used for packaging to protect and transport a wide range of items. They are formed with corrugated sheet board, which is made of corrugated medium and linerboard. Corrugated sheet board can be classified into different grades based on the number of layers (as below). Also, another classification (A\C\B\E or CB\A\C\B\E) is established based on the number of flutes per unit of area. The larger the air space between linerboards, the greater the cushioning and vertical compression strength the corrugated sheet board can provide, whereas the smaller flute profiles offer enhanced graphics capabilities. Corrugated boxes are widely used for packaging in various sectors, including fast-moving and durable consumer goods. It can be applied for different types of products with various combinations of design and layer to achieve different features or characteristics such as cost-effectiveness, structural rigidity and cushioning quality, recyclability, shock-absorption ability, bending resistance, impact resistance, grammage (mass per unit of area) and easy printing application.



Source: Frost & Sullivan

The following chart shows the manufacturing process of corrugated packaging products:

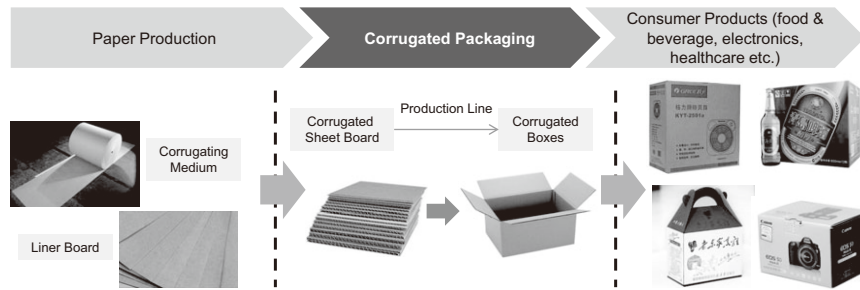


Source: Frost & Sullivan

Industry value chain analysis

The paper production industry is the upstream of the corrugated packaging industry, providing the raw materials (corrugated medium and linerboard). Their quality largely determines the quality of the corrugated sheet board. The desired corrugated medium have flat surface, strong fiber-bonding, good stiffness and flexibility, while the preferred linerboard have high level of burst strength, impact and water resistance. The corrugated packaging industry involves production lines for corrugated sheet board and corrugated boxes. Corrugators are used to form arches or flutes of the corrugated medium and then the medium are glued onto the linerboard to make corrugated sheet board. The corrugated sheet board are assembled into various shapes of boxes according to customers' requirements. The downstream of corrugated packaging industry involves various sectors, including both fast moving and durable consumer goods.

INDUSTRY OVERVIEW



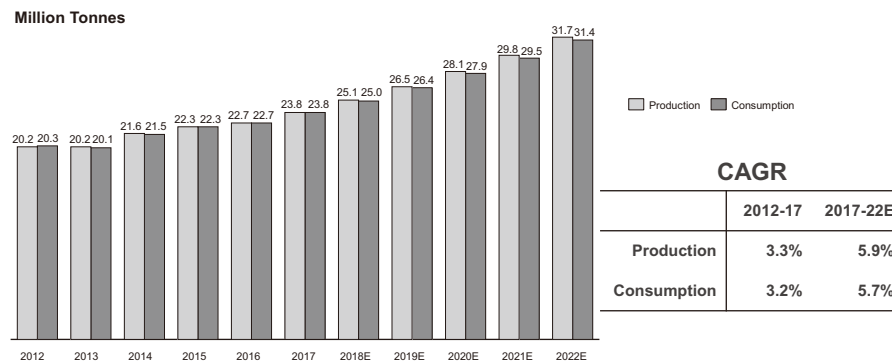
Source: Frost & Sullivan

(a) Upstream of the corrugated packaging industry

(1) Production and consumption volume of corrugated medium and linerboard

According to China Technical Association of Paper Industry, the paper industry in China has been troubled with overcapacity and environmental issues in recent years. In response, the Chinese government started to eliminate obsolete facilities and implement stringent standards on new capacities. As a result, the growth rate of production and consumption volume has slowed down gradually and even turned negative in 2013. Although they have recovered slightly since 2014, the growth rate is decelerating as more regulations have been introduced to restrict the capacity of small-scale manufacturers.

Production and consumption volume of corrugated medium in China, 2012–2022E

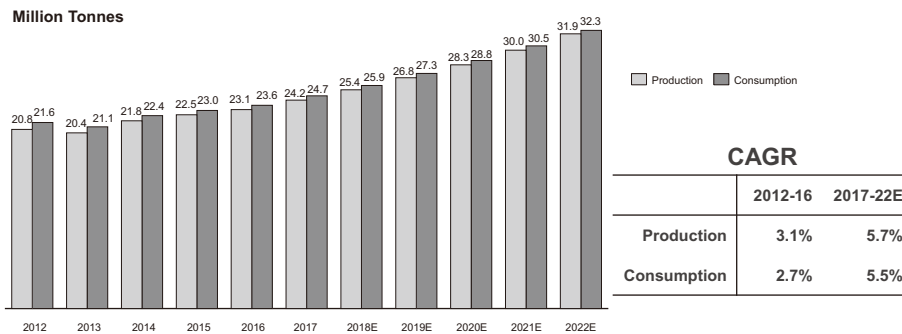


Source: China Technical Association of Paper Industry; Frost & Sullivan

After almost a decade of fast expansion in the production and consumption volume of corrugated medium, growth rate had slowed down to single digit in 2010 and even turned negative in 2013 (a year-on-year growth rate of -0.2%). The market has returned to the positive growth since 2014. The production and consumption volume of corrugated medium increased from 20.2 million tonnes and 20.3 million tonnes, respectively, in 2012 to 23.8 million tonnes for both production and consumption volume of corrugated medium in 2017, representing a CAGR of 3.3% and 3.2%, respectively. It is expected that the upward trend will continue at a CAGR of 5.9% and 5.7% for production and consumption volume of corrugated medium from 2017 to 2022, respectively. The supply of corrugated medium has been able to meet the demand since 2012. It is expected that this market profile will remain the same going forward.

INDUSTRY OVERVIEW

Production and consumption volume of linerboard in China, 2012–2022E

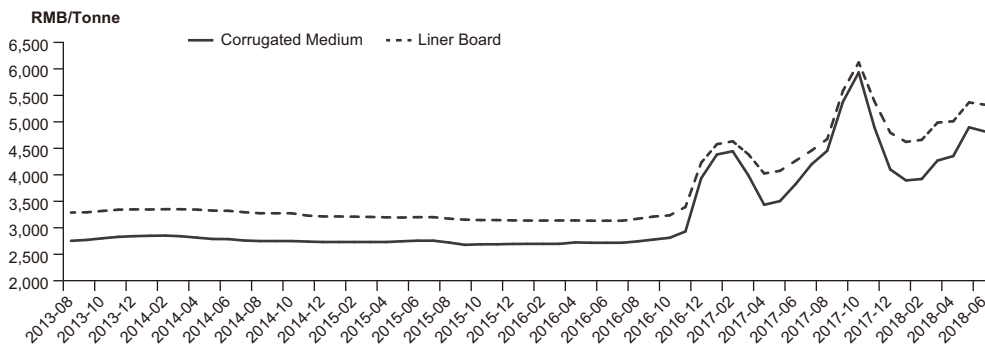


Source: China Technical Association of Paper Industry; Frost & Sullivan

The market trend for linerboard has been very similar to that of corrugated medium. In 2013, the production volume experienced a 1.9% year-on-year decline while the consumption volume decreased by 2.4% year-on-year, which was a steeper drop than that of the corrugated medium. However, in a similar manner, the market has recovered following that period. The production and consumption volume of linerboard increased from 20.8 million tonnes and 21.6 million tonnes, respectively, in 2012 to 24.2 million tonnes and 24.7 million tonnes, respectively, in 2017, representing a CAGR of 3.1% and 2.7%, respectively. It is expected that the upward trend will continue at a CAGR of 5.7% for production volume and 5.5% for consumption volume of linerboard from 2017 to 2022. The supply of linerboard has been 2-4% less than the demand since 2012. It is expected that this market profile will remain similar going forward with the supply gradually catching up with domestic demand.

(2) Prices of corrugated medium and linerboard

Monthly prices of corrugated medium and linerboard, July 2013-June 2018



Source: Frost & Sullivan

Prices of linerboard and corrugated medium had stayed at a level of RMB3,200-3,400 per tonne and RMB2,700-2,800 per tonne respectively for several years before a sudden surge in the third quarter of 2016. By the end of the third quarter of 2017, the average price of linerboard in China has increased by 74.2% year-on-year, reaching around RMB5,600 per tonne and the average price of corrugated medium in China has reached around RMB5,400 per tonne, almost doubling the price in the same period last year.

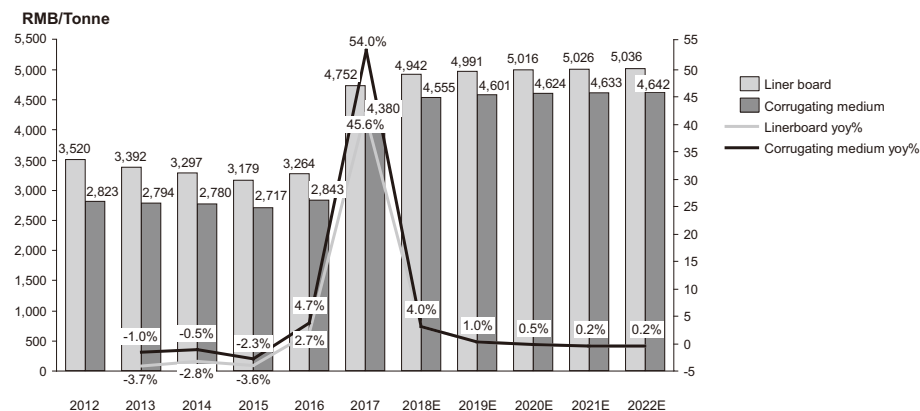
The main reasons for this wave of price increase for both corrugated medium and linerboard are i) increasing cost of raw material including recovered paper and coal energy (over half of the recovered paper supply relies on import and the rising import price coupled with partial import bans and weakened Chinese currency have contributed to the raw material cost increase); and ii) decreasing supply and inventory due to closures of small-size factories which fall short of the new regulations.

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However, this wave of upward trend has reversed in November 2017 and December 2017. By December 2017, prices of linerboard and corrugated medium have declined to around RMB4,800 per tonne and RMB4,100 per tonne respectively, compared to the peak price of around RMB6,100 per tonne and RMB6,000 per tonne in October 2017. The skyrocketing prices of linerboard and corrugated medium have propelled the corrugated packaging manufacturers to increase the inventory of these two raw material at a relatively high level, leading to a weaker demand towards the end of 2017. In addition, the drop in the recovered paper price, the major raw material of linerboard and corrugated medium, has also contributed to the price decline.

By June 2018, prices of linerboard and corrugated medium have climbed to around RMB5,300 per tonne and RMB4,800 per tonne respectively. The fluctuation in prices of linerboard and corrugated medium is mainly attributed to price changes of recovered paper and seasonality of downstream demand. In the past, linerboard and corrugated medium producers in China have been heavily relying on imported recovered paper. The tightened regulation on the imported waste in late 2017 (《禁止洋垃圾入境推進固體廢物進口管理制度改革實施方案》) has suddenly stirred the market and caused price fluctuations in recovered paper price. In the first half of 2018, apart from the rising recovered paper price, the second quarter of the year is usually the high peak for corrugated packaging consumption, which also leads the prices of linerboard and corrugated medium to increase.

Annual prices of linerboard and corrugated medium, 2012–2022E



Source: Frost & Sullivan

The prices of corrugated medium and linerboard experienced a 54.0% and 45.6% year-on-year increase, respectively, in 2017. As the price of the primary raw material (recovered paper) is likely to continue rising in the near future, it is expected that the average prices of linerboard and corrugated medium will increase by a further 4.0% year-on-year in 2018 and gradually stabilize afterwards.

(b) Downstream of the corrugated packaging industry

(1) Customer sectors overview

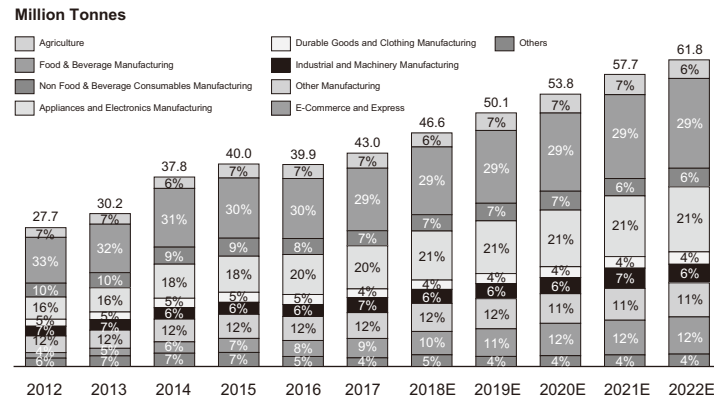
Due to its outstanding functionalities, corrugated packaging is the primary packaging solution for major manufacturers, agricultural products, e-commerce and express firms and other sectors such as wholesale distributors. With the growth of GDP, sizes of many downstream markets, such as consumer electronics, e-commerce and logistics, have witnessed remarkable expansion, which has created huge demand for corrugated packaging products. Unlike corrugated packaging market, concentration ratio is high in many of its downstream markets which indicates that downstream customers have greater bargaining power against corrugated packaging producers. With that being said, the leading corrugated packaging producers capable of meeting major customers' customised requirements can still charge a premium to attain greater gross profit margins.

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(2) Consumption volume of corrugated boxes by sector

The fast moving consumer goods (FMCG), including food and beverage and non-food-and-beverage consumables such as household chemicals, account for nearly 40% of total consumption volume of corrugated boxes. With the popularization of smart phones and other consumer electronics, the demand from appliances and electronics sectors has increased significantly, accounting for 20% of total consumption in 2017. The rapid growth of e-commerce and express sectors has led to the increasing demand for corrugated boxes as well, and the consumption volume of these two sectors accounts for about 9.0% in 2017 of total downstream consumption.

Consumption volume of corrugated boxes by sector, 2012-2022E



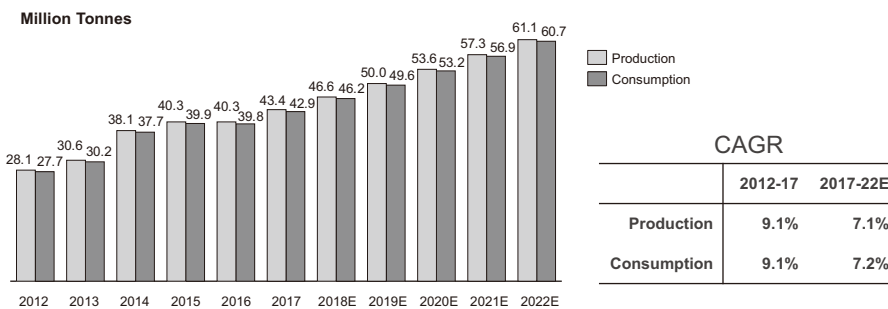
Source: Frost & Sullivan

Overview of market size and prices of the corrugated packaging industry

(a) Market size of corrugated packaging industry

(1) Market size of corrugated packaging industry by weight

Production and consumption volume of corrugated sheet boards/boxes in China, 2012–2022E



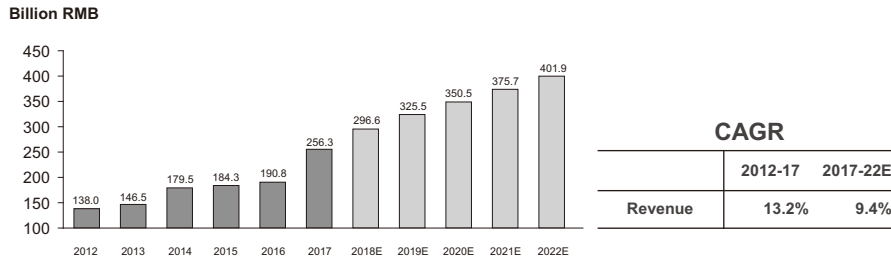
Source: National Bureau of Statistics; Frost & Sullivan

The production and consumption volume of corrugated sheet boards/boxes increased from 28.1 million tonnes and 27.7 million tonnes, respectively, in 2012 to 43.4 million tonnes and 42.9 million tonnes, respectively, in 2017, representing a CAGR of 9.1% and 9.1%, respectively. During this period, the market had been expanding rapidly, especially in the year of 2014 (with a year-on-year growth of 25% for both production and consumption volume). The significant growth was due to favorable government regulations to promote eco-packaging and large domestic demand from the consumer sector and e-commerce. However, in 2016, both production and consumption volume slipped slightly by 0.1% year-on-year, mainly because of the tightened environmental regulations in China which pushed some small-scale plants out of operation. It is expected that this setback is temporary as large and qualified producers take advantage of this situation and expand their production volume. It is also expected that the market size of corrugated packaging measured by production volume of corrugated boxes will grow further at a CAGR of 7.1% from 2017 to 2022.

INDUSTRY OVERVIEW

(2) Market size of corrugated packaging industry by revenue

Revenue of corrugated packaging market in China, 2012–2022E

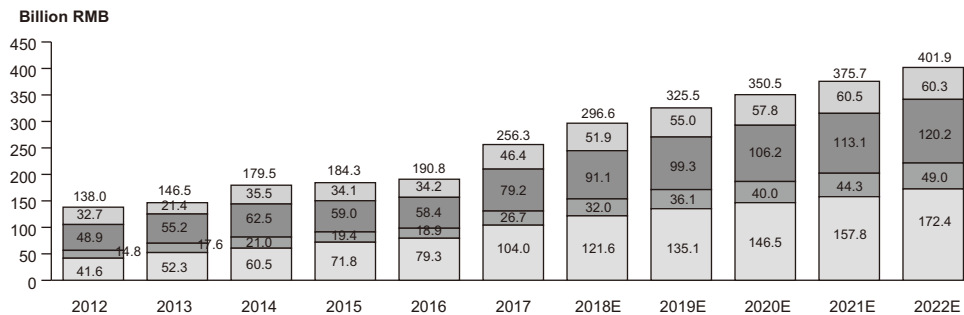


Source: Frost & Sullivan

The revenue of corrugated packaging market grew from RMB138 billion in 2012 to RMB256.3 billion in 2017, representing a CAGR of 13.2%. This trend of revenue growth was in line with the production and consumption volume growth during this period. Another critical driver for the revenue of the corrugated packaging market is the average price of corrugated sheet boards/boxes. Revenue of the corrugated packaging market in China increased significantly in 2017 as the cost of raw material started to surge in the third quarter of 2016, causing the average price of corrugated packaging products to rise.

Revenue Breakdown of corrugated packaging market in China by region, 2012-2022E

	CAGR	2012-17	2017-22E
Northern China		7.2%	5.4%
Eastern China		10.1%	8.7%
Southern China		12.5%	12.9%
Rest of China		20.1%	10.6%



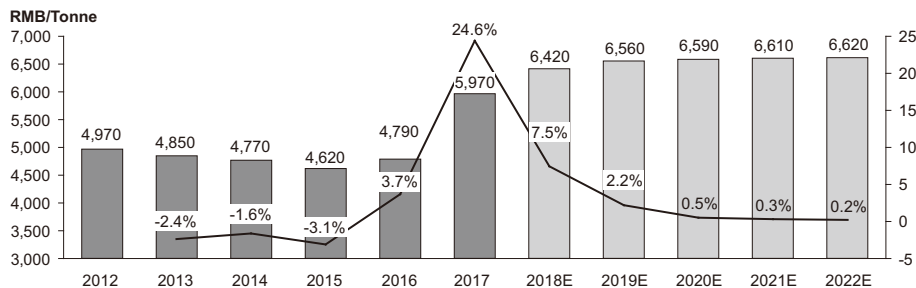
Source: Frost & Sullivan

Thanks to the relatively developed economy and active manufacturing and trading related activities, Northern China, Eastern China and Southern China are the three most important regional markets for China's corrugated packaging market. The revenue of corrugated packaging market in the rest of China recorded a higher growth rate from 2012 to 2017 due to the rapid economic growth rate. In the forecast period, the revenue growth rate of regional corrugated packaging markets in Northern China, Eastern China and the rest of China is predicted to slow down while the revenue growth rate in Southern China is expected to slightly increase as a result of increasing manufacturing, trading and logistics related activities brought by the further development of the "Guangdong-Hong Kong-Macau Greater Bay Area".

INDUSTRY OVERVIEW

(b) Average prices of corrugated sheet boards/boxes

Average prices of corrugated sheet boards/boxes in China, 2012–2022E



Source: Frost & Sullivan

Average prices of corrugated packaging had been around RMB4,600-4,900 per tonne before a sudden hike since late 2016. In 2017, the average price of corrugated sheet boards/boxes in China increased by 24.6% year-on-year resulting from a surge in raw material cost. Going forward, it is expected that prices of corrugated sheet boards/boxes will remain at high level, given the anticipated continuing reduction in supply and inventory of raw material resulted from consolidation of upstream suppliers. However, the price increase is expected to be minimal and the revenue growth is expected to be mainly driven by volume increase.

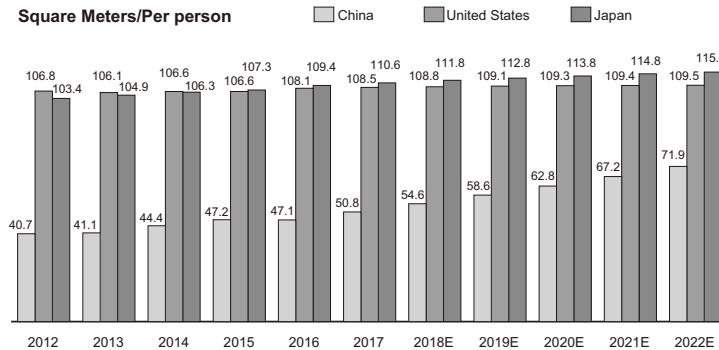
Major drivers of the corrugated packaging industry in China

Growth of economy and per capita consumption volume: The economic growth is of important influence on packaging consumption. The level of economic activity has a fairly direct influence on demand for bulk/transport packaging in particular and indirectly provides the climate for investment into packaging material research and development. In addition, the robust demand for corrugated packaging products has also been partly driven by the growth and upgrading of downstream consumption of food and beverage, appliances and electronics as well as other consuming products, which are broadly in line with the growth of per capita GDP. Historical data shows a strong positive relationship in the growth of GDP and packaging market. Benefiting from the rapid growth rate of GDP, size of China's corrugated packaging market has also witnessed significant growth. As compared to other developed countries, such as the United States and Japan, per capita consumption volume of corrugated sheet boards/boxes in China is much lower than that of those developed countries, indicating great potential for the Chinese market. In 2017, China's per capita consumption volume of corrugated sheet board/boxes was less than half of that of both the United States and Japan. With the growth of economy and rise of living standards, it is expected that the per capita consumption volume of corrugated sheet boards/boxes in China will reach 71.9 square meters in 2022, representing 65.7% and 62.2% of the per capita consumption in the United States and Japan, and reach 110 square meters in 2030, in line with the United States and Japan.

Eastern China and southern China are two of the most developed regions in China. Driven by the upgrade of resident consumption, emerging of new business model and improved consumption environment, eastern China's GDP witnessed a stable growth from RMB15.9 trillion in 2012 to RMB24.8 trillion in 2017 at a CAGR of 9.3%. The economy of Guangdong is one of the most prosperous in China, which has extensive manufacturing base and served as China's largest exporter, as well as its largest importer of goods. Its neighbor, Guangxi, is a major motor manufacturing center. The city also has a large steel factory and several related industries. Supported by those pillar industries, southern China's GDP witnessed a stable growth from RMB7.3 trillion in 2012 to RMB11.5 trillion in 2017 at a CAGR of 9.5%. In the forecast period, eastern China and southern China's GDP are projected to keep growing at CAGR of 7.1% and 7.2%, respectively from 2017 to 2022. The favorable economic conditions in those regions will create continuous huge demand for corrugated packaging products in the forecast period.

INDUSTRY OVERVIEW

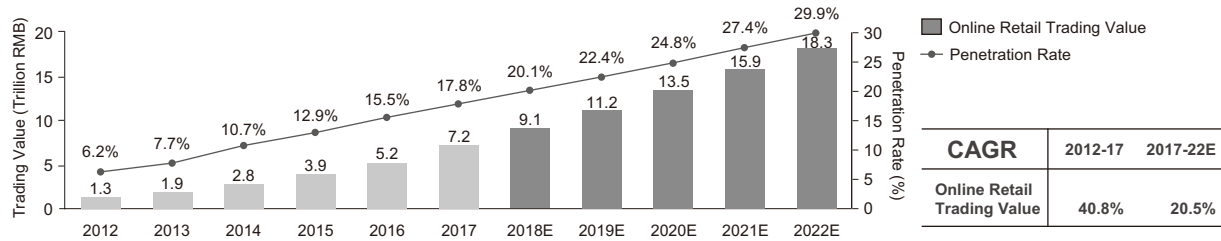
Per capita consumption volume of corrugated sheet boards/boxes (China and Developed Markets), 2012-2022E



Source: International Corrugated Case Association (ICCA), Frost & Sullivan

Growth of online shopping: With the improvement of consumers' purchasing power and e-commerce technology, online shopping market enjoys tremendous growth. The prosperity of online shopping stimulates the boom of logistics service, which needs corrugated packaging products to deliver goods. In the foreseeable future, corrugated packaging market will still benefit from online shopping as the online shopping market is predicted to grow at a steady rate.

E-commerce market size by online retail trading value (China), 2012-2022E



Source: CNNIC, Frost & Sullivan

Manufacturing boom: Relying on low costs of resources, such as labour, China has become the world factory of various products, from clothing to electronics. Corrugated packaging products play an important role in delivering those products. Downstream customers of corrugated packaging industry cover the majority of all industrial sectors.

Favorable government policy and guidance: Since 2002, the Chinese government has enacted a series of policies to encourage the development of environment-friendly and recyclable packaging materials, including corrugated packaging products, to reduce the negative impacts of packaging materials to human beings and the ecosystem which have boosted the growth of the corrugated packaging industry in China. In recent years, the Chinese government has introduced policies and plans to guide enterprises to upgrade.

The latest environment protection law issued in 2014 stipulate that enterprises should give priority to the use of clean energy, adopt technologies and equipment with high resource utilization rate and low pollutant emissions, as well as harmless treatment technology to treat waste, so as to reduce pollutants. In addition, the "Guidance on accelerating the transformation and development of China's packaging industry" (《工業和信息化部商務部關於加快我國包裝產業轉型發展的指導意見》), issued in 2016, has clearly set out the target to be achieved in energy saving and emission reducing by 2020. It aims to reduce the energy consumption, carbon dioxide emission and water consumption in the process of creating one unit of industrial added value by more than 20%, and also evidently reduce the total emission of major pollutants.

Under the strict implementation of environment protection regulations, numerous small-scale corrugated packaging factories have been shut down as they are not capable of processing the polluted emissions to meet the standard and are causing harm to the environment. The strict regulation framework is forcing existing players to increase their investment in pollution processing facility, and small-scale companies without strong capital resources are faced with difficulties to cope with the heightened requirements.

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Outstanding product characteristics: Comparing to production of other packaging materials, the manufacturing practice of corrugated packaging is more environment-friendly. Corrugated packaging contains 93% recyclable material, which leads to the widespread use of it. Due to production innovation, corrugated packaging substitutes other packaging solutions to perform the same functions with lower costs.

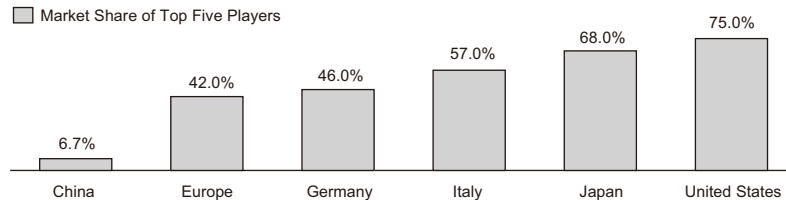
Competitive landscape of the corrugated packaging market in China

(a) Overview

Increasingly stringent environmental regulations imposed by the Chinese government have led to shutdowns of players relying on outdated capacity. Since 2016, the drastic fluctuation of prices of raw materials has crushed small-scale manufacturers. Acquisitions and mergers took place within the industry leading to market consolidation. That being said, China's corrugated packaging market is still highly fragmented and the top ten companies only accounted for 9.4% of the total revenue of the corrugated packaging market in China in 2017. It is not unusual that many producers operate with one or two plants to meet the limited demands from local customers.

(b) Concentration of corrugated packaging market in China and other developed markets

Market share of top five corrugated packaging companies in China and other developed markets in terms of revenue, 2017



Source: Frost & Sullivan

In 2017, market share of the top five corrugated packaging companies in terms of revenue in China was 6.7%, implying a highly fragmented market as compared to other developed countries such as the United States, Japan, Italy and Germany, whose top five corrugated packaging companies accounted for 75.0%, 68.0%, 57.0% and 46.0%, respectively, of the total revenue of their respective corrugated packaging markets in 2017.

Although the Chinese corrugated packaging market is still highly fragmented, the industry has been undergoing market consolidation. With the expansion of leading competitors and implementation of stricter environmental regulations by the Chinese government, it is expected that market consolidation in China will accelerate and concentration rate will further increase.

(c) Market ranking of major corrugated packaging companies in China

Market ranking of major corrugated packaging companies in terms of revenue in China, 2017

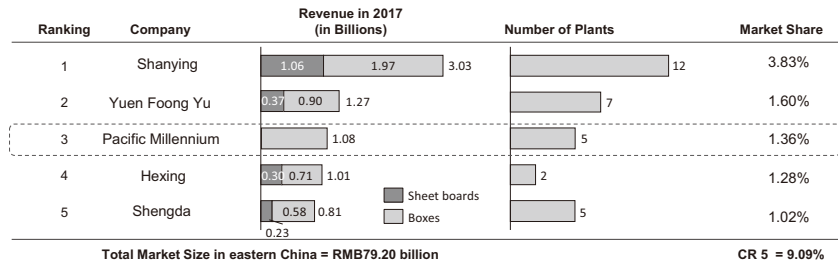
Ranking	Company	Revenue in 2017 (in Billions)		Number of Plants	Market Share	Plant Layout
1	Hexing	1.66 3.99	5.65	30	2.20%	Nationwide
2	Shanying	1.28 2.37	3.65	14	1.42%	Concentrated in the East with nationwide presence
3	Bingxin	0.91 2.23	3.14	14	1.23%	Nationwide
4	Yuen Foong Yu	0.74 1.72	2.46	12	0.96%	Concentrated in the East with nationwide presence
5	MYS Group	0.60 2.24		8	0.87%	Concentrated in the East and the South with nationwide presence
6	Rengo	0.41 2.01		7	0.78%	Concentrated in the East and the North with nationwide presence
7	Pacific Millennium	0.44 1.66		9	0.65%	Nationwide
8	Come Sure Group	0.74 1.18		7	0.45%	East and South
9	Shengda	0.27 0.81	1.08	6	0.42%	East and Southwest
10	Huali	0.24 0.73	0.97	6	0.38%	Nationwide
Total Market Size in China = RMB256.3 billion					CR 10 = 9.38%	

Note: Revenue of competitors only includes sales of corrugated products and related service.

Source: Frost & Sullivan

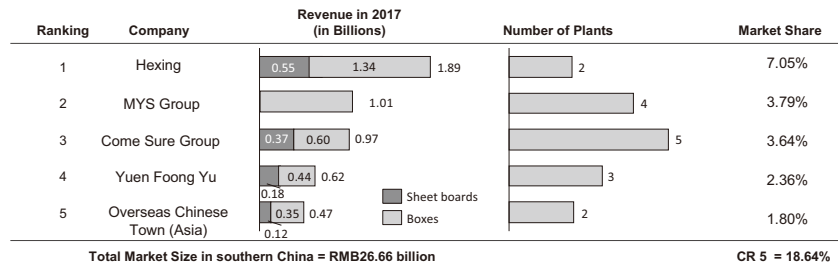
INDUSTRY OVERVIEW

Market ranking of major corrugated packaging companies by revenue in Eastern China, 2017



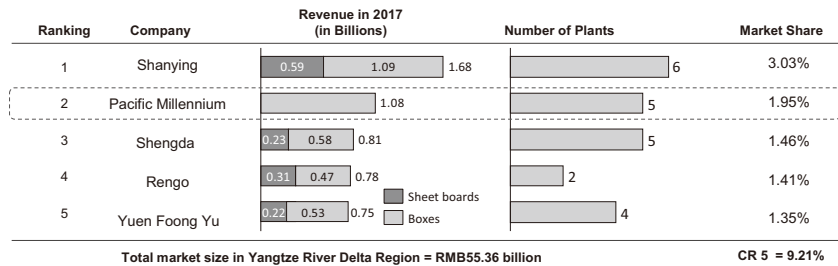
Source: Frost & Sullivan

Market ranking of major corrugated packaging companies by revenue in Southern China, 2017



Source: Frost & Sullivan

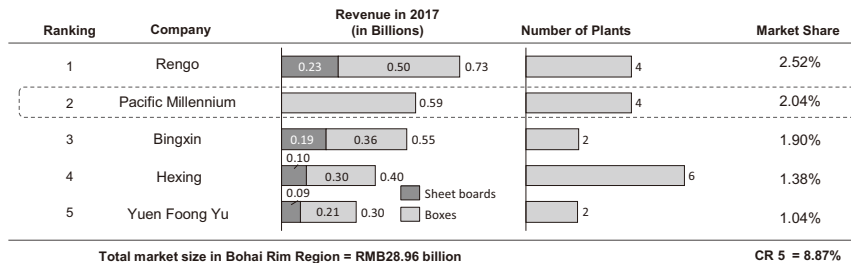
Market ranking of major corrugated packaging companies in terms of revenue in Yangtze River Delta Region, 2017



Notes: Yangtze River Delta Region includes Shanghai, Jiangsu and Zhejiang

Source: Frost & Sullivan

Market ranking of major corrugated packaging companies by revenue in Bohai Rim Region, 2017

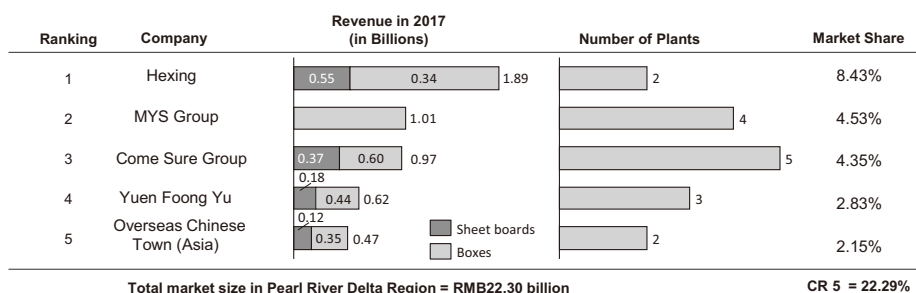


Notes: Bohai Rim Region includes Beijing, Tianjin, Hebei, Liaoning, Shandong, Shanxi and Central and East Inner Mongolia.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market ranking of major corrugated packaging companies in terms of revenue in Pearl River Delta Region, 2017



Notes: Pearl River Delta Region includes Guangdong only.

Source: Frost & Sullivan

Market share of the top ten corrugated packaging companies in terms of revenue in China was 9.4%, which was significantly lower than that of the other developed markets as previously discussed. According to Frost & Sullivan, in terms of revenue, our Group ranked seventh in China and ranked second in both Yangtze River Delta Region and Bohai Rim Region in 2017.

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

This section sets out summaries of certain major laws and regulations, which are relevant to our Group's business and operations in the PRC.

COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Company Law and the Wholly Foreign-owned Enterprise Law

The establishment, operations and management of corporate entities in the PRC are governed by the PRC Company Law, which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994. The PRC Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018.

According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies; however where the PRC Company Law is silent on matters relating to foreign-invested companies, such matters may be addressed by other PRC laws and regulations.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of foreign invested companies are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 by the NPC and amended on 31 October 2000 and 3 September 2016 by the SCNPC, and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 by the MOFCOM and amended by the State Council on 12 April 2001 and 19 February 2014.

The Provisions on Guiding Foreign Investment Direction and the Catalogue for the Guidance of Foreign Investment Industries

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalogue**”), which was jointly issued by the State Planning Commission, the State Economic and Trade Commission and the MOFCOM in 1995, and amended in 1997, 2002, 2004, 2007, 2011, 2015 and 2017. The current effective Catalogue was issued on 28 June 2017, and came into force on 28 July 2017. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries. And the investment in the PRC conducted by foreign investors and foreign-invested enterprises shall comply with the Special Management Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (“**Negative list**”), which was jointly issued by the State Development & Reform Commission and the MOFCOM on 28 June 2018 and came into force on 28 July 2018. The Negative List contains the entry measures of restricted foreign-invested industries and prohibited foreign invested industries.

Pursuant to the Negative List, the corrugated paper packaging production and sale do not fall into the “restricted” or “prohibited” categories. Thus, we are permitted to engage in the corrugated paper packaging production and sale in the PRC.

REGULATIONS FOR PRINTING INDUSTRY

The Regulations on the Administration of the Printing Industry (《印刷業管理條例》) promulgated by the State Council on 2 August 2001 and amended on 6 February 2016 and 1 March 2017 applies to the operations of printing publications, decoration and packaging printing, and other printing operational matters. These Regulations provides that the State adopts licence system for printing operations. No enterprise or individual may undertake printing operations without obtaining the licence for printing operations according to these Regulations. Printing operator shall establish systems of printing undertaking verification, printing undertaking registration, printed goods custody, printed goods delivery and printed defective goods destroying. Company that violates this regulation may be subject to penalties including but not limited to fines, ordering to rectify, ordering to close the business, etc.

The Interim Provisions on the Establishment of Foreign Investment Printing Enterprise (《設立外商投資印刷企業暫行規定》), which was jointly promulgated by General Administration of Press and Publication (including National Copyright Administration) (新聞出版總署) (the “GAPP”) and MOFCOM on 29 January 2002 and with effect on the same day, and amended on 28 August 2015, applies to the printing enterprises with foreign investment established in the PRC. Foreign investment in decoration and packaging printing can be established as a wholly foreign owned enterprise, while foreign investment in other printing is not allowed to establish a wholly foreign owned enterprise but only in the form of equity joint venture or contractual joint venture. The establishment of a foreign invested enterprise shall apply for the approval from the GAPP and the approval from former MOFCOM or its local counterpart. The registered capital shall be no less than RMB10 million for foreign invested enterprise engaging in decoration and packaging printing and the term of operation of the enterprise shall be no more than 30 years. A foreign-invested printing enterprise shall not establish any branch organisation.

On 12 November 2008 the GAPP and the MOFCOM promulgated Supplement to the Interim Provisions on the Establishment of Foreign Investment Printing (《關於〈設立外商投資印刷企業暫行規定〉的補充規定》), which took effect on 1 January 2009. On 12 December 2012, the GAPP and MOFCOM promulgated the Second Supplement to the Interim Provisions on the Establishment of Foreign Investment Printing (《關於〈設立外商投資印刷企業暫行規定〉的補充規定二》), which took effect on 1 January 2013. Under the above Supplements, the registered capital threshold for foreign invested enterprise engaging in decoration and packaging printing as stipulated in the Interim Provisions on the Establishment of Foreign Investment Printing Enterprise is no longer applicable to service suppliers from Hong Kong and Macau.

Pursuant to the above Supplements, service suppliers from Hong Kong and Macau shall have the same registered capital threshold as domestic investors. Pursuant to The Interim Measures on the Qualifications of Printing Operators (《印刷業經營者資格條件暫行規定》), which was promulgated by GAPP on 9 November 2001, amended on 28 August 2015 and 11 December 2017, enterprises undertaking decoration and packaging printing shall have fixed production and operation place(s) suitable for operation of printing business, which shall have necessary equipment for decoration and packaging printing; shall have corresponding organisations and personnel necessary for the operation; shall have completed systems of printing undertaking verification, printing undertaking registration, printed goods custody, printed goods delivery, printed defective goods destroying, financial and quality control and its legal representative and major persons in charge of production or operation shall be trained and shall obtain the certificate of completion of training of printing regulations.

REGULATORY OVERVIEW

Pursuant to the Measures for the Administration of Commodity Barcodes (《商品條碼管理辦法》), which was promulgated by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) on 30 May 2005 and took effect on 1 October 2005, an enterprise engaged in the commodity barcodes printing may apply to the barcode working organ for printing qualification. The printing enterprise that has obtained the printing qualification may be given priority when undertaking the printing business of commodity barcodes. A printing enterprise shall print commodity barcodes pursuant to the relevant state standards, and guarantee the printing quality of commodity barcodes. When a printing enterprise accepts the printing business of commodity barcodes, it shall check the Certificate of System Member of the client or the overseas certificate with the same effect, and conduct the archival filing.

REGULATIONS FOR SPECIAL EQUIPMENT

On 29 June 2013, the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) was adopted at the 3rd session of Standing Committee of the twelfth NPC and came into effect on 1 January 2014. Before that, the State Council promulgated the Regulation on Safety Supervision over Special Equipment (《特種設備安全監察條例》) on 11 March 2003 and revised the regulations on 24 January 2009. The law and regulations shall be observed in the production, use, inspection and testing of special equipment, which refer to the boilers, pressure vessels, pressure pipelines, elevators, cranes, passenger cableways, and large entertainment facilities that involve the safety of life and that have relatively high risks.

Pursuant to the aforesaid law and regulations, before the special equipment is put into use or within 30 days after it is put into use, the entity using the special equipment shall make registration with the department of safety supervision of the municipality directly under the central government or the city (if it is divided into districts). An entity using special equipment shall, in accordance with the requirements of the safety technical code on regular inspection, file a request for regular inspection with the inspection and testing institution in one month prior to the expiry of the period of validity of the safety inspection.

PRODUCT QUALITY

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated by the SCNPC on 22 February 1993 and amended on 8 July 2000 and 27 August 2009 respectively, applies to all production and marketing activities within the territory of the PRC. Producers and sellers are responsible for the product quality according to the provisions of this law.

Responsibilities and obligations of producers for the products include: (i) be responsible for the quality of the products they produce; (ii) marks on the products or on the packages thereof shall be true to the fact; (iii) not to produce products expressly phased out by state laws or decrees; (iv) not to forge the place of origin, or forge or illegally use the name and address of another producer; (v) not to forge or illegally use product quality marks, such as authentication marks; (vi) not to mix impurities or imitations into the products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; and (vii) to ensure that, for products that are fragile, inflammable, explosive, toxic, corrosive or radioactive, products that should be kept upright during storage and transportation, or other products with special requirements, the packaging thereof must meet the corresponding requirements, and carry warning marks or warning notes to highlight the way of handling that calls for attention.

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A producer in breach of the above responsibilities and obligations shall be liable for civil compensation. The authorities shall order the suspension of production, confiscate the products illegally produced, impose a fine and confiscate the unlawful proceeds (if any) therefrom. Where the case is serious, business licences shall be revoked. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities.

SAFE PRODUCTION

The PRC Work Safety Law (《中華人民共和國安全生產法》) (the “**Work Safety Law**”), was promulgated on 29 June 2002, came into effect on 1 November 2002 and was revised on 27 August 2009. Pursuant to the Work Safety Law, the production and business operation entities must implement safe production as provided in laws, administrative regulations, national standards and industry standards. The Work Safety Law was further amended on 31 August 2014 and the revisions became effective on 1 December 2014.

Generally, any production and business operation entity with more than 300 employees shall establish an administrative body of safe production or have full-time personnel for the administration of safe production. If the enterprise has less than 300 employees, it shall have full-time or part-time personnel for the administration of safe production or entrust engineering technicians who have the relevant professional technical qualifications as required by the state to provide services with regard to the administration of work safety. Violation of the PRC Work Safety Law may result in the imposition of fines and penalties, the suspension of operation, an order to cease operation, and/or criminal liability in severe cases.

We should execute, implement and terminate labour contracts with our employees, as well as provide social insurance and housing provident fund to our employees in accordance with the PRC labour laws and regulations. We should conduct occupational disease prevention and treatment and implement safe production as required by PRC laws and regulations.

FOREIGN TRADE

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was adopted by the SCNPC on 12 May 1994, and amended on 6 April 2004 and 7 November 2016, provides that foreign trade operators who engage in the import and export of goods or technologies shall file records with the administrative department of the foreign trade of the State Council or its authorised agency, unless provided otherwise by the laws, administrative regulations or the stipulations by the administrative department of foreign trade of the State Council. Foreign trade operators which have not filed for registration in accordance with the relevant laws, regulations or stipulations will be declined by the customs to carry out the customs clearance and inspection procedures for import and export of goods. More specifically, according to the Measures for the Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》), which was promulgated by the MOFCOM on 25 June 2004 and amended on 18 August 2016, foreign trade operators who engage in the import and export of goods or technologies shall go through the formalities for record-filing and registration with the MOFCOM or an authority authorised by the MOFCOM. If foreign trade operators fail to go through the formalities for record-filing and registration in accordance with the provisions of these Measures, customs shall refuse to handle the declaration and clearance formalities of their imports and exports.

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The Regulation of the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) which was promulgated by the State Council and became effective on 1 January 2002, together with the Foreign Trade Law of the PRC, standardises the administration of the import and export of goods. The PRC government adopts an automatic import and export licensing administration system for some freely imported and exported goods and technologies, and has a catalogue of such goods and technologies. From time to time, the PRC government promulgates the Foreign Investment Catalogue of restricted and prohibited goods and technologies. For goods and technologies subject to import or export restrictions, the PRC government maintains separate quota managing and licensing systems. Restricted goods or technologies may only be imported or exported with the approval of the relevant foreign trade department. Prohibited goods or technologies may not be imported or exported at all.

CUSTOMS LAW

According to the Customs Laws of the PRC (《中華人民共和國海關法》), which was promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 5 November 2017, unless otherwise stipulated, the declaration of import and export goods may be completed by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the customs. The declaration of import and export goods may be completed by the owners of such goods or their entrusted person. In addition, the consignors and consignees of the goods exported or imported and the customs brokers must register themselves for declaration activities with the customs office. Enterprises engaged in the processing trade shall file an approval document and a processing contract with the customs office. The amount of raw materials consumed during the production of the finished products shall be decided by the customs office. The finished products of a processing trade shall be re-exported within the stipulated time limit.

Pursuant to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs (海關總署) on 13 March 2014, amended on 20 December 2017 and 29 May 2018, the consignor or consignee of imported and exported goods shall register with local customs in accordance with the laws.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was amended on 26 February 2010 and with effect from 1 April 2010, Copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Works which can be protected under Copyright Law include: written works; oral works; musical works, theatrical works, quyi (folk art), choreographic works and acrobatic works; works of fine arts and architectural works; photographic works; cinematographic works and works created by a process analogous to cinematography; graphics works such as drawings of engineering designs, drawings of product designs, maps, schematic drawings, and three-dimensional model works; computer software; etc. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute

REGULATORY OVERVIEW

infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), which was promulgated on 23 August 1982 and with effect from 1 March 1983 and whose last amendment made on 30 August 2013 took effect from 1 May 2014. The right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”), which was revised on 27 December 2008 and with effect from 1 October 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Names

Pursuant to the Measures for Administration of Internet Domain Names (《互聯網絡域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) on 24 August 2017 and with effect from 1 November 2017, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The principle of “first come, first serve” shall be followed for the domain name registration service. After completing the domain name registration, the applicant for the domain name registration becomes the holder of such domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

Our registered trademarks and registered domain names have been listed in Appendix IV to this prospectus. Such registered trademarks and registered domain names are and will be protected by the PRC intellectual property laws and regulations during their respective validity periods.

ENVIRONMENTAL PROTECTION

General Laws

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the “**Environmental Protection Law**”), which was promulgated by the SCNPC and became effective on 26 December 1989, (i) any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise vibration and electromagnetic radiation and other hazards it produces; (ii) any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and (iii) any entity that discharges pollutant in excess of the prescribed national or local standards must pay the requisite fee for excessive discharge and shall assume responsibility for controlling and eliminating the pollution. The Environmental Protection Law was further amended on 24 April 2014 and the revisions became effective on 1 January 2015.

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) shall impose different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the different circumstances. Such penalties include warnings, fines, orders to rectify and make treatment within prescribed period, orders to cease production, orders to re-install contamination prevention and treatment facilities which have been removed or left unused, imposition of administrative action against relevant responsible persons, or orders to shut down those enterprises.

Prevention and Control of Various Pollutions

The Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), as promulgated on 11 May 1984, amended on 15 May 1996, 28 February 2008 and 27 June 2017 and became effective on 1 January 2018, the Law on Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》), as promulgated on 5 September 1987, revised on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018, as well as the Law on Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和國環境噪聲污染防治法》), which was revised on 29 October 1996 and became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was amended by the SCNPC on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution respectively.

In addition, pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water resources, and/or produce noise, the relevant entity shall make pollutant discharge declaration and discharge pollutants in accordance with relevant regulations.

Construction Project Environmental Protection

According to the Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, the Law on Appraisal of Environment Impacts of the PRC (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002, amended on 2 July 2016 and became effective on 1 September 2016, the Administration Regulations on Record-filing of the

REGULATORY OVERVIEW

Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》), which was promulgated on 16 November 2016 and became effective on 1 January 2017 and the Administration Regulations on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收管理辦法》), which was promulgated by the State Environmental Protection Administration on 27 December 2001, amended on 22 December 2010 and became effective on 22 December 2010, the PRC has implemented a system for the evaluation of the environmental impacts of construction projects. On the basis of the extent of effects exerted on the environment by a construction project, the construction entity shall prepare an environmental impact report, or an environmental impact report form, or an environmental impact registration form regarding the environmental impacts of the construction project. The report and the report form shall be approved by the competent environmental protection administrative department prior to the commencement of construction, while the registration form is regulated by way of record-filing. Furthermore, the construction entity shall, upon completion of a construction project for which an environmental impact report or an environmental impact report form is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance check of the constructed supporting environmental protection facilities and prepare the acceptance check report, such supporting environmental protection facilities shall be simultaneously put into operation or use with the main body project.

According to the Administrative Measures on Concurrent and Subsequent Supervisions upon Construction Projects (Trial) (《建設項目環境保護事中事後監督管理辦法》(試行)) promulgated on 10 December 2015, construction units should make a comprehensive disclosure on environmental information including but not limited to the environmental impact assessment documents.

Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation)

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) (the “**Administrative Measures**”) promulgated by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) on 10 January 2018, the pollutant discharging entities shall legally hold the pollutant discharge licences, and discharge pollutants in accordance with the regulations of the licences. According to relevant regulations and provisions, competent Environmental Protection authorities shall exercise comprehensive license administration on the discharge of water pollution, air pollution, and other various pollution emitted unit. For the pollutant discharging units which obtained approval opinions on environmental impact assessment of construction projects on 1 January 2015 and thereafter, the main part related to pollutants discharge in the environmental impact assessments and approval opinions shall be included in the pollutant discharge licences. For the pollutant discharge units which has been established and actually discharged pollutants before the time limit as provided in the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (the “**Catalog**”), the pollutant discharge licences shall be applied for and obtained within the time limit. The pollutant discharge units established after the time limit shall apply for and obtain the pollutant discharge licences before starting production facilities or actual pollutants discharge.

LABOUR PROTECTION

The Labour Contract Law

The PRC Labour Contract Law, which was promulgated by the SCNPC on 29 June 2007 and amended on 28 December 2012, and the Implementation Rule of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated on 18 September 2008 by the State Council, set out the regulations on the conclusion, fulfillment, modifications and termination of a labour contract between the employer and the employee. A written labour contract shall be concluded for the establishment of a labour relationship between the employer and the employee. A labour contract shall contain clauses in relation to basic information of the employee and the employer, term of the labour contract, job responsibilities, workplace, work hours, remuneration, social insurance, labour protection, working conditions and any other issue that shall be listed in the labour contract in accordance with the laws. The employer failing to comply with these regulations may be subject to ratification or compensation.

The Dispatch Provisions was promulgated by the Ministry of Human Resources and Social Security (人力資源和社會保障部) on 24 January 2014 and took effect on 1 March 2014. According to the above Provision, an employer may use dispatched workers only for temporary, auxiliary or back-up positions. The number of dispatched workers used by an employer shall not exceed 10% of the total number of its employees. An employer shall provide dispatched workers with position-related benefits pursuant to the PRC Labour Contract Law, and shall not discriminate against dispatched workers. Employers that violate the provisions on labour dispatching under the PRC Labour Contract Law and the Implementing Rule of the Labour Contract Law of the PRC shall be imposed of order to rectify within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed, and the labour dispatch company's business licence for engaging in the labour dispatch shall be revoked. If a dispatched worker suffers any harm or loss caused by the employers, the labour dispatch company and the employer shall be jointly and severally liable for damages.

Law on Employment Promotion

The Law of the PRC on Employment Promotion (《中華人民共和國就業促進法》) (the “**Law on Employment Promotion**”) was promulgated by the SCNPC on 30 August 2007 and amended on 24 April 2015. The Law on Employment Promotion contains provisions on policy support, fair employment, employment service and management, and vocational education and training. More particularly, the Law on Employment Promotion (i) states explicitly that employment discrimination should be eliminated, and the employees discriminated by acts in violation of the provisions may file a lawsuit with the people's court; (ii) provides that public employment service agencies established by the People's Government at the county level or above should provide free services to employees, including consultation of employment policies and regulations, vocational training, and price guidance for market wages; (iii) establishes an employment and unemployment registration system, stipulating that employers should provide necessary information to facilitate the registration.

Social Insurance

The Social Insurance Laws of the PRC (《中華人民共和國社會保險法》), which promulgated by the SCNPC on 28 October 2010 and effective on 1 July 2011, and the Interim Regulation on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on 22 January 1999 and became effective on the same date, set out that employers in the PRC are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, for unemployment insurance, for basic medical insurance, for work-related injury insurance, for maternity insurance and for housing accumulation fund. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the outstanding contributions.

Housing Provident Fund

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which became effective on 3 April 1999 and was amended on 24 March 2002, enterprises in the PRC must register with the housing provident fund management centre, maintain housing provident fund accounts with designated banks for their employees, and deposit into the fund an amount not less than 5 per cent. of each employee's average monthly salary in the previous year.

TAXATION

Enterprise Income Tax

According to the EIT Law enacted by the National People's Congress on 16 March 2007 enacted by the State Council on 6 December 2007, amended and took effect on 24 February 2017, a uniform income tax rate of 25% is applied to PRC enterprises, foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC.

Under the implementation rules of the EIT Law, in effect from 1 January 2008, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on 21 August 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the State Administration of Taxation of the PRC (the "SAT") promulgated the Notice Concerning the Meaning and Determination of the Identity of "Beneficial Owner" in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》), which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and the beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits. In addition, according to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Tax Treaties (Trial) (《非居民納稅人享受稅收協定待遇管理辦法(試行)》), effective on 1 October 2009, which was replaced by the 2015 Administration Measures, promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy the tax treatment under the tax treaty, it shall apply for approval or file with the competent tax authority. Without such approval or filing record, the non-resident enterprise shall not enjoy the tax treatment in the tax treaty.

REGULATORY OVERVIEW

According to the EIT Law, the Implementation Rules on the Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) and the Implementing Measures for Special Tax Adjustment (Trial) (《特別納稅調整實施辦法(試行)》), which was promulgated on 8 January 2009 retroactively with effect from 1 January 2008, business transactions between an enterprise and its related parties, shall follow the arm's length principle. In case of a failure to follow such principle which results in a reduction of taxable income, the PRC tax authorities will have the right to make reasonable adjustment. Business transactions between related parties may be subject to tax adjustment by the PRC tax authorities within 10 years after the taxable year when the business transactions are conducted. If the relevant PRC tax authorities determine to adjust the taxable income, they may also require payment of related interest accrued daily for the tax recovery period beginning from 1 June of the year subsequent to the applicable tax year to the date of payment of the additional taxes. The interest shall be computed at the RMB loan benchmark interest rate announced by the People's Bank of China in the tax year in respect of the additional tax amount for the same period as the tax recovery period, plus five percentage points. The five percentage points could be waived if the taxpayer submits relevant materials (including the applicable contemporaneous documents) to the relevant PRC tax authorities.

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on 20 February 2009, all of the following requirements must be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-Added Tax

Pursuant to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 26 February 2016 and 19 November 2017, and its Implementation Regulations which was last amended on 28 October 2011, all enterprises and individuals engaging in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are subject to value-added tax ("VAT"). The applicable VAT rate for taxpayers providing processing, repairs and replacement services shall be 17 per cent., and that for taxpayers exporting goods shall be 0 per cent. except as otherwise stipulated by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) issued by MOF and SAT on 23 March 2016, starting from 1 May 2016, the value-added tax rate is 11% (for the taxpayers providing freight transportation industry services), 17% (for the taxpayers providing tangible movable property rentals services), 6% (unless otherwise specified, for other taxable services (including but not limited to loading and unloading services)). The taxpayers providing international freight forwarding agency services whether directly or indirectly shall be exempted from value-added tax.

On 4 April 2018, SAT and MOF jointly issued Circular on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) (財稅[2018]32號), which took effect on 1 May 2018. Under the above Circular, the VAT rate was further adjusted, including the change of tax rate from 17% and 11% to 16% and 10% respectively for the taxable sales or import of goods by the taxpayer.

The Law of the PRC on Environmental Protection Tax

Pursuant to the Law of the PRC on Environmental Protection Tax (《中華人民共和國環境保護稅法》) (the “**EPT Law**”), promulgated by SCNPC on 25 December 2016, became effective on 1 January 2018, and its implementing rules, enterprises, entities, other producers and operators that directly emit taxable pollutants into the environment within the territory and other sea areas under the jurisdiction of the PRC are taxpayers of environmental protection tax, who shall pay tax in accordance with the EPT Law. For taxable items and the amount of environmental protection tax, the Table of Taxable Items and Amount of Environmental Protection Tax attached to the EPT Law shall be followed. Taxpayers shall file the declaration form of environmental protection tax with the tax authority that has jurisdiction over the place where the taxable pollutants are emitted.

Environmental protection tax shall be temporarily exempted under any of the following circumstances: (i) Taxable pollutants emitted from agricultural production (excluding scale-intensive farming); (ii) Taxable pollutants emitted by such mobile sources as motor vehicles, locomotives, non-road mobile machinery, ships, and aircraft; (iii) Taxable pollutants emitted from lawfully established centralized urban sewage and domestic waste treatment facilities without exceeding the national or local standard; (iv) Solid waste comprehensively utilized by the taxpayer in line with the national or local standard of environmental protection; and (v) Other tax-exempt circumstances approved by the State Council. Any tax-exempt circumstances as provided in the forgoing Paragraph 5 shall be submitted by the State Council to the SCNPC for filing.

Urban Maintenance and Construction Tax and Education Surtax

Pursuant to the Interim Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) which was promulgated on 8 February 1985 and took effect from 1 January 1985 amended on 8 January 2011, and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務總局關於城市維護建設稅徵收問題的通知》) which was promulgated on 12 March 1994 and took effect from 1 January 1994, any enterprise or individual subject to consumption tax, VAT and business tax shall also be required to pay urban maintenance and construction tax. The amount of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax actually paid by a taxpayer, and shall be paid simultaneously with payment thereof. The rates of urban maintenance and construction tax shall be 7 per cent. for a taxpayer in city, 5 per cent. for a taxpayer in county or town and 1 per cent. for a taxpayer in places other than a city, county or town.

In accordance with the Interim Provisions on the Collection of Educational Surtax (《徵收教育費附加的暫行規定》) which was last revised on 8 January 2011, any enterprise or individual subject to consumption tax, VAT and business tax shall also be required to pay educational surtax. The rate of educational surtax is 3 per cent., based on the amount of consumption tax, VAT and business tax actually paid by each enterprise or individual, and the educational surtax shall be paid simultaneously with the payment of consumption tax, VAT and business tax.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BACKGROUND, HISTORY AND ORIGIN

Mr. Richard Tan's late father, the founder of our Group, started his business in paper trading in the early 1980's. As his business grew, he expended his business to the PRC by setting up SHBP whereby he expanded his paper business scope to corrugated products manufacturing.

Our Group's origin can be traced back to March 1994 when SHBP was set up by Mr. Richard Tan's father through PM Industries to engage in the business of production and sale of corrugated packaging products and corrugated sheet boards in the PRC. For further information in relation to our business, please refer to the section headed "Business" in this prospectus.

SHBP is our Group's first member. Upon establishment of SHBP in 1994, it was a sino-foreign cooperative joint venture and thereafter became a sino-foreign joint venture, and now a wholly-foreign owned enterprise. On 24 November 2008, Mr. Richard Tan's father settled his 80% beneficial interest in PMHC (a Controlling Shareholder) in the TCC Entrepreneur Trust and the TCC Education Trust through Golden Ford and transferred his remaining 20% beneficial interest in PMHC to Smart Legend, a company indirectly wholly-owned by Mr. Richard Tan's father at the material time. At the time of the arrangement by Mr. Richard Tan's father, SHBP was indirectly owned as to 95% by PMHC and in 2014, SHBP became an indirect wholly-owned subsidiary of our Company.

Mr. Cheng, the executive Director and chairman of our Board, was the person in charge of the management and operation of SHBP since 1995. Mr. Richard Tan and his younger brother, Mr. Leon Tan, each has his own various business ventures. Mr. Richard Tan is a businessman principally engaging in banking and financial leasing business, and was appointed as the protector of the TCC Entrepreneur Trust since it was established by his late father. Mr. Leon Tan is also a businessman principally engaging in funeral service and car dealership business and was appointed as the protector of the TCC Education Trust since it was established by his late father. As at the Latest Practicable Date, Mr. Leon Tan is the vice-chairman and an executive director of Fu Shou Yuan International Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1448).

As at the Latest Practicable Date, we have 14 operating subsidiaries established in the PRC and each of them (except SHBP) was held by PMPG (HK) and SHBP.

BUSINESS MILESTONES

The key events of development of our business are summarised as below:

Year	Event
1994	Establishment of SHBP in Shanghai
1996	Establishment of QDBP in Qingdao
2002	Establishment of SZBP in Suzhou
2006	Establishment of NJBP in Nanjing and ZJBP in Zhejiang
2007	Establishment of DLBP in Dalian and TJBP in Tianjin

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2008	PMHC, a Controlling Shareholder, became indirectly interested in 95% interest in SHBP
2010	Setting up research and development centre in KSBP Setting up central warehouse in Taicang, Jiangsu Province
2013	Establishment of SYBP in Shenyang
2014	SHBP became our indirectly wholly-owned subsidiary and our Company was incorporated
2015	Establishment of CSBP in Changshu Establishment of JSBP in Wujiang and relocation of our research and development Centre from Kunshan to Wujiang
2016	Establishment of GDBP in Huizhou
2017	Establishment of TCBP in Taicang

OUR GROUP COMPANIES

As at the Latest Practicable Date, our Group had 16 wholly-owned subsidiaries established in BVI, Hong Kong and the PRC.

Investment holding subsidiaries

PMPHL

PMPHL was incorporated in BVI with limited liability on 12 August 2014 with an authorised share capital of US\$50,000.0 divided into 50,000 shares of US\$1.0 each and was wholly-owned by our Company. PMPHL is an investment holding company for the purpose of holding the entire share capital of PMPG (HK).

PMPG (HK)

On 21 November 2001, PMPG (HK) was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.0 each. Two fully-paid shares were allotted and issued to two initial subscribing shareholders on the same date. The share capital of PMPG (HK) was redenominated from HK\$ to US\$ with effect from 17 July 2009.

On 26 November 2001, the two initial subscribing shareholders transferred their respective one share to Millennium Investment Company Limited (“**MICL**”), a company incorporated in Hong Kong with limited liability and owned as to approximately 48% by Pacific Millennium Investment Corporation (“**PM Investment**”) at the time of the transfer, and an Independent Third Party each at nominal value of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HK\$1.0. At that time, PM Investment was ultimately controlled by the father of Mr. Richard Tan and during the period from February 1997 to October 2003, PMHC was wholly-owned by MICL and thereafter directly wholly-owned by the father of Mr. Richard Tan until November 2008. On the same day, PMPG (HK) allotted and issued 8,999 shares to MICL and 999 shares to the Independent Third Party at nominal value of HK\$8,999.0 and HK\$999.0, respectively. After the aforementioned allotment and issuance, PMPG (HK) was owned as to 90% by MICL and 10% by the Independent Third Party. On 7 May 2002, MICL transferred its 9,000 shares, representing 90% of the then entire issued share capital of PMPG (HK), to PM Investment at nominal value of HK\$9,000.0 and the Independent Third Party transferred the 999 shares and 1 share held by him to PM Investment and Millennium Capital Services Co., Ltd. (“**Millennium Capital**”), a company incorporated in BVI with limited liability and wholly-owned by PM Investment, at nominal value of HK\$999.0 and HK\$1.0, respectively. The one share was held on trust by Millennium Capital for PM Investment. Thereafter, PMPG (HK) was beneficially wholly-owned by PM Investment after such transfers.

On 3 July 2003, PM Investment and Millennium Capital transferred their 9,998 shares and one share to PMHC at nominal value of HK\$9,998.0 and HK\$1.0, respectively. The remaining one share was held on trust by PM Investment for PMHC.

Thereafter, PMPG (HK) was beneficially wholly-owned by PMHC until the Reorganisation commenced in 2014 for the preparation of the Listing. For details of the Reorganisation, please refer to the sub-section headed “Reorganisation” under this section. After the Reorganisation and up to the Latest Practicable Date, PMPG (HK) is wholly-owned by PMPHL which is in turn wholly-owned by our Company.

Operating subsidiaries

SHBP

SHBP was established in Shanghai, the PRC with limited liability with registered capital of US\$2.1 million on 29 March 1994.

SHBP started off as a sino-foreign cooperative joint venture formed between a local joint venture partner (an Independent Third Party) (the “**Local JV Partner**”) and PM Industries. PM Industries was the sole equity holder of SHBP while the Local JV Partner was required to provide the land use right of a parcel of land for the operation of SHBP and entitled to an annual fixed return. In 1996, SHBP turned into a sino-foreign cooperative joint venture among PM Industries, the Local JV Partner and a foreign joint venture partner (the “**BVI Holdco**”) which was a wholly-owned subsidiary of an American based paper group previously listed on Nasdaq (the “**US-based Paper Group**”). As a result of the BVI Holdco’s participation, the registered capital of SHBP was increased from US\$2.1 million to US\$3.1 million and owned as to 50% by PM Industries and the BVI Holdco each.

In 1998, PM Industries became interested in 50% of the BVI Holdco and in January 1999 transferred all its registered equity interest in SHBP to the BVI Holdco. After the transfer, SHBP became a sino-foreign cooperative joint venture between the BVI Holdco and the Local JV Partner with the BVI Holdco registered as the sole equity holder of SHBP. Subsequently in 2002, the registered capital of SHBP was increased from US\$3.1 million to US\$4.4 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In September 2003, the Local JV Partner ceased to participate in the cooperative JV with the BVI Holdco in SHBP and the land use right provided by the Local JV Partner for the operation of SHBP was transferred to SHBP as its own assets. At the same time, the BVI Holdco transferred an interest represented 4.09% of the registered capital in SHBP to an affiliate of the Local JV Partner (the “**Affiliate**”) at the consideration of US\$180,000.0 which was determined based on the audited net asset value of SHBP as at 30 June 2003. After the transfer, SHBP was owned as to 95.91% by the BVI Holdco and 4.09% by the Affiliate and reformed as an equity joint venture enterprise.

In late 2003, for restructuring purpose, 50% of interest held by the BVI Holdco in SHBP, represented 47.955% of the registered capital of SHBP, was transferred to Mr. Richard Tan (who held on trust for his father) while the remaining 47.955% interest was transferred to the US-based Paper Group. At the same time, two other local investors agreed to invest in SHBP. The registered capital was then increased from US\$4.4 million to US\$6.0 million. After the injection, SHBP was owned as to 47.5%, 47.5% and 3% by the US-based Paper Group, Mr. Richard Tan (on trust for his father) and the Affiliate, respectively, while the two local investors were interested in aggregate of 2% of the increased registered capital. In February 2004, SHBP reformed to be a joint stock company based on the proportion of the then registered capital held by each of the registered shareholders.

In September 2006, each of Mr. Richard Tan (on behalf of his father) and the US-based Paper Group transferred all their respective interests in SHBP back to the BVI Holdco at the aggregate consideration of approximately US\$10.4 million, which was determined based on the net asset value of SHBP as at 31 May 2005.

In January 2008, PM Industries became interested in 100% of the BVI Holdco, and as such, the US-based Paper Group ceased to hold any interest in SHBP. In November 2008, the Affiliate and the other two local investors transferred all their respective interests in SHBP represented 5% of the then entire issued shares in SHBP at the consideration of US\$1.0 per share to Anhui Millennium Investment & Consultant Company Limited (“**Anhui MIC**”) and at that time, Anhui MIC was owned as to indirectly 90% by MICL and 10% by Shanghai Millennium Asia Corp. Communications Inc. Limited (上海濟豐寰亞信息技術有限公司) (“**Asia Corp**”), a company substantially owned by Anhui MIC at that time, and currently, wholly-owned by Ms. Long Yanping, a member of our senior management and a director and supervisor of certain of our subsidiaries. Asia Corp ceased to hold interest in Anhui MIC in August 2016. On 24 November 2008, Richard Tan’s father settled 80% beneficial interest in PMHC to the TCC Entrepreneur Trust and the TCC Education Trust through Golden Ford and passed 20% beneficial interest in PMHC to Smart Legend. At the time of the arrangement by the father of Mr. Richard Tan, SHBP was owned as to 95% by the BVI Holdco, which was in turn indirectly wholly-owned by PMHC, and 5% by Anhui MIC.

For the purpose of restructuring, in September 2009, PMPG (HK) acquired 95% interest in SHBP from the BVI Holdco at the consideration of approximately RMB74.0 million. The consideration was determined based on the net asset value of SHBP as at 31 December 2008. After the transfer, SHBP was owned as to 95% by PMPG (HK) and 5% by Anhui MIC. In January 2010, the registered capital of SHBP was increased from RMB75.7 million to RMB100.0 million by injecting a sum of US\$ equivalent to RMB24.3 million by PMPG (HK). After the increase of the registered capital, SHBP was owned as to approximately 96.2% by PMPG (HK) and approximately 3.8% by Anhui MIC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In February 2014, SHBP reformed to be a limited liability company from a joint stock company and PMPG (HK) acquired the remaining 3.8% interest in SHBP from Anhui MIC at the consideration of approximately RMB8.7 million. The consideration was determined based on the consolidated financial statement of SHBP as at 30 November 2013. Since then, SHBP has been an indirect wholly-owned subsidiary of our Company.

As at the Latest Practicable Date, SHBP had a registered capital of RMB100.0 million and was principally engaging in production and sale of corrugated packaging products and corrugated sheet boards. SHBP was also the holding company of all other PRC subsidiaries of our Group.

Other operating subsidiaries

In addition to SHBP, since the establishment of our Group, we had set up 16 operating subsidiaries across different regions of the PRC (the “**PRC Operating Subsidiaries**”), all of which were/are principally engaging in the production and/or sale of corrugated packaging products and corrugated sheet boards. As at the Latest Practicable Date, three PRC Operating Subsidiaries, namely YTBP, HFBP and KSBP were closed down and duly deregistered in 2013, 2014 and 2017, respectively.

ESTABLISHMENT OF THE TCC ENTREPRENEUR TRUST AND THE TCC EDUCATION TRUST

Richard Tan’s father, as the settlor, set up the TCC Entrepreneur Trust and the TCC Education Trust for the benefit of his grandchildren and their respective children and such other person as declared by the trustees from time to time (excluding the settlor and any person whom for the time being is the protector or the trustee (including its officers and employees or the spouse(s), children, siblings and any persons associating with the trustee, its officers and employees) of the trusts). As at the Latest Practicable Date, Mr. Leon Tan is the protector and Fortune China is the trustee of the TCC Education Trust while Mr. Richard Tan is the protector and Star Concord is the trustee of the TCC Entrepreneur Trust.

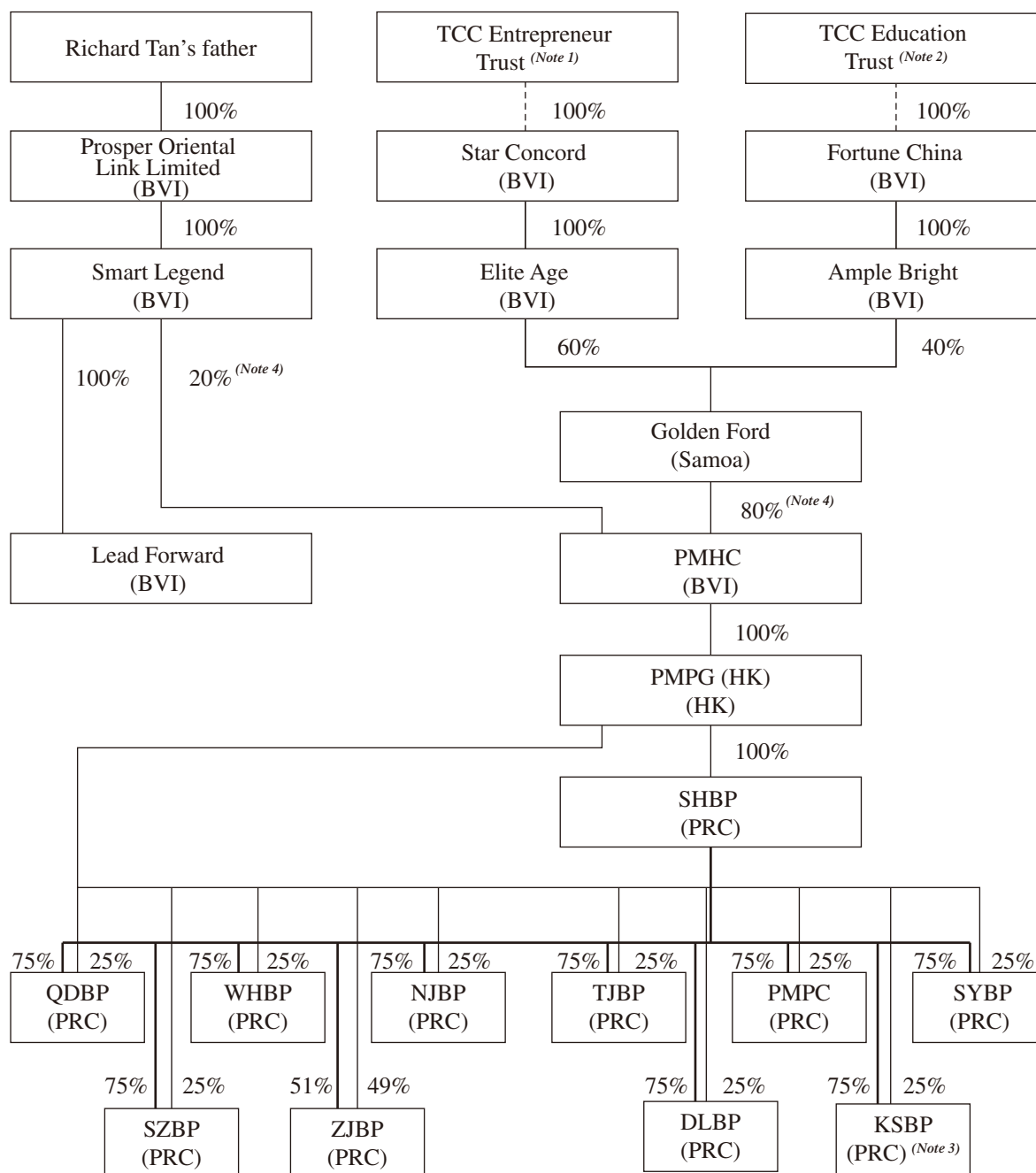
REORGANISATION

In 2014, in preparation for the Listing, our Group underwent Step (1) to Step (5) of the Reorganisation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate Structure prior to the Reorganisation

The following chart illustrates the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. TCC Entrepreneur Trust is a discretionary trust established by Mr. Richard Tan's father as the settlor, for the benefit of his grandchildren and their respective children and such other persons as declared by the trustee of TCC Entrepreneur Trust from time to time (excluding explicitly the settlor and any person whom for the time being is the protector and the trustee (including its officers and employees or the spouse(s), children, siblings and any persons associating with the trustee, its officers and employees) of the TCC Entrepreneur Trust. As at the Latest Practicable Date, Mr. Richard Tan is the protector and Star Concord is the trustee of the TCC Entrepreneur Trust. Mr. Leon Tan was the officer of Star Concord until 17 July 2017. From 17 July 2017 and as at the Latest Practicable Date, Mr. Tsai is the officer of Star Concord.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2. TCC Education Trust is a discretionary trust established by Mr. Richard Tan's father as the settlor, for the benefit of his grandchildren and their respective children and such other persons as declared by the trustee of TCC Education Trust from time to time (excluding explicitly the settlor and any person whom for the time being is the protector or the trustee (including its officers and employees or the spouse(s), children, siblings and any persons associating with the trustee, its officers and employees) of the TCC Education Trust. As at the Latest Practicable Date, Mr. Leon Tan is the protector and Fortune China is the trustee of the TCC Education Trust and Mr. Richard Tan is the officer of Fortune China.
3. KSBP was later deregistered on 9 February 2017.
4. The then total number of issued shares of PMHC was 45,000,000 shares of which 33,990,539 shares were held by Golden Ford (represented approximately 75.5% of the then entire issued share capital of PMHC), 9,000,000 shares were held by Smart Legend (represented 20% of the then entire issued share capital of PMHC) and 2,009,461 shares (the "**Relevant Shares**") were held by two trusts (represented approximately 4.5% of the then entire issued share capital of PMHC). Due to the fact that the Relevant Shares held by the two trusts were issued collectively in error, PMHC redeemed the Relevant Shares from the two trusts without any consideration and reissued the Relevant Shares to Golden Ford.

The Reorganisation

The major steps of our Reorganisation are summarised as follows:

Step (1) Incorporation of our Company

Our Company was incorporated in the Cayman Islands with limited liability on 31 July 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 November 2014. On the same day, the initial subscriber transferred its one initial subscriber Share to PMHC at par value. After such transfer, our Company was wholly-owned by PMHC. On 23 October 2014, the authorised share capital of our Company was increased from HK\$380,000 to HK\$3,000,000 comprising 300,000,000 Shares of HK\$0.01 each by the creation of an additional 262,000,000 new Shares.

Step (2) Incorporation of PMPHL

PMPHL was incorporated in BVI with limited liability on 12 August 2014 with an authorised share capital of US\$50,000.0 divided into 50,000 shares of US\$1.0 each. One share in PMPHL was issued and allotted to our Company on the same day. After such share issuance and allotment, PMPHL was wholly-owned by our Company.

Step (3) Capitalisation of shareholder loan owed by PMPG (HK) to PMHC

On 3 October 2014, the total amount of shareholder loan in the sum of US\$24,694,023.29 owed by PMPG (HK) to PMHC was capitalised in consideration of 100 shares in PMPG (HK) being allotted and issued to PMHC. Immediately after the capitalisation of the shareholder loan, PMPG (HK) remained to be wholly-owned by PMHC.

Step (4) Subscription of shares in PMPG (HK) by PMPHL

On 3 October 2014, in consideration of US\$1.0 paid by PMPHL, 14,400 shares in PMPG (HK) was allotted and issued to PMPHL. After such share issuance and allotment, PMPG (HK) was owned as to 1,600 shares and 14,400 shares by PMHC and PMPHL, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step (5) Transfer of entire shareholding interests owned by PMPG (HK) to PMPHL

On 27 October 2014, PMHC transferred its entire shareholding interests in PMPG (HK) to PMPHL, in consideration of which our Company allotted and issued 224,999,999 Shares, credited as fully paid, to PMHC.

As advised by our Hong Kong Legal Advisers, the Reorganisation steps complied with the relevant laws and regulations in Hong Kong. Immediately after such transfer of shareholding interests and allotment and issuance of shares, our Company remained to be wholly-owned by PMHC and PMPG (HK) was wholly-owned by PMPHL.

Step (6) Increase of authorised share capital of our Company

On 30 November 2018, the authorised share capital was increased from HK\$3,000,000 to HK\$6,000,000 comprising 600,000,000 Shares of HK\$0.01 each by creation of an additional 300,000,000 new Shares.

Step (7) The Global Offering

Our Company will offer 75,158,000 Offer Shares for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. Please refer to Note 1 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” in this section for details.
2. Please refer to Note 2 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” in this section for details.
3. Please refer to Note 3 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” for details.
4. Please refer to Note 4 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” for details.

As at the Latest Practicable Date, with the exception of the Global Offering which will take place on the Listing Date, all steps of the Reorganisation have been properly and legally completed and no approval is required from the relevant regulatory authorities.

CHANGE OF SHAREHOLDING STRUCTURE OF OUR COMPANY

Former Investors

In 2014, our Company commenced preparation for the Listing, which was subsequently postponed due to the then unfavourable market conditions (the “**Initial Listing Preparation**”) without submitting our listing application. During the Initial Listing Preparation, we allotted and issued to six investors a total of 37,770,000 Shares, represented approximately 14.22% of the then issued share capital of our Company. Due to the Listing was unlikely to take place within the agreed prescribed time period, in January and March 2015, such investors exercised their put options granted under their respective subscription agreement and put all the Shares held by them to our Company or PMHC. As confirmed by our Directors, all such former investors were Independent Third Parties.

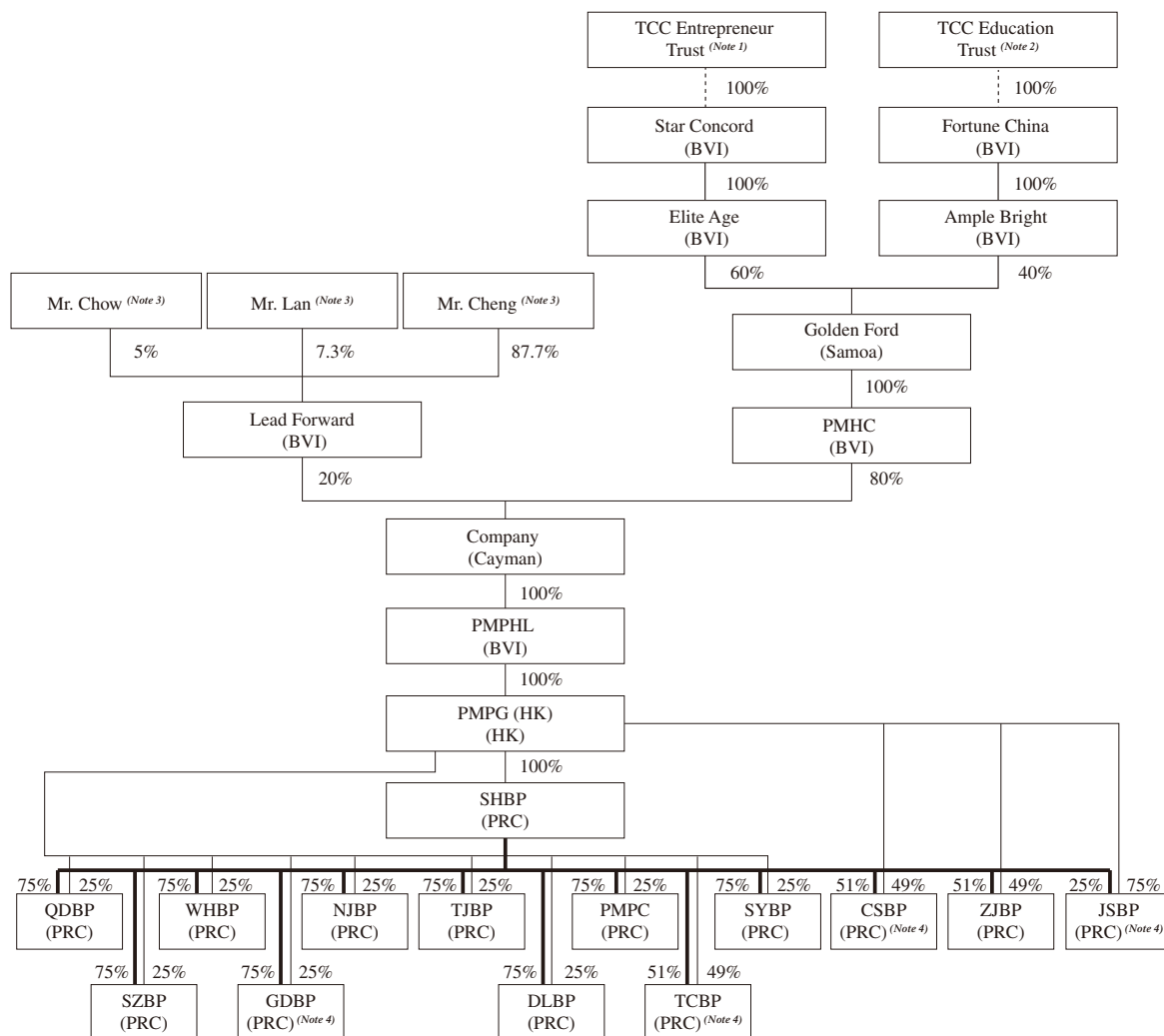
Change of shareholding structure of our Company

On 1 May 2015, Smart Legend transferred its entire interests in PMHC to Golden Ford in consideration of PMHC transferring 94,800 Shares held by it to Lead Forward. Immediately after the transfer of such Shares, PMHC and Lead Forward held 180,379,200 Shares and 45,094,800 Shares, respectively, representing 80% and 20% of the then entire issued share capital of our Company, respectively.

On 30 June 2015, Smart Legend transferred 300, 50 and 73 shares of Lead Forward to Mr. Cheng, Mr. Chow and Mr. Lan, respectively, with nil consideration, in appreciation of their contribution to our Group. On 18 April 2016 and 14 August 2017, Smart Legend further transferred another 282 and 294 shares of Lead Forward with nil consideration, to Mr. Cheng. Immediately after the transfer on 14 August 2017, Lead Forward was owned as to approximately 87.7%, 5.0% and 7.3% by Mr. Cheng, Mr. Chow and Mr. Lan, respectively. Mr. Cheng is our executive Director and the chairman of our Board, Mr. Chow is our non-executive Director and Mr. Lan is a member of our senior management. For more details please refer to the section headed “Directors, senior management and employees” in this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart illustrates the change of shareholding structure of our Group immediately after the above change of shareholding:



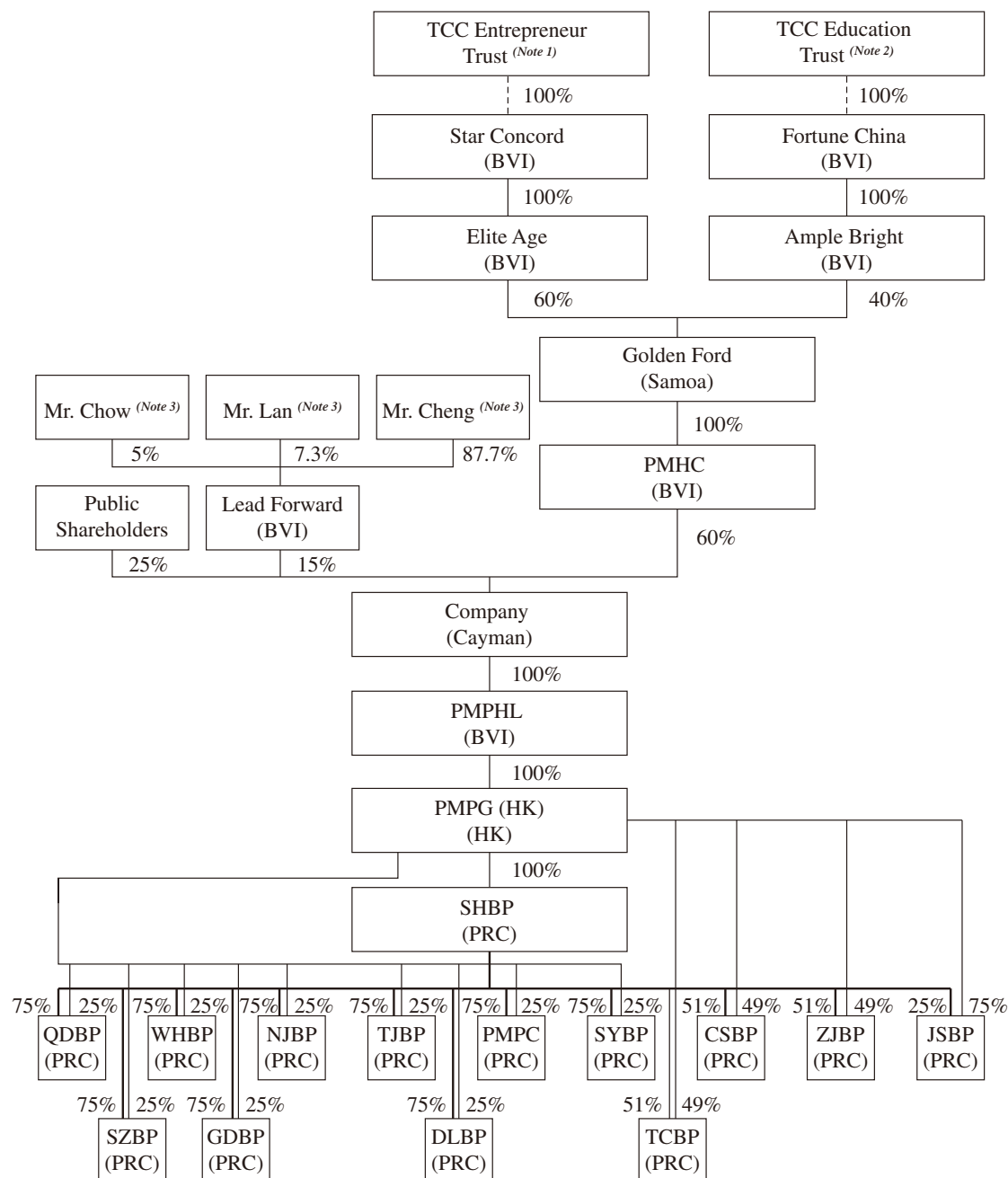
Notes:

1. Please refer to Note 1 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” for details.
2. Please refer to Note 2 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” for details.
3. Mr. Cheng and Mr. Chow are our Directors while Mr. Lan is a member of our senior management. Please refer to the section headed “Directors, senior management and employees” for their respective biographies.
4. CSBP, GDBP, JSBP and TCBP were established on 17 November 2015, 20 December 2016, 6 July 2015 and 23 August 2017, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

GLOBAL OFFERING

The following chart illustrates the corporate structure of our Group immediately after the Global Offering, but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option:



Notes:

- Please refer to Note 1 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” in this section for details.
- Please refer to Note 2 in the chart under the paragraph headed “Corporate structure prior to the Reorganisation” in this section for details.
- Mr. Cheng and Mr. Chow are our Directors while Mr. Lan is a member of our senior management. Please refer to the section headed “Directors, senior management and employees” for their respective biographies.

OVERVIEW

We are a corrugated packaging supplier in the PRC with over 20 years of experience since the establishment of SHBP in 1994, and are 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. As part of our value-added packaging solutions to some of our customers, we also procure other packaging materials such as polystyrene foam, plastic bags as well as other auxiliary materials, which are sold to these customers together with our corrugated packaging products.

According to Frost & Sullivan, we were the seventh largest corrugated packaging supplier in the PRC in terms of revenue for the year ended 31 December 2017. The corrugated packaging industry in the PRC is a highly fragmented market, while we ranked seventh among the corrugated packaging companies in the PRC, we had a market share of 0.65% in the PRC in terms of revenue for the year ended 31 December 2017, according to Frost & Sullivan.

Our head office is located at Shanghai, the PRC. As at the Latest Practicable Date, we operated eleven production plants located in northern, north-eastern, eastern and southern regions of the PRC, all of which are equipped with corrugators that have the capacity to produce both corrugated sheet boards and corrugated packaging products. We have extended our presence in the southern region of the PRC since the establishment of GDBP in December 2016, which holds our new production plant in Huizhou, Guangdong Province, the PRC and the commercial production of which was commenced in the second quarter of 2018; and have further strengthened our establishment in the eastern region of the PRC since the establishment of TCBP in August 2017, which holds our new production plant in Taicang, Jiangsu Province, the PRC and the commercial production of which was commenced in the fourth quarter of 2018.

All of our corrugated packaging products are customised according to our customers' needs and specification including materials, dimensions, thickness and artwork to be printed. Revenue generated through the sale of corrugated packaging products accounted for approximately 87.0%, 88.0%, 91.1% and 91.2% of our total revenue for each of the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively; whereas the sale of corrugated sheet boards accounted for approximately 13.0%, 12.0%, 8.9% and 8.8%, respectively, for the same period. For the breakdown of the sales by products, please refer to the sub-section headed "Our products and services" in this section below.

Our gross profit margin amounted to approximately 22.9%, 21.3%, 21.2% and 20.2%, respectively, for our corrugated packaging products and approximately 15.1%, 15.3%, 18.5% and 12.4%, respectively, for our corrugated sheet boards during the three years ended 31 December 2017 and the six months ended 30 June 2018. The corrugated packaging industry is cyclical to macroeconomic environment and, according to Frost & Sullivan, the growth rate of the selling price of corrugated sheet boards and corrugated boxes in the PRC is expected to stabilise after 2019. By leveraging on our strengths and effectively implementing our business strategies, we believe that we can continue to expand our business in terms of scale and revenue.

COMPETITIVE STRENGTHS

The Directors consider that our Group's success and potential growth are attributable to the following competitive strengths:

Our long operating history and established market position have enabled us to capture the growth potential of and to further expand our market share in the PRC corrugated packaging industry.

We have a long operating history of over 20 years of experience in the corrugated packaging industry. According to Frost & Sullivan, we have an established market position and ranked seventh in terms of revenue in 2017 amongst the corrugated packaging product manufacturers in the PRC. We were also the second largest corrugated packaging product manufacturer in terms of revenue in both Yangtze River Delta Region and Bohai River Region of the PRC in 2017. Over the years we have established ourselves as a quality corrugated packaging supplier in the PRC. According to Frost & Sullivan, with the growth of GDP, sizes of many downstream markets, such as consumer electronics, e-commerce and logistics markets, have witnessed remarkable expansion, which in turn has created huge demand for corrugated packaging products. The production and consumption volume of corrugated sheet boards and boxes increased from approximately 28.1 million tonnes and 27.7 million tonnes, respectively, in 2012 to approximately 43.4 million tonnes and 42.9 million tonnes, respectively, in 2017, representing a CAGR of approximately 9.1% and 9.1%, respectively. Frost & Sullivan expects that the market size of corrugated packaging products measured by production volume will grow further at a CAGR of approximately 7.2% from 2017 to 2022.

Leveraging on our extensive industry experience and established market position, we believe we are well-positioned to capture the growth potential of the PRC corrugated packaging industry brought about by rising demand and market consolidation, and to further expand our market share through further strengthening our market position in the northern, north-eastern, eastern and southern regions of the PRC.

Our production plants are strategically located in the northern, north-eastern, eastern and southern regions of China and in close proximity to our customers.

According to Frost & Sullivan, for corrugated packaging product manufacturers using flexographic printing (as oppose to offset printing) and whose corrugated packaging products are mainly applied in the logistic process of their downstream customers, the service radius (that is, the distance between such corrugated packaging product manufacturers and their customers) for them to remain economical is within 150 km. If the service radius of a corrugated packaging product manufacturer is more than 150 km away from its customers, its profit margin would be adversely impacted. Therefore, it is critical for a corrugated packaging product manufacturer to have its production plants located in close proximity to its customers to remain cost effective and hence price competitive. Our distribution expenses, being mainly freight charges for transportation of finished products from our production plants to our customers, are the largest component of our selling and distribution expenses and represented approximately 67.3%, 67.0%, 64.2% and 62.9% of our selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Our production plants are strategically located in the northern, north-eastern, eastern and southern regions of the PRC, where many of our targeted customer groups, such as those engaging in food and beverage, non-food-and-beverage consumables, appliances and electronics, durable goods and clothing,

industrial and machinery, and e-commerce and express industries, have chosen to set up their operations. With our production plants strategically located in close proximity to our major customers, we are able to minimise our production lead-time and respond promptly to customers' requests and needs which are particularly important for us to remain competitive in the corrugated packaging industry.

The PRC corrugated packaging industry is highly fragmented and consists of a large number of small-scale manufacturers operating locally with one or two production plants. According to Frost & Sullivan, the top five corrugated packaging product manufacturers in the PRC in aggregate represented a market share of 6.7% in terms of revenue in 2017. With our network of production plants located across the northern, north-eastern, eastern and southern China, we enjoy significant competitive advantage over other small-scale manufacturers in providing one-stop-shop solutions to our nationwide customers with multiple production bases located in northern, north-eastern, eastern and southern regions of China.

All in all, the strategic location of our production plants allows us to distinguish ourselves as a price competitive, responsive and reliable corrugated packaging supplier to our customers, and puts us in an advantaged position in winning large-scale nationwide customers.

We have a solid and long-standing relationship with our major customers, a majority of which are leading players in their respective industries.

We have a solid and long-standing relationship with our major customers with six of our top ten customers for the six months ended 30 June 2018 having business relationships with us for more than five years. To better serve our customers with different business profiles, requirements and needs, we organise our sales and marketing function into a corporate sales team based in our headquarters and local sales teams at each of our production plants. Our corporate sales team is responsible for sourcing, developing and serving nationwide customers with production bases in multiple locations with an aim to provide one-stop-shop solutions to such customers in product design, order acceptance, production scheduling, delivery, payment and after-sales services among different production plants. Our local sales teams are responsible for sourcing, developing and serving local customers operating in their respective locations with an aim to maximise market penetration, and provide prompt and customised services that meet the needs of our local customers. Our unceasing commitment to providing quality services and packaging solutions to our customers has also enabled us to establish a renowned customer base over the years.

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

To avoid over-reliance on any particular customer or industry, we have placed strong emphasis on maintaining a large and diversified customer base. As at the Latest Practicable Date, we had over 2,000 customers across different industries, and our top five customers accounted for approximately 22.6%, 18.2%, 19.9% and 18.9% and our largest customer accounted for approximately 7.0%, 5.9%, 6.7% and 7.2% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. We believe our diversified customer base has enabled us to effectively manage our credit risk and exposure to any particular customer, industry or seasonal fluctuations.

We have adopted central procurement and production scheduling systems which enable us to effectively control our costs and optimise our production process with the help of our highly automated and well-implemented ERP system.

Raw paper, which comprises corrugated medium and linerboard is our key raw material for use in the production of corrugated sheet board and corrugated packaging products, and the total cost of which represented approximately 68.7%, 69.0%, 74.8% and 77.2% of our total cost of sales for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. According to Frost & Sullivan, prices of corrugated medium and linerboard have shown considerable fluctuations since the third quarter of 2016, more particularly, average prices of linerboard and corrugated medium in China surged from around RMB3,200 per tonne and RMB2,800 per tonne, respectively, in September 2016 to their respective peaks of around RMB6,100 per tonne and RMB6,000 per tonne in October 2017, and subsequently declined to around RMB4,800 per tonne and RMB4,100 per tonne in December 2017. To maintain our cost competitiveness, we have adopted a central procurement system under which the procurement orders of all of our production plants for key raw materials are centralised and handled by our central procurement department based in the headquarters. We have also set up two central warehouses for storing our key raw materials inventories in Taicang, Jiangsu Province, the PRC and Haiyan, Zhejiang Province, the PRC, both in close proximity to our major suppliers of key raw materials to reduce transportation costs. We believe our central procurement system has enabled us to ensure stable supply of our key raw materials, to benefit from significant economies of scale, and to enjoy bulk purchase discount and other more favourable terms which are key to remain competitive in the PRC corrugated packaging industry.

We have introduced and adopted a central scheduling system which forms the backbone of our entire business process. A central scheduling department is set up at each of our production plants and our headquarters. Our central scheduling department works closely with the sales and marketing, research and development, procurement, production, quality control and finance departments to manage and coordinate our entire business process from customers' orders acceptance and confirmation, raw materials inventory management, production scheduling and planning, transportation and logistics, to delivery of final products to our customers.

We have a highly automated and well-established ERP system which is crucial for the smooth implementation of our central scheduling system. With the help of our ERP system, we achieved integration and real-time monitoring and sharing of operating data across all our production plants. We believe our central scheduling system supported by our highly automated and well-implemented ERP system allows us to streamline our business process, enhance our operational efficiency and achieve significant cost savings.

Our commitment to providing quality packaging products and packaging solutions as well as environmentally and socially responsible practices has distinguished us from our competitors and put us in a better position in attracting and maintaining internationally renowned customers.

We are committed to providing quality packaging products and packaging solutions to our customers. Our research and development centre located within the production plants of JSBP houses a transit packaging testing laboratory which is accredited by the International Safe Transit Association as a "qualified testing institute". As at the Latest Practicable Date, our research and development department had four staff members. We also have a product design team comprising 23 staff members based at our respective production plants, who work closely with our research and development team on research and development and product design. Among our 27 research and development and product design personnel, three of them obtained the ISTA Certified Packaging Laboratory Professional (CPLP). With our

experienced research and development team and advanced research and development, product design and testing capabilities, we are capable of providing services such as packaging structural design, product testing, transit simulation, cost analysis and alternative solution assessments to our customers.

We also pride ourselves on our relentless commitment to environmentally and socially responsible practices throughout the years. We attach importance to environmental protection as our business develops. We have adopted a carbon neutral approach to offset the impacts of our production process on carbon emissions. SHBP, our major operating subsidiary, is the first company in the PRC awarded the Swiss SGS carbon neutral label. As at the Latest Practicable Date, save for the two new production plants in Huizhou and Taicang, which commenced commercial production in the second quarter and the fourth quarter of 2018, respectively, all of our production plants are certified carbon neutral companies.

In our effort to cultivate future talents in the PRC corrugated packaging industry, we have since 2010 organised or organised jointly with other organisations such as Shanghai Packaging Technology Association (上海市包裝技術協會), the “Pacific Millennium Cup – Packaging Innovation and Design Championship (濟豐杯包裝創意設計大賽)” every year which invites packaging design entries from students from different colleges and universities across China, and which has been well received and recognised by colleges, universities and other industry participants in the PRC corrugated packaging industry. For the three years ended 31 December 2017 and the six months ended 30 June 2018, 126, 173, 144 and 148 entries were received from students from 16, 18, 14 and 22 colleges and universities, respectively.

We believe our commitment to providing quality packaging products and packaging solutions as well as environmentally and socially responsible practices has distinguished us from our competitors and put us in a better position in attracting and maintaining internationally renowned customers.

We have an experienced management team with proven track record in the corrugated packaging industry.

Our Group is led by an experienced management team with solid industry knowledge and proven track record in the corrugated packaging industry. Mr. Cheng has over 20 years of experience in the corrugated packaging industry and was appointed as the general manager of SHBP in 1995. We also have a stable and highly experienced senior management team. All of our senior management have served our Group for over ten years which we attribute our low turnover rate to our commitment to cultivating and nurturing our talents.

We have since 2008 been organising management courses and trainings with institutions in the United States and exchange programs with corrugated packaging companies in Japan for our staff holding different positions and in different departments every year. As at the Latest Practicable Date, a total of 403 staff or previous staff had completed the said trainings or exchange programs held in the United States and/or Japan. Under the leadership of Mr. Cheng, together with our senior management team, our Group has expanded from a single production plant in Shanghai in 1994 to having eleven production plants across the northern, north-eastern, eastern and southern regions of the PRC as at the Latest Practicable Date and become the seventh largest corrugated packaging supplier in terms of revenue in the PRC in 2017. A stable and highly experienced senior management team has given us tremendous competitive advantage over our competitors in terms of industry knowledge, customer relationship maintenance as well as risk control and management.

BUSINESS STRATEGIES

We strive to further strengthen our market position in the corrugated packaging industry in the PRC. In anticipation of the future growth potential of the PRC corrugated packaging industry brought about by rising demand and market consolidation, we will continue to seek opportunities to realise sustainable growth of our business and increase shareholder value. To achieve this, we plan to focus on the following strategies:

Continue to expand our network of production plants and service radius coverage to further enhance our geographical coverage and market penetration

According to Frost & Sullivan, with the growth of GDP, sizes of many downstream markets, such as consumer electronics, e-commerce and logistics, have witnessed remarkable expansion, which has created huge demand for corrugated packaging products. Leveraging on our strengths and market position in the corrugated packaging industry, we plan to capitalise on the anticipated growth in demand for corrugated sheet board and corrugated packaging products in the PRC by devoting resources to develop and expand our network of production plants.

In addition to our production plants in Huizhou held by GDBP and Taicang held by TCBP, the commercial production of which was commenced in the second quarter and fourth quarter of 2018, respectively, we intend to establish two new production plants in the eastern and southern regions of the PRC with a total annual production capacity of approximately 232.4 million sq.m. of corrugated packaging products and corrugated sheet boards. According to Frost & Sullivan, it is an industry norm for corrugated packaging suppliers to gain market share by setting up more production plants or through mergers and acquisitions in the PRC. In fact, all of the top ten corrugated packaging suppliers in terms of revenue in 2017 had multiple production plants located in different regions of the PRC, with the largest, second largest and third largest corrugated packaging suppliers having 30, 14 and 14 production plants, respectively, nationwide. Please refer to the section headed “Industry overview – Competitive landscape of the corrugated packaging market in China – (c) Market ranking of major corrugated packaging companies in China” for further details. Further, according to Frost & Sullivan, for corrugated packaging suppliers using flexographic printing (as oppose to offset printing), and whose corrugated packaging products are mainly applied in the logistic process of their downstream customers, the service radius (that is, the distance between such corrugated packaging product manufacturers and their customers) for them to remain economical is within 150 km. Therefore, it is critical for a corrugated packaging supplier to have its production plants located in close proximity to its customers to remain cost effective and hence price competitive. Also, large-scale corrugated packaging suppliers with comprehensive geographical coverage have competitive advantage over the small-scale and/or single-location suppliers in providing one-stop-shop solutions to customers who have production bases in multiple locations in product design, order acceptance, production scheduling, payment and after-sales services among their different production plants. Notwithstanding that at present, the PRC’s corrugated packaging industry is still highly fragmented and comprises many small-scale suppliers who are backward in production facilities and techniques, market concentration of the corrugated packaging industry is expected to increase driven by the expansion of large-scale suppliers and the elimination of small-scale suppliers who cannot survive the increasing environmental cost resulting from the implementation of new environmental regulations or who cannot afford to upgrade their facilities to meet the higher requirement on product quality from downstream customers. In view of the above, our Directors consider it essential for our Group to continue to expand our network of production plants in line with the industry norm to better serve our nationwide customers, enhance our customer base, strengthen our market position and enhance our market share while remaining price competitive.

Our Directors are of the view that the setting up of the new production plants is commensurate with our past strategies given that (i) our Group has been expanding its geographical coverage and production capacity through establishing one to two new production plants each year during the Track Record Period using its internal resources, bank borrowings and/or financial leasing, and has established a total of four production plants, being the production plants held by JSBP, CSBP, GDBP and TCBP respectively, during the Track Record Period; (ii) as at the Latest Practicable Date, the total capital expenditure incurred and expected to be incurred by our Group for the establishment of TCBP, which is of a similar scale with the new production plants, was approximately RMB98.6 million, and GDBP, which is of a smaller scale than the new production plants, was approximately RMB67.7 million; (iii) our Group managed to achieve breakeven for JSBP and CSBP within twelve months and seven months since their respective commencements of commercial production (as at the Latest Practicable Date, GDBP and TCBP had not achieved breakeven yet as they only commenced commercial production in the second quarter and fourth quarter of 2018, respectively); and (iv) all of our production plants (except for the production plants in Huizhou and Taicang which only commenced commercial production in the second quarter and fourth quarter of 2018, respectively) were profitable for the year ended 31 December 2017 and the six months ended 30 June 2018. Taking into account the above, our Directors believe the setting up of the new production plants will have a positive impact on our financial results after breakeven is achieved.

In respect of the new production plants, our Directors believe that there will be sufficient demand for our products in the eastern and southern regions of the PRC after taking into account the fact that many of our targeted customer groups, such as companies in the food and beverage, non-food-and-beverage-consumables, supplier chain solution, e-commerce, and home electronics industries have chosen to set up their operations in the eastern and southern regions of the PRC. More particularly, according to Frost & Sullivan, in terms of the number of enterprises in 2017, (i) approximately 37.9% of the food manufacturers in the PRC were located in eastern China; (ii) approximately 63.7% and 20.5% of the non-food-and-beverage-consumable manufacturers in the PRC were located in southern China and eastern China, respectively; (iii) approximately 46.3% and 17.8% of the e-commerce retailers and express service providers in the PRC were located in eastern China and southern China, respectively; and (iv) approximately 45.4% and 34.3% of the computer, communication and other electronic device manufacturers in the PRC were located in eastern China and southern China, respectively. On the basis of the foregoing, our Directors consider it reasonable to believe that there is considerable business potential in the eastern and southern regions of the PRC by virtue of the geographical presence of our targeted customer groups as described above.

In respect of our expansion plan in the eastern region of the PRC, our Directors consider it crucial for our Group to continue to expand our production capacity as well as coverage in order to maintain our market position in the eastern region of the PRC. As described in this section above, it is an industry norm for corrugated packaging suppliers to gain market share by setting up more production plants or through mergers and acquisitions in China. Our Group is a key player in the corrugated packaging industry in the eastern region of China. As stated in the section headed “Industry overview – Competitive landscape of the corrugated packaging market in China – (c) Market ranking of major corrugated packaging companies in China”, our Group ranked third in terms of revenue in 2017 in the eastern region of the PRC, according to Frost & Sullivan. As further disclosed in the above section, while our Group had five production plants in the eastern region in 2017, the largest and the second largest corrugated packaging producers had 12 and seven production plants, respectively, established in the eastern region of the PRC in 2017. Notwithstanding that some of our production plants in the eastern region are located within 150 km from each other and, subject to our final site selection, our new production plant in Haiyan is expected to be located within 150 km from our production plant in Tongxiang held by ZJBP, our Directors are of the view that it is commercially sound for our Group to continue to expand our network of production plants having considered the reasons as detailed in the paragraph below.

According to Frost & Sullivan, eastern China is one of the regions that have the fastest economic growth in the past few years with GDP growing at a CAGR of 9.3% from 2012 to 2017, and its GDP is projected to continue to grow at a CAGR of 7.1% from 2017 to 2022. Being one of the most economically developed regions in the PRC, many of our targeted customer groups, such as companies in the food and beverage, non-food-and-beverage-consumables, supplier chain solution, e-commerce, and home electronics industries have chosen to set up their operations in the eastern region of China. Benefiting from the abundance of our Group's targeted customers as well as our established market position in the eastern region, the demand for our Group's products produced by our production plants in the eastern region has been strong, as evidenced by the short breakeven period achieved by JSBP and CSBP established in eastern China during the Track Record Period as discussed in this section above and the high utilisation rate of our production facilities in the eastern region of China. As stated in the section headed "Risk factors – Risks relating to our business – Our sales may be affected by seasonality" in this prospectus, our sales have been affected by seasonality in the past which is common in the corrugated packaging industry. Historically, the third quarter of each year is our peak season in terms of production capacity utilisation, with most of our production plants in the eastern region recording an average production capacity utilisation rate in the third quarter of over 80% and some of which, over 90%, during the Track Record Period. In view of the seasonal fluctuations as discussed above and based on our management's experience, our Directors consider that the optimal average annual production capacity utilisation rate for our production plants, which averages out the production capacity utilisation rates during the peak season and the low season (such as the periods around the Chinese New Year and the National Day's holidays), to maintain a healthy balance between the needs to cater for the stronger demand during the peak season and remain cost effective is around 70% (the "**Optimal Utilisation Rate**"). As stated in the sub-section headed "Production – Production capacity and utilisation rate" in this section, all of our production plants in the eastern region of the PRC (excluding our production plant in Taicang which had not commenced commercial production during the Track Record Period) had an average annual production capacity utilisation rate higher than the Optimal Utilisation Rate of 70% during the Track Record Period, with the exception of our production plant in Changshu held by CSBP. Our production plant in Changshu, which is located nearby our production plant in Suzhou held by SZBP, was established by our Group in November 2015 with a view to reduce the strain on the production capacity of SZBP, which experienced an average annual production capacity utilisation rate of 94.0% for the year ended 31 December 2015. Following the commencement of commercial production of CSBP in April 2016, the average annual production capacity utilisation rate of SZBP gradually reduced to 84.9% for the year ended 31 December 2016 and further to 75.0% for the year ended 31 December 2017, closer to the Optimal Utilisation Rate. While alleviating the strain on SZBP's production capacity, CSBP has been steadily expanding its customer base and our Directors are confident that the production capacity utilisation rate of CSBP will improve further for the year ending 31 December 2018. Similarly, in addition to the fact that our Directors believe the demand and business potential in the area surrounding Haiyan will be strong, our strategy to set up a new production plant in Haiyan, which is expected to be located within 150 km from our production plant in Tongxiang held by ZJBP, is to reduce the strain on the production capacity of ZJBP, which experienced an average annual production capacity utilisation rate of 89.6%, 82.8% and 83.1%, respectively, for the three years ended 31 December 2017. By virtue of all of the foregoing, our Directors are of the view that it is commercially sound for our Group to continue to expand our network of production plants and the setting up of a new production plant in Haiyan is a crucial step for our Group to further solidify and strengthen our established market position in the eastern region of the PRC.

In respect of our expansion plan in the southern region of the PRC, our production plants in Huizhou is over 150 km away from each of our existing production plants and is expected to be over 150 km away from our new production plant to be established in Zhongshan in the southern region of the PRC. Our Directors believe that our Group has an advantage over other competitors to obtain new orders from these major customers when our Group extends its presence in southern China based on our long-term relationship with them. In fact, with the collaboration between our corporate sales team and local sales teams, since the commencement of commercial production of GDBP in the second quarter of 2018 and as at 30 November 2018, our Group has already entered into framework agreements with and/or received purchase orders from (i) ten existing customers for a sales amount of approximately RMB41.8 million; and (ii) five new customers for a sales amount of approximately RMB4.0 million. Furthermore, although GDBP only commenced commercial production in the second quarter of 2018, the utilisation rate of the production facilities of GDBP already reached 58.9% during the period since its commencement of commercial production in April 2018 till 30 June 2018, which our Directors consider to be an indication of the strong demand for our products in the southern region. In addition, as stated in the section headed “Industry overview – Competitive landscape of the corrugated packaging market in China – (c) Market ranking of major corrugated packaging companies in China” in this prospectus, all of the top five corrugated packaging suppliers in the southern region of the PRC in 2017 in terms of revenue had multiple production plants ranging from two to five plants established in the southern region, according to Frost & Sullivan. By virtue of the foregoing, notwithstanding that the southern China’s corrugated packaging market is a relatively new market to our Group, our Directors believe that there is considerable business potential for our Group in the southern region of China and it is commercially justifiable for our Group to enhance our presence in the southern region of the PRC through setting up a new production plant in Zhongshan.

We estimate that the investment costs of a new production plant is approximately RMB100.0 million, comprising mainly construction/alteration costs and utilities expenses and costs of machinery and equipment. The total investment cost for establishment of new production plants is expected to be financed by the net proceeds from the Global Offering. We will monitor and, if the situation so requires, adjust our source of funding from time to time.

Based on our expansion plan as described above and after taking into account our Group’s bank balances and cash position, net cash generated from operating activities, and the estimated net proceeds from the Global Offering (please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus for further details), we are of the view that there will be sufficient funds for our Group to finance our expansion plan of the new production plants.

BUSINESS

The table below sets out the details of our expansion plan. We will continuously review the market conditions and our operational and financial performance, from time to time and may adjust the locations, timing and/or scale of the new production plants to be established.

	Details of the expansion plan	Status of expansion	Expected time of completion	Expected date of commencement of production	Total investment as at the Latest Practicable Date (RMB)	Estimated total investment and sources of funding	Expected use of net proceeds from the Global Offering
Plant 1	To establish a production plant in Haiyan, Zhejiang Province, to engage in the manufacturing of corrugated sheet boards and corrugated packaging products. It is expected that this production plant will contribute to our Group an additional annual production capacity of 116.2 million sq.m. corrugated sheet boards and corrugated packaging products.	In the course of selecting suitable site for the production plant	Second quarter of 2019	By the end of the third quarter of 2019	Nil	RMB95.4 million, net proceeds from the Global Offering	HK\$107.2 million (equivalent to approximately RMB95.4 million)
Plant 2	To establish a production plant in Zhongshan, Guangdong Province, to engage in the manufacturing of corrugated sheet boards and corrugated packaging products. It is expected that this production plant will contribute to our Group an additional annual production capacity of 116.2 million sq.m. corrugated packaging products.	In the course of selecting suitable site for the production plant	Third quarter of 2019	By the end of the fourth quarter of 2019	Nil	RMB95.4 million, net proceeds from the Global Offering	HK\$107.2 million (equivalent to approximately RMB95.4 million)

Based on our past experience, the planning and construction/alteration period for each production plant is approximately eight to ten months.

We expect that our expansion plans as described above will be funded by the net proceeds from the Global Offering. For details, please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus.

Site selection

When selecting the locations of our new production plants, we have considered the following key factors:

- business potential in the relevant coastal regions;
- whether they are complementary to our existing production plants/markets;
- geographical distance from our target customers (i.e. within 150km radius from their production bases);
- estimated orders from our existing customers in the region; and
- building/leasing contracts with at least 15 years leasing term.

Breakeven period and investment payback period

We consider that a new production plant achieves breakeven when its monthly revenue is able to cover its monthly costs and expenses on an accounting basis. The time required to achieve breakeven varies depending on various factors, including but not limited to general economic and market conditions, market competition, price of raw materials as well as the other costs of production.

We consider that a new production plant achieves investment payback when the accumulated profit since the commencement of business operations is able to cover the total investment amount. The estimated average breakeven period and the estimated average investment payback period for our new production plants are eight to ten months and three to four years, respectively, estimated based on the breakeven period and the estimated investment payback period of CSBP, which commenced production in April 2016 and is considered to be more reflective of our Group’s current operating model and market conditions, as well as the management’s knowledge and experience accumulated through years of experience. The time required to achieve investment payback varies depending on various factors, including (i) the capital investment such as costs of machinery and equipment; (ii) the size, location and potential of the markets where the new production plant is located; (iii) level of profitability achieved.

Upon Listing, we may further expand our production capacity and/or geographical coverage in the PRC corrugated packaging market through merger and acquisition. As at the Latest Practicable Date, we had not identified any potential acquisition target. When considering a possible target, we shall consider, among other things, (i) location of the potential target; (ii) reputation and management of the potential target; (iii) valuation of the potential acquisition opportunity; (iv) our financial conditions; and (v) the commercial benefits for us in the transaction.

To upgrade our production facilities and purchase new machinery and equipment for our existing production plants to further enhance our production efficiency

As at 30 June 2018, we had one 1800 mm corrugator, nine 2200 mm corrugators, 13 auto folder gluers, 12 auto platen die-cutters and 41 flexographic printers of which seven of them are flexo folder gluer in-line systems. For details, please refer to the sub-section headed “Production – Machinery and equipment” in this section. We intend to streamline and enhance the level of automation of our production process by upgrading our production facilities and purchasing new machinery and equipment for our existing production plants, including the installation of (i) flexo folder gluer in-line systems which integrate the printing, folding and gluing production processes of our corrugated packaging products; (ii) conveyor systems connecting between different stages of our production process for transportation of our semi-finished and finished products; and (iii) other machinery and equipment such as robotic arms and automated pallet folders, which serve to enhance our production efficiency, reduce our production lead time, and increase the level of automation of our production process thereby reducing our reliance on manual workers and strengthening our ability to control the quality of our products. As disclosed in the sub-section headed “Non-compliance” in this section, our Group had experienced relatively high staff turnover rate for certain production processes such as folding, gluing and stacking, and with the intention to reduce the amount of time and manpower involved in the recruitment of those staff, certain subsidiaries of our Group engaged dispatched staff to undertake those functions during the Track Record Period. Our Directors consider it crucial to the long-term stability of our Group’s operations to enhance the level of automation of our production process so as to minimise the potential disruption to our production caused by high staff turnover and/or labour shortages. More particularly, without the flexo folder gluer in-line systems and robotic arms, which together integrate the printing, folding, gluing, stacking and bundling production processes, each of the above production processes has to be carried out separately and some manually. With the installation of the flexo folder gluer in-line systems and robotic arms, we estimate that up to half of the manpower currently required for carrying out the above production processes could be saved. Furthermore, the flexo folder gluer in-line systems allow system setting adjustment and production to be undertaken at the same time, which greatly enhances production efficiency. On the other hand, the conveyor systems, which connect between different stages of our production process, could greatly reduce the manpower required for the transportation of our semi-finished and finished products between different stages of our production process. Furthermore, the use of automated pallet folders, which automate the folding process of corrugated pallets, could increase the efficiency of the pallet folding process that is undertaken manually by up to one fold. In addition to having the benefits of reducing our reliance on labour and minimising the potential disruption to our production caused by high staff turnover and/or labour shortages, for illustrative purpose only, assuming our production plants continue to operate for two shifts per day and our labour cost remains constant at the current level, our Directors estimate the total savings in labour costs as a result of the upgrade and purchase of new machinery and equipment to be approximately RMB3.2 million per annum. Further, we estimate that the expected increase in production capacities as a result of such upgrade and purchase of new machinery and equipment will be approximately 9.7 million sq.m. of corrugated packaging products per annum. We estimate the total costs for the above upgrade and purchase of machinery and equipment to be approximately RMB43.7 million (equivalent to approximately HK\$49.1 million), which we intend to finance through the net proceeds from the Global Offering. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

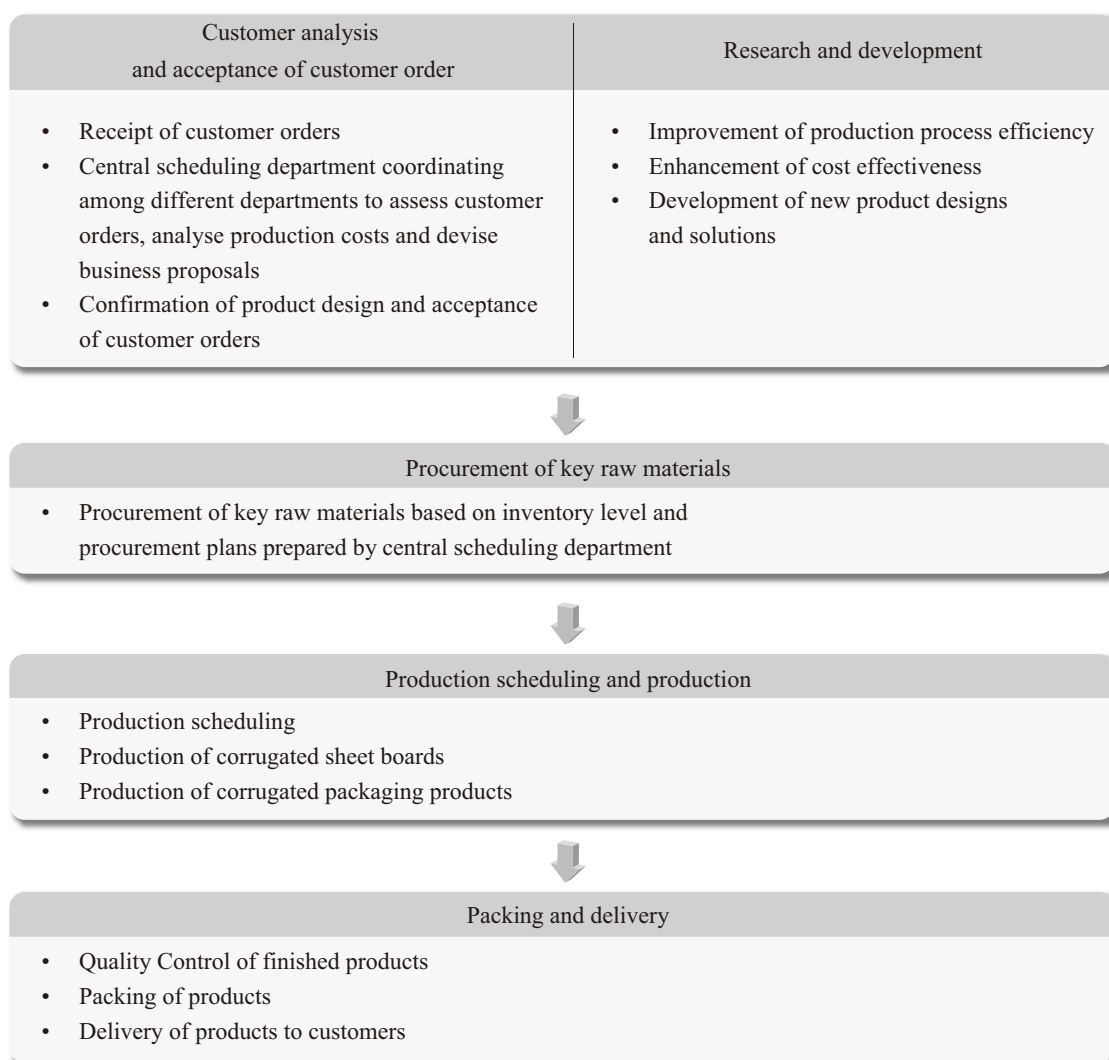
Continue to focus on developing our e-commerce, express delivery and logistic service customer base

According to Frost & Sullivan, the rapid growth of e-commerce and express sectors has led to increasing demand for corrugated boxes. Frost & Sullivan estimates that the consumption volume of corrugated boxes contributed by these two sectors will increase from 8% to 12% of total downstream markets' consumption from 2016 to 2022. In light of the rapid development of the e-commerce sector in the PRC, we have established a designated sales team comprising three sales staff members focusing on developing our e-commerce customer base. Our efforts in developing our e-commerce customer base have achieved initial success. Sales to our e-commerce customers increased from approximately RMB16.5 million for the year ended 31 December 2015 to approximately RMB30.3 million for the year ended 31 December 2016, and further to RMB 81.8 million for the year ended 31 December 2017, which accounted for 1.5%, 2.6% and 4.9% of our total revenue for the respective years. Sales to our e-commerce customers amounted to approximately RMB37.4 million and RMB36.5 million for the six months ended 30 June 2017 and 2018, respectively, representing 5.2% and 4.0% of our total revenue for the respective periods. We have successfully established business relationship with one of the largest e-commerce companies in the PRC and become one of its corrugated packaging product suppliers. For the six months ended 30 June 2018, our sales to such customer accounted for 3.5% of our total revenue and such customer became our second largest customer during the period.

We intend to continue to enhance our customer base of, and sales to, the e-commerce sector in the future. According to Frost & Sullivan, demand for corrugated boxes from the e-commerce and express sectors is characterised by large order size and requiring prompt delivery. Based on our experience, having multiple supply locations is also an important consideration for e-commerce companies in selecting corrugated packaging product suppliers. We believe that by further expanding the production capacity and geographical coverage of our production plants, we would be able to better serve our existing and potential e-commerce customers and will further enhance our sales to such customers in the future.

OUR BUSINESS MODEL

We are a corrugated packaging supplier in the PRC and are 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. As at the Latest Practicable Date, we operate eleven production plants located in northern, north-eastern, eastern and southern regions of the PRC all of which are equipped with corrugators that have the capacity to produce both corrugated sheet boards and corrugated packaging products. Our business process can be summarised as follows:



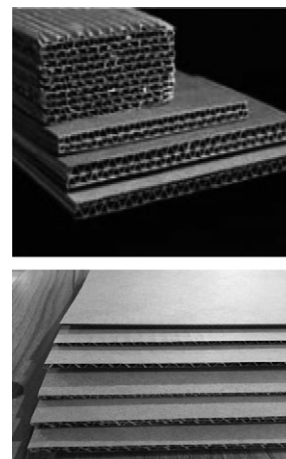
OUR PRODUCTS AND SERVICES

Our Group mainly produces (i) corrugated sheet boards; and (ii) corrugated packaging products in the PRC.

The following is a brief description of our Group's principal products:

(i) Corrugated sheet boards

Corrugated sheet board is the prime component in the production of corrugated packaging products. Our Group manufactures corrugated sheet boards of different sizes, thicknesses and strength so as to tailor to our customers' specifications. A single-wall corrugated board, the simplest structure in corrugated sheet board products, is a stiff, strong and light-weight board made up of two layers of linerboard and one layer of corrugated medium. It mainly consists of a fluted high performance corrugated medium surfaced by one or two flat linerboards. All of our production plants produce single-wall sheet board and double-wall corrugated board, and SZBP is also capable of producing triple-wall board. Most of the corrugated sheet boards we manufactured are used internally for the production of corrugated packaging products at our production plants, while some of them are sold to external corrugated packaging product manufactures. During the Track Record Period, approximately 298.2 million sq.m., 342.3 million sq.m., and 364.7 million sq.m. and 185.5 million sq.m. of corrugated sheet boards were used internally for the manufacturing of corrugated packaging products. During the Track Record Period, approximately 63.9 million sq.m., 62.5 million sq.m., 44.6 million sq.m. and 22.2 million sq.m. of corrugated sheet boards we produced in the relevant periods were sold to external corrugated packaging product manufacturers and the revenue derived therefrom represented approximately 13.0%, 12.0%, 8.9% and 8.8%, respectively, of our total revenue in the corresponding years/period.



(ii) Corrugated packaging products

(1) Corrugated boxes

Corrugated boxes produced by our Group are used as packaging materials for various products. It makes use of corrugated sheet boards which are die-cut into the required shape and size, then folded, glued or stapled to form a container box. Depending on our customers' needs, our Group may also apply flexographic printing on the surface of the corrugated sheet boards our customers' logos, brand names or other information requested according to customers' specifications to enhance the appearance to attain marketing and advertising purposes.



(2) *Corrugated pallets*

Corrugated pallets are also made from corrugated sheet boards. They are lighter than wooden pallets and are mainly used for loading and uploading heavy or bulky goods by forklifts at warehouses. It can also be used for stacking heavy or large-size products. Given the relatively light-weighted nature of pallets as compared to wooden pallets, they are considered more environmentally friendly in reducing carbon emissions and at the same time reduce shipping costs.



(3) *Corrugated display stands*

Our Group designs and manufactures corrugated display stands with different sizes, thickness and dimensions for use in displaying and protecting the display products. The structural design, shock absorbency, anti-moisture capability, ability to withstand external force, edge compressive strength nature of the corrugated display stand can all be tailor-made to fit different contents for displaying products at different occasions.



(4) *Heavy duty packaging products*

Heavy duty packaging products are made of high strength corrugated sheet boards which can replace the more expensive wooden cases. We offer a wide range of heavy duty packaging products that are safe and effective to use, low in cost, recyclable, light in weight, nice appearance, able to be mass produced, easy to stack and high shock-resistance. Heavy duty packaging products are widely used in the telecommunication, automotive, medical equipment and electronics industries.



BUSINESS

We have achieved significant growth during the Track Record Period. Set forth below is an analysis of our Group's revenue contributed by different products during the Track Record Period:

Revenue by products

Product type	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Corrugated packaging products	935,577	87.0%	1,044,037	88.0%	1,516,253	91.1%	638,058	89.5	826,461	91.2
Corrugated sheet boards	139,650	13.0%	142,757	12.0%	147,849	8.9%	74,977	10.5	79,499	8.8
Total	1,075,227	100.0%	1,186,794	100.0%	1,664,102	100.0%	713,035	100.0	905,960	100.0

The table below sets forth our sales volume and average selling price by product types during the Track Record Period:

Sales volume and average selling price by products

Product type	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.	Total sales volume sq.m.	Average selling price RMB/sq.m.
Corrugated packaging products	295,633,317	3.16	340,193,423	3.07	363,052,019	4.18	162,847,504	3.92	185,087,544	4.47
Corrugated sheet boards	63,907,840	2.19	62,465,163	2.29	44,603,779	3.31	24,041,564	3.12	22,173,256	3.59
Total	359,541,157	2.99	402,658,586	2.95	407,655,798	4.08	186,889,068	3.82	207,260,800	4.37

PRODUCTION

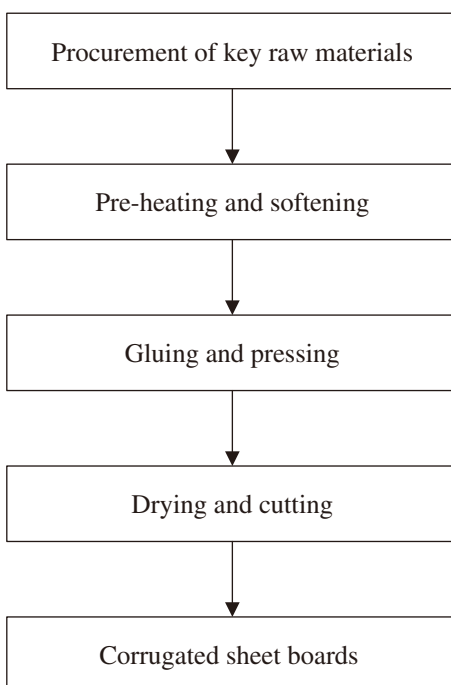
Production process

Our production process is highly-automated and we use high speed equipment and machinery. The average production lead time from confirmation of customers' purchase order to delivery of product is two days (for repeated orders) and seven days (for new products). All of our production plants have been granted ISO9001 certification in respect of the quality control management in our production process.

Key production process for corrugated sheet boards and corrugated packaging products

(i) Corrugated sheet boards

The following flow chart provides an overview of the major steps involved in the production process for our corrugated sheet boards:

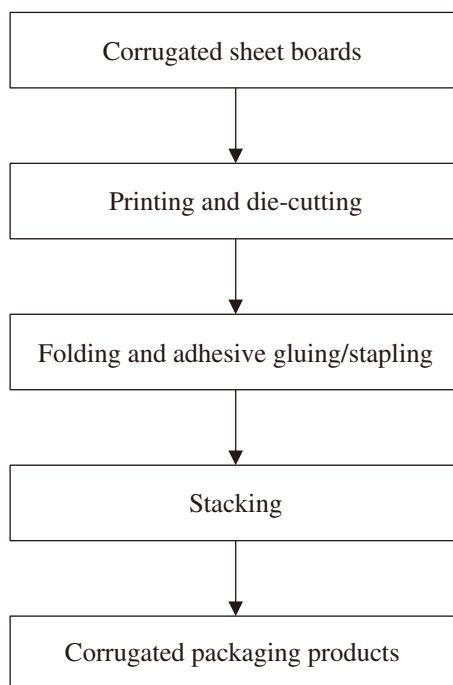


1. **Procurement of key raw materials:** the key raw materials for corrugated sheet board production are linerboard and corrugated medium, which we procure primarily from PRC paper manufacturers. We also import a small amount of the key raw materials from overseas suppliers to meet the specific need of certain customers. We perform central procurement of the key raw materials and store them in our central warehouses in Taicang and Haiyan, as well as in the warehouses at each of our production plants.
2. **Pre-heating and softening:** the paper rolls are first pre-heated and soften to gain sufficient elasticity before they are used as corrugated medium.
3. **Gluing and pressing:** the pre-heated and softened corrugated medium will then be pressed between two corrugated rolls. The continuous rolling wave structure called flute is then formed. The tips of the flutes are then placed with glue and pressed against the linerboard to form a single-wall corrugated board. The double-wall corrugated board is formed when two single-wall corrugated boards are laminated together.
4. **Drying and cutting:** the linerboard and the corrugated medium are brought together between hot plates and an overhead transport belt. The temperature of the plates, the speed and the composition of the adhesive are key factors to ensure effective adhesion and drying. After drying, cross cutting is performed to cut off extra edges.

5. **Corrugated sheet boards:** The corrugated sheet board is cut into the required dimensions and is ready for use in the manufacturing of corrugated boxes. The corrugated sheet boards are then stacked on conveyor belts and transferred to our converting machine for further box making process. As all the corrugated boxes have specific requirements on strength and quality, the most appropriate sheet boards have to be selected to produce suitable corrugated boxes to meet customers' demand.

(ii) *Corrugated packaging products*

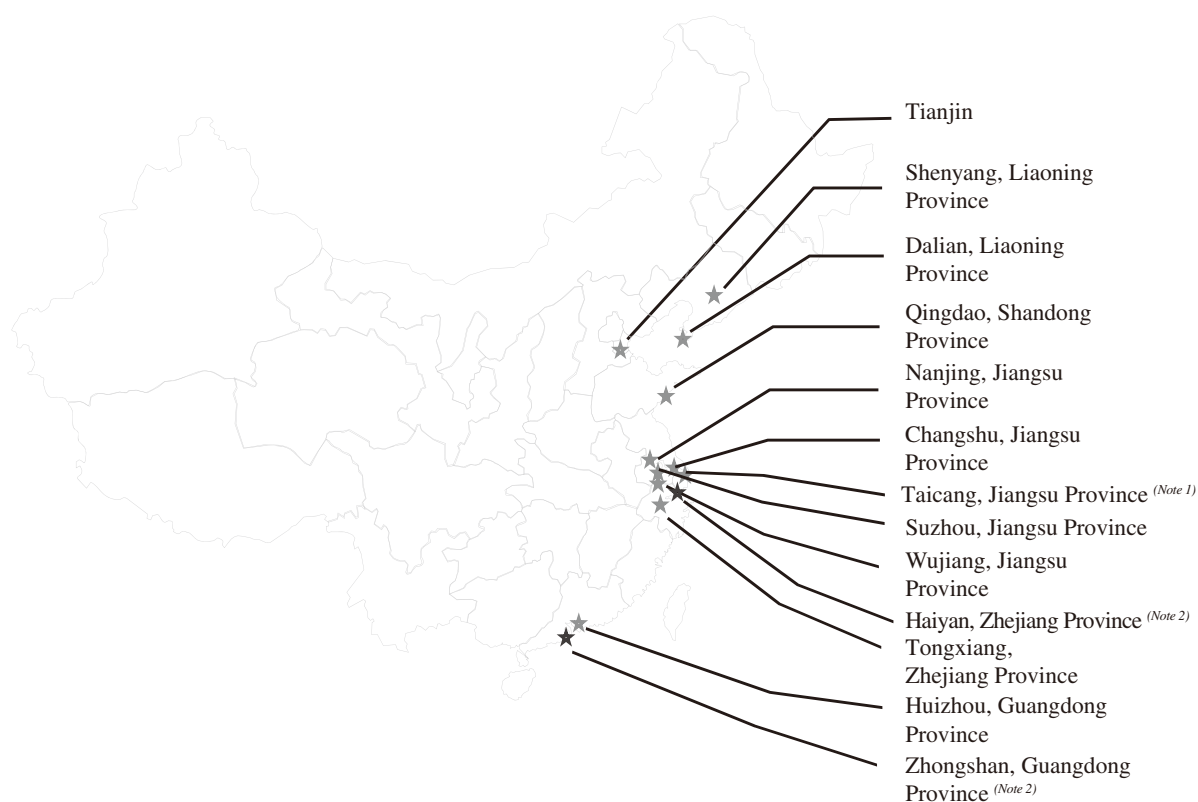
The following flow chart provides an overview of the major steps involved in the production process for our corrugated packaging products:



1. **Printing and die-cutting:** depending on our customers' needs, our Group may apply flexographic printing on the surface of the corrugated sheet board with our customers' logos, brand names or other information requested before die-cutting. We use high standard and environmentally friendly ink for flexographic printing. The printed corrugated sheet boards are then sheared by die-cutting machine clenched into predetermined shape according to the customers' requirements.
2. **Folding and gluing/stapling:** the corrugated sheet boards are then folded and glued/stapled on pallets by fully automatic or semi-automatic equipment.
3. **Stacking:** the corrugated packaging products are stacked, bundled and stored in our warehouses before delivering to our customers.

Production Plants

Our production plants are in close proximity to our customers, which allows us to minimise production lead-times for our goods to reach our customers and to save transportation costs. As at the Latest Practicable Date, our Group carried out our production activities in our eleven production plants covering northern (i.e. Tianjin and Qingdao), north-eastern (i.e. Shenyang and Dalian), eastern (i.e. Nanjing, Changshu, Taicang, Suzhou, Wujiang and Tongxiang) and southern (i.e. Huizhou) regions of the PRC. In addition to our new production plants in Huizhou, Guangdong Province and Taicang, Jiangsu Province, the commercial production of which commenced in the second quarter and fourth quarter of 2018, respectively, we intend to establish two production plants in the eastern and southern regions of the PRC. For details, please refer to the sections headed under “Business – Business strategies” and “Future plans and use of proceeds – Use of proceeds”. The map below shows the geographical coverage of our existing production plants and production plants we intend to establish in the PRC:



Notes:

1. The production plant in Taicang, Jiangsu Province had not yet commenced commercial production during the Track Record Period.
2. Our Group plans to establish two new production plants in Haiyan, Zhejiang Province and Zhongshan, Guangdong Province and is in the course of selecting suitable site for the production plants as at the Latest Practicable Date.

BUSINESS

Our eleven production plants occupy a total gross floor area of approximately 228,015.8 sq.m.. Details of our production plants are set forth in the table below:

Location of the production plant	Site area (sq.m.)	Gross floor area (sq.m.)	Establishment of the production plant ^(Note 1)	Commencement of production	Buildings ownership status	Principal usage
Qingdao, Shandong Province	69,015.1	24,443.1	21 March 1996	October 1997	Self-owned	Corrugated sheet boards and corrugated packaging products production
Suzhou, Jiangsu Province	30,649.1	19,067.3	23 September 2002	January 2003	Self-owned	Corrugated sheet boards and corrugated packaging products production
Tongxiang, Zhejiang Province	33,093.7	19,765.0	6 January 2006	April 2006	Self-owned	Corrugated sheet boards and corrugated packaging products production
Nanjing, Jiangsu Province	33,213.6	20,989.9	14 January 2006	September 2007	Self-owned	Corrugated sheet boards and corrugated packaging products production
Tianjin	36,703.4	23,565.6	14 February 2007	August 2008	Self-owned	Corrugated sheet boards and corrugated packaging products production
Dalian, Liaoning Province	15,000.0	11,062.7	15 November 2007	December 2007	Leased, expiring in August 2022	Corrugated sheet boards and corrugated packaging products production
Shenyang, Liaoning Province	32,286.0	15,250.0	5 September 2013	January 2014	Leased, expiring in January 2029	Corrugated sheet boards and corrugated packaging products production
Wujiang, Jiangsu Province	32,268.2	23,095.2	6 July 2015	August 2015	Leased, expiring in October 2020	Corrugated sheet boards and corrugated packaging products production
Changshu, Jiangsu Province	41,087.0	21,630.0	17 November 2015	April 2016	Leased, expiring in April, 2031	Corrugated sheet boards and corrugated packaging products production
Huizhou, Guangdong Province	30,052.0	17,242.0	12 November 2016	April 2018	Leased, expiring in March 2033	Corrugated sheet boards and corrugated packaging products production
Taicang, Jiangsu Province	46,666.2 ^(Note 2)	31,905.0 ^(Note 2)	23 August 2017	October 2018	Leased, expiring in July 2033	Corrugated sheet boards and corrugated packaging products production

Notes:

1. The establishment of the production plant is the incorporation date of our operating subsidiary which holds the relevant production plant.
2. The exact site area and gross floor area of Taicang production plant are subject to the relevant building ownership certificate.

Each of our production plants has gross floor area from approximately 11,062.7 sq.m. to 31,905.0 sq.m..

During the Track Record Period, we closed down our production plant in Kunshan, Jiangsu Province, which was established in 2010 owing to (i) the fact that such production plant was not equipped with the production facilities for the production of corrugated sheet boards; (ii) its limited leased site area restricting our ability to extend our production facilities to cater for corrugated sheet board production; and (iii) orders from such production plant being absorbed by our two other production plants in Wujiang and Changshu in Jiangsu Province. KSBP, the immediate holding company of the Kunshan production plant completed the deregistration process on 9 February 2017.

Production capacity and utilisation rate

The following table sets forth details of the maximum production capacity, actual production volume and the average utilisation rate of the respective production plants of our Group during the Track Record Period:

Location of the production plant	For the year ended 31 December						Six months ended 30 June					
	2015			2016			2017			2018		
	Maximum production capacity (Note 1) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)	Maximum production capacity (Note 1) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)	Maximum production capacity (Note 1) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)	Maximum production capacity (Note 3) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)
Qingdao, Shandong Province	68,359,680.0	42,972,448.5	62.9%	68,359,680.0	41,584,972.6	60.8%	68,359,680.0	47,227,247.9	69.1%	34,179,840.0	22,425,599.0	65.6%
Suzhou, Jiangsu Province	56,966,400.0	53,574,536.0	94.0%	56,966,400.0	48,392,403.1	84.9%	56,966,400.0	42,745,280.7	75.0%	28,152,000.0	20,723,913.6	73.6%
Tongxiang, Zhejiang Province	80,702,400.0	72,342,455.2	89.6%	80,702,400.0	66,842,728.6	82.8%	80,702,400.0	67,043,714.5	83.1%	39,882,000.0	29,643,033.1	74.3%
Nanjing, Jiangsu Province	68,359,680.0	54,629,006.6	79.9%	68,359,680.0	59,372,732.0	86.9%	68,359,680.0	49,616,952.4	72.6%	34,179,840.0	21,481,234.6	62.8%
Dalian, Liaoning Province	49,896,000.0	37,506,782.5	75.2%	49,896,000.0	33,696,354.7	67.5%	49,896,000.0	32,104,849.3	64.3%	24,235,200.0	15,672,942.8	64.7%
Tianjin	68,359,680.0	58,489,215.7	85.6%	68,359,680.0	62,127,693.0	90.9%	68,359,680.0	57,129,881.1	83.6%	33,782,400.0	28,467,468.2	84.3%

BUSINESS

Location of the production plant	For the year ended 31 December						Six months ended 30 June					
	2015			2016			2017			2017		
	Maximum production capacity (Note 1) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)	Maximum production capacity (Note 1) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)	Maximum production capacity (Note 1) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)	Maximum production capacity (Note 3) (sq.m.)	Actual production volume (sq.m.)	Utilisation rate (Note 2)
Wujiang, Jiangsu Province ^(Note 4)	28,483,200.0	8,472,425.6	29.7%	68,359,680.0	40,771,560.7	59.6%	68,359,680.0	54,082,371.6	79.1%	34,179,840.0	26,034,902.2	76.2%
Shenyang, Liaoning Province ^(Note 5)	50,856,960.0	31,780,851.7	62.5%	50,856,960.0	32,617,957.7	64.1%	50,856,960.0	26,409,754.9	51.9%	25,428,480.0	14,651,564.4	57.6%
Changshu, Jiangsu Province ^(Note 6)	-	-	-	43,547,648.0	18,386,609.2	42.2%	60,764,160.0	33,745,897.4	55.5%	30,382,080.0	16,892,261.6	55.6%
Huizhou, Guangdong Province ^(Note 7)	-	-	-	-	-	-	-	-	-	11,260,800.0	6,631,036.8	58.9%
Taizhang, Jiangsu Province ^(Note 8)	-	-	-	-	-	-	-	-	-	-	-	-
Total	471,984,000.0	359,767,721.9	76.2%	555,408,128.0	403,793,011.5	72.7%	572,624,640.0	410,105,950.0	71.6%	294,470,160.0	206,770,935.3	70.2%

corrugated sheet board
production line, folder
gluer, platen
die-cutter, printer
corrugated sheet board
production line, folder
gluer, platen
die-cutter, printer
corrugated sheet board
production line, folder
gluer, platen
die-cutter, printer
corrugated sheet board
production line, folder
gluer, platen
die-cutter, printer
corrugated sheet board
production line, folder
gluer, platen
die-cutter, printer

Notes:

1. For illustrative purposes only, the estimated maximum production capacity is arrived at by multiplying the estimated number of hours for which the relevant production facility is in operation in a calendar year (assuming 16 hours per day and 276 days of operation per year, taking into account routine maintenance, replacement of corrugator and other factors arising in the ordinary course of production) by the estimated production volume (in sq.m.) per hour of corrugated sheet boards and corrugated packaging products of such production facility.
2. The utilisation rate is derived by dividing the actual production volume by the maximum production capacity. As the maximum production capacity is determined based on certain assumptions, our utilisation rates as set out in the above table are for reference only and are subject to change if the underlying assumptions are different.
3. For illustrative purposes only, the estimated maximum production capacity is arrived at by multiplying the estimated number of hours for which the relevant production facility is in operation in the first half of the calendar year (assuming 16 hours per day and 137 days of operation per first-half-year-period, taking into account routine maintenance, replacement of corrugator and other factors arising in the ordinary course of production) by the estimated production volume (in sq.m.) per hour of corrugated sheet boards and corrugated packaging products of such production facility.
4. The Wujiang production plant held by JSBP commenced production in August 2015, so its production capacity for the year ended 31 December 2015 was calculated on the basis of 120 days of operation.
5. The utilisation rate of the Shenyang production plant held by SYBP was relatively low during the Track Record Period as the sales of corrugated sheet boards and corrugated packaging products by SYBP was relatively less as compared to other production plants of our Group.
6. The Changshu production plant held by CSBP commenced production in April 2016, so its production capacity for the year ended 31 December 2016 was calculated on the basis of 206 days of operation.
7. The Huizhou production plant held by GDBP commenced production in the second quarter of 2018, so its production capacity for the year ended 30 June 2018 was calculated on the basis of 69 days of operation.
8. The production plant in Taicang held by TCBP has not commenced commercial production during the Track Record Period.
9. The production capacity and utilisation rate do not include those of WHBP, which ceased production in July 2016.

Machinery and equipment

Our major machinery and equipment were purchased from the PRC, Japan, Taiwan and Germany. Since 2013, we have installed advanced fully-automatic in-line printer and robots arms for auto-packing in most of our production plants. We believe that by using technologically advanced machinery and equipment, we can not only improve our production efficiency, cut down manpower costs, but also enhance our product quality. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our capital expenditures consisting of the addition of property, plant and equipment for our new production plants and enhancement of machinery and equipment amounted to approximately RMB54.4 million, RMB42.9 million, RMB66.3 million and RMB53.2 million, respectively.

The following table sets forth average age, average estimated remaining useful life and ownership status of our Group's major machinery and equipment as at 30 June 2018:

Principal machinery and equipment	Number of units	Average age (years)	Average estimated remaining useful life (years) as at 30 June 2018 ^(Note 1)	Ownership status
1800 mm corrugator	1	10.0	0	Self-owned
2200 mm corrugator	9	8.0	2.0	Self-owned: 3 Leased: 6
Auto folder gluer	13	3.7	6.3	Self-owned: 9 Leased: 4
Auto platen die-cutter	12	2.8	7.2	Self-owned: 6 Leased: 6
Flexographic printer	41	4.5	5.5	Self-owned: 22 Leased: 19

Note:

1. When calculating the average estimated remaining useful life for principal machinery and equipment, the estimated remaining useful life of machinery and equipment being used for 10 years or more is taken as 0.

We believe that all major machinery and equipment that are being used by our Group are functioning properly. To further enhance our production capacity and efficiency, our Group plans to upgrade our existing production facilities and purchase new machinery and equipment which shall be funded by the net proceeds from the Global Offering. For details, please refer to the sub-section headed "Business strategies" in this section and the section headed "Future plans and use of proceeds – Use of proceeds" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, in order to provide us with additional working capital and enhance our capital utilisation, some of our equipment and machinery were leased under financial leasing arrangements with a connected person of our Company, Chongqing Stone Tan. For details, please refer to the section headed "Connected transactions" in this prospectus.

Repair and maintenance

As at the Latest Practicable Date, we had 58 maintenance personnel and technicians responsible for our routine inspections and maintenance of our production machinery and equipment to maintain their optimum performance. We adopt a preventive maintenance system and all our production plants are required to follow standardised inspection and maintenance procedures, which require them to inspect (i) the operation conditions of our production lines; (ii) lubrication level of machinery and equipment; and (iii) electricity control system of the machinery and equipment on a weekly, monthly and/or quarterly basis depending on the machinery or the parts of the machinery. In addition, we schedule detailed review on a monthly basis, and a more in-depth inspection and maintenance review on a quarterly basis.

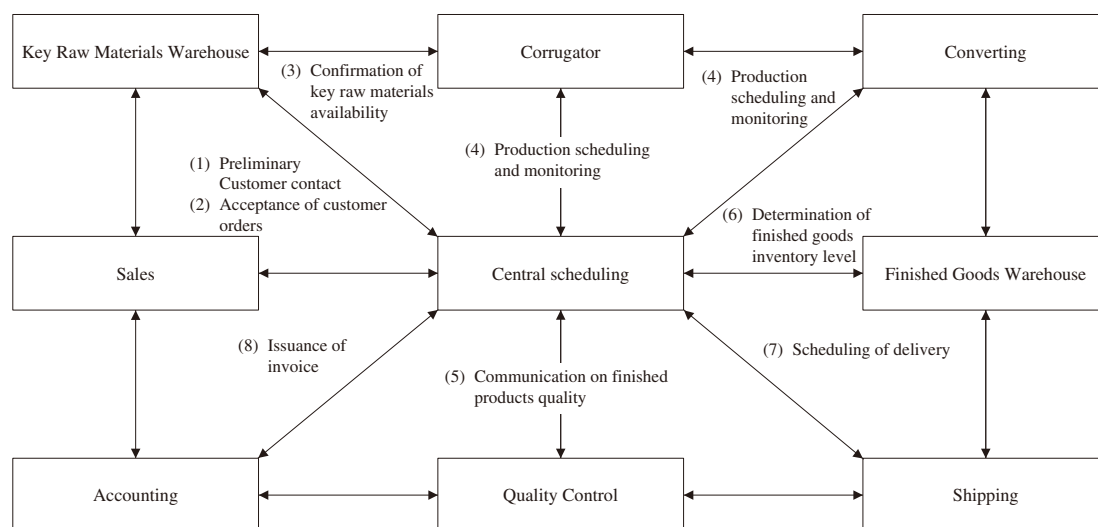
In addition, material data in respect of repair and maintenance are gathered, stored, monitored and analysed by a self-developed online equipment management system linked to our ERP system for information sharing, which enables us to enhance production efficiency and avoid unexpected mechanical failure.

For the three years ended 31 December 2017 and the six months ended 30 June 2018, the maintenance costs for our machinery and equipment were approximately RMB2.3 million, RMB3.0 million, RMB4.4 million and RMB1.0 million, respectively. During the Track Record Period, we did not experience any material mechanical failures.

CENTRAL SCHEDULING AND OPERATION PROCESS MONITORING

With the help of our highly automated and well-implemented ERP system, we have since 2010 introduced and adopted central scheduling which forms the backbone of our operation process. A central scheduling department is set up at our headquarters and at each of our production plants. Our central scheduling department serves to coordinate among our sales and marketing, procurement, inventory management, design, production, quality control and logistics and transportation functions to organise, manage and monitor our entire operation process.

The interactions between our central scheduling department and other departments within our Group can be summarised as follows:



1. Assessment of customer orders

Once a business opportunity with a new customer or an existing customer for a new product is identified by our sales and marketing department, our central scheduling department will coordinate among our sales and marketing, procurement, inventory management, research and development, production, and finance departments to discuss and assess the customer's order with respect to raw materials' availability, product design and specifications, technical requirements and production method as well as production cost analysis. Based on the above assessment results, our central scheduling department will work with our sales and marketing department to devise a business proposal to our customer for confirmation. We believe effective communication with our customers at the early stage of production allows for a better understanding of our customers' needs and a smooth production process.

2. Confirmation of product design and acceptance of customer orders

For a new product design, we would normally submit a prototype sample with the same or similar product specifications (including materials, dimensions, thickness and artwork to be printed) as the final products for customers' approval and confirmation. Our customer service staff of the central scheduling department will then communicate with the customers for order confirmation and acceptance.

3. Monitoring of raw materials' availability and procurement of raw materials

Our central scheduling department is also responsible for monitoring and ensuring the inventory level of our raw materials, in particular, corrugated medium and linerboards, is sufficient to meet our production needs. A monthly procurement plan for corrugated medium and linerboards is prepared and submitted to our procurement department by our central scheduling department based on the respective monthly procurement plans provided by our customers and the inventory levels of each of our production plants and central warehouses in Taicang and Haiyan. Our procurement department will then procure corrugated medium and linerboards according to the said monthly procurement plan. We usually maintain our inventory of corrugated medium and linerboards at a level that is sufficient to meet our production needs for 25 to 30 days.

Once we receive a purchase order from our customer, our central scheduling department will determine if the appropriate raw materials are available at our production plants or our central warehouses in Taicang or Haiyan. In the event that the required key raw materials are not available for reasons such as unexpectedly strong demand for our products during the peak seasons, our central scheduling department will make procurement request to our procurement department for procurement of the required key raw materials.

4. Production scheduling and monitoring

The central scheduling department is responsible for scheduling production for different customer orders using an automatic scheduling system which forms part of our ERP system with an aim to optimise utilisation of our production capacities so as to maximise our production efficiency and achieve cost saving. The entire production process is monitored by our management information system through which our central scheduling department obtains real time information on raw

paper consumption and inventory levels, production progress, finished products' warehouse turnovers, and delivery and logistics status, thereby ensuring accurate and on-time delivery to our customers.

5. Quality control

To ensure that products are manufactured according to our customers' requirements, our central scheduling department will set specific quality control standards and requirements for each product according to its specification for our quality control department to follow. Our quality control department will take samples of each batch of product and conduct testing on their strength, design and appearance based on the quality control standards and requirements provided by our central scheduling department.

6. Delivery of finished products

The finished products will be stored in the warehouse of the relevant production plant after passing our quality control inspection and before delivery to our customers. The finished products will be delivered to the locations designated by our customers (or as stipulated in the purchase orders) by external logistics companies. Our central scheduling department will coordinate among different customer orders and arrange for product delivery to our customers with an aim to maximise finished products turnover and reduce transportation costs. With the help of our central scheduling department, our finished products in general will not be stored in our warehouses for more than three days until delivery to our customers. We have also installed global positioning system (GPS) at all the truck fleets from our external logistics service providers which is linked to our ERP system and allows for real time tracking by our central scheduling department of the delivery of finished products to our customers.

7. Issuance of invoice

Once delivery has been confirmed, our central scheduling department will inform our finance department to issue an invoice to our customer.

SALES AND MARKETING

Our sales and marketing strategy centers on establishing a reputation for consistent and stable production and supply of quality corrugated packaging products at competitive prices, offering product design and one-stop-shop solutions to our customers, providing dependable customer support services and building stable and enduring relationships with our customers.

Sales teams

Our Group has established an extensive sales and marketing network across the PRC. To better serve our customers with different business profiles, requirements and needs, we organise our sales and marketing function into a corporate sales team based in our headquarters and local sales teams at each of our production plants. As at the Latest Practicable Date, our Group's sales force was staffed with 139 employees, who are responsible for coordinating with, handling enquiries from, and confirming orders and product specifications with our customers as well as providing on-going customer services including offering technical support, obtaining customers' feedbacks and following up on any customers' complaints or improvement suggestions.

Our corporate sales team is further divided into three sub-teams comprising a total of 19 staff members as at the Latest Practicable Date. Our corporate sales mainly focuses on serving customers with a large-scale of operations and/or nationwide customers with business operations situated in a number of locations in close proximity to our production plants, with an aim to provide a single-contact-window and one-stop-shop solutions to such customers in product design, order acceptance, production scheduling, delivery and payment across different locations. For the three years ended 31 December 2017 and the six months ended 30 June 2018, revenue contributed by customers of our corporate sales team represented approximately 39.1%, 36.0%, 37.3% and 36.3% of our total revenue, respectively.

As at the Latest Practicable Date, our local sales teams comprised approximately 120 staff members spreading across our production plants. Our local sales teams mainly focus on maintaining, sourcing and serving local customers, and exploring business opportunities in the local market with an aim to maximise market penetration, and provide prompt and customised services that meet the needs of our local customers.

For any product quality complaints, our quality control department undertakes standard examination and evaluation procedures to assess such claims and would report its findings to the relevant production team. We may offer exchanges and/or on-site technical support to any products which are found to be defective. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material defective product claims and we did not incur any material expenses for the exchange of defective products.

Our sales staff are remunerated with a monthly basic salary and year-end performance bonus based on certain performance indicators such as the amount of revenue generated, number of new customers sourced and in-time payment collection from customers.

Marketing

Conducting market research and obtaining a better understanding of our target customers, and providing suitable products that satisfy our customers' changing demands and requirements are essential to the success of our business. Our sales department is also responsible for conducting market research to keep abreast of the latest market trend and customer's demand. In an effort to further expand our business, we intend to further increase the size of our sales force as well as expansion of our geographical coverage and deepen our existing markets' penetration. During the Track Record Period, our Group conducted the following sales and marketing activities:

(i) Customer visits

We appreciate the importance of providing suitable products that satisfy our customers' changing demands and requirements. Therefore, our sales and marketing activities are customer-oriented. In addition to maintaining contact by telephone and email, our sales and marketing professionals visit some of our customers regularly. We believe that regular visits enable us to (i) better respond to our customers' procurement needs; (ii) enhance our customers' understanding of our products and our competitive advantages; and (iii) improve our understanding of their trading conditions and market information. We also conduct visits to new customers with the aim to develop business relationship with them.

(ii) *Customers' referrals and word-of-mouth*

As one of the established corrugated packaging suppliers in the PRC with a long operating history and a reputation for providing reliable and high standard services to our customers, we have been able to source new customers through word-of-mouth and referrals from our existing customers, many of whom made recommendations based on their positive experience with our quality products, reliable services and competitive pricing. We believe customers' referrals and word-of-mouth to be the most efficient way to expand our clientele and gain trusts from new customers.

(iii) *Other promotional activities*

We have since 2010 organised or organised jointly with organisations such as Shanghai Packaging Technology Association every year the "Pacific Millennium Cup – Packaging Innovation and Design Championship", a packaging design competition organised for the college and university students in the PRC. Through the packaging design competition, we believe we are able to strengthen our reputation in both the packaging industry as well as among the college and university students for future talent recruitment.

Pricing Policy

We set the selling prices of our products based on a cost-plus basis. Pricing with customers was normally discussed on a half-yearly or yearly basis, when the price of key raw materials was generally stable before the sudden surge in the third quarter of 2016. In light of the raw paper price fluctuation from the third quarter of 2016 onwards, we review and discuss pricing with our customers each time when the raw paper price fluctuates.

In general, our Group is able to pass on the increase in key raw material costs to our customers as we adopt a cost-plus basis in setting our price. In addition, our central procurement department will adjust the key raw material inventory level in our central warehouses according to the prevailing price to mitigate the effects of key raw material price fluctuation.

Customers

We have built a large, diversified and stable customer base in the PRC. We believe that the strong customer loyalty that we enjoy is primarily due to the quality and consistency of our products, our ability to provide stable supply and to meet customers' needs. We will continue to focus on maintaining long-term relationships with our existing customers and on identifying and developing new relationships with potential customers.

We have successfully attracted a diversified customer base as a result of our commitment to providing quality products and services and our continuous sales and marketing efforts. As at 31 December 2015, 2016 and 2017, 30 June 2018 and the Latest Practicable Date, we had over 1,900, 2,000, 1,900, 1,600 and 2,000 customers, respectively. We source our customers by both negotiations and tender. Among our top ten customers, sales to three, four, three and three customers for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, were obtained by us by way of tender. Sales to these customers accounted for approximately 8.6%, 6.9%, 5.8% and 6.8% of our Group's

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total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. We have established stable and long term relationship with our major customers. Out of our top ten customers for the six months ended 30 June 2018, six had a stable business relationship with us for more than five years.

Our major customers during the Track Record Period comprised renowned and/or leading players in the food and beverage, paper and packaging, non-food-and-beverage-consumables, supplier chain solution, e-commerce, home electronics and other industries. We also acquired new customers in the emerging sectors of e-commerce and logistics, which we plan to further develop. We believe our diversified customer base allows us to better manage our risks and minimise impact from industry-specific volatilities that may affect our performance.

The following table sets forth a breakdown of our Group's revenue categorised by the industries of the end products, in which our products were applied, during the Track Record Period:

Revenue by industry during the Track Record Period

Industry	For the year ended 31 December					Six months ended 30 June				
	2015	% to the total revenue	2016	% to the total revenue	2017	% to the total revenue	2017	% to the total revenue	2018	% to the total revenue
	RMB'000		RMB'000		RMB'000		RMB'000 (unaudited)		RMB'000	
Food and beverage	323,797	30.1	358,435	30.2	413,117	24.8	169,664	23.8	220,984	24.4
Paper and packaging	173,883	16.2	189,675	16.0	244,306	14.7	103,032	14.5	124,237	13.7
Non-food-and-beverage-consumables ^(Note 1)	94,471	8.8	121,146	10.2	177,662	10.7	73,670	10.3	79,758	8.8
Supplier chain solution	75,084	7.0	69,988	5.9	110,715	6.6	49,251	6.9	65,519	7.2
E-commerce	16,545	1.5	30,329	2.6	81,819	4.9	37,367	5.2	36,468	4.0
Home electronics	33,482	3.1	43,203	3.6	79,673	4.8	39,539	5.6	49,379	5.5
Others ^(Note 2)	357,965	33.3	374,018	31.5	556,810	33.5	240,512	33.7	329,615	36.4
Total	<u>1,075,227</u>	<u>100.0</u>	<u>1,186,794</u>	<u>100.0</u>	<u>1,664,102</u>	<u>100.0</u>	<u>713,035</u>	<u>100.0</u>	<u>905,960</u>	<u>100.0</u>

Notes:

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

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our sales to our five largest customers amounted to approximately RMB242.2 million, RMB215.9 million, RMB329.1 million and RMB171.6 million, representing approximately 22.6%, 18.2%, 19.9% and 18.9% of our total revenue, respectively.

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The tables below contain certain information relating to our five largest customers during the Track Record Period:

Top five customers for the year ended 31 December 2015

Customer	Background and business activities ^(Note 1)	Major products sold ^(Note 2)	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total sales of our Group
Customer A	A multi-national group listed on the Stockholm Stock Exchange and engaged in packaging paper, consumer board and corrugated solutions.	Corrugated packaging products	60–120, Bank transfer (“BT”)	6.5	7.0%
Customer B	One of China’s leading domestic and international express logistic groups listed on the Shenzhen Stock Exchange.	Corrugated packaging products	45–75, BT	4.8	4.9%
Customer C	A U.S.-based group engaged in manufacturing, wholesale of products such as candy, sugar, chocolate, pet food and pet care products ^(Note 2) .	Corrugated packaging products	90–120, BT	9.8	4.5%
Customer D	A France-based group listed on the Euronext Paris and engaged in production of food and beverage and food packaging products.	Corrugated packaging products	80–110, BT	6.4	4.0%
Customer E	A Finland-based group listed on the Nasdaq Nordic market, engaged in various types of business such as production, processing and sale of paper products and cardboard.	Corrugated packaging products	60, BT	9.8	2.2%

Notes:

1. The information is from the respective companies’ annual reports for the year ended 31 December 2017, the latest quarterly reports or official websites.
2. Our Group only sold to the respective PRC subsidiaries of our top five customers during the Track Record Period.

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Top five customers for the year ended 31 December 2016

Customer	Background and business activities ^(Note 1)	Major products sold ^(Note 2)	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total sales of our Group
Customer A	Please see above	Corrugated packaging products	60–120, BT	6.5	5.9%
Customer D	Please see above	Corrugated packaging products	80–110, BT	6.4	4.6%
Customer C	Please see above	Corrugated packaging products	90–120, BT	9.8	3.4%
Customer F	One of China's leading e-commerce companies listed on the NASDAQ Global Select Market.	Corrugated packaging products	60–90, BT	4.0	2.3%
Customer G	A U.S.-based group listed on the New York Stock Exchange and engaged in medical equipment and life science equipment research and development, healthcare, lighting, oil and gas, etc ^(Note 2) .	Corrugated packaging products	90–120, BT	9.8	2.0%

Notes:

1. The information is from the respective companies' annual reports for the year ended 31 December 2017, the latest quarterly reports or official websites.
2. Our Group only sold to the respective PRC subsidiaries of our top five customers during the Track Record Period.

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Top five customers for the year ended 31 December 2017

Customer	Background and business activities ^(Note 1)	Major products sold ^(Note 2)	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total sales of our Group
Customer A	Please see above	Corrugated paper packaging products	60–120, BT	6.5	6.7%
Customer F	Please see above	Corrugated paper packaging products	60–90, BT	4.0	5.1%
Customer C	Please see above	Corrugated paper packaging products	90–120, BT	9.8	3.5%
Customer H	A China-based company dually listed on the Hong Kong Stock Exchange and Shenzhen Stock Exchange and engaged in manufacturing, sales of household appliances.	Corrugated paper packaging products	90–120, BT Acceptance bill	5.6	2.7%
Customer I	A China-based company listed on the Shanghai Stock Exchange and engaged in manufacturing and sales of lighting products	Corrugated paper packaging products	60–90, BT	2.7	1.9%

Notes:

1. The information is from the respective companies' annual reports for the year ended 31 December 2017, the latest quarterly reports or official websites.
2. Our Group only sold to the respective PRC subsidiaries of our top five customers during the Track Record Period.

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Top five customers for the six months ended 30 June 2018

Customer	Background and business activities ^(Note 1)	Major products sold ^(Note 2)	Credit period (days), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total sales of our Group
Customer A	Please see above	Corrugated paper packaging products	60–120, BT	6.5	7.2%
Customer F	Please see above	Corrugated paper packaging products	60–90, BT	4.0	3.5%
Customer H	Please see above	Corrugated paper packaging products	90–120, BT Acceptance bill	5.6	3.4%
Customer C	Please see above	Corrugated paper packaging products	90–120, BT	9.8	2.5%
Customer I	Please see above	Corrugated paper packaging products	60–90, BT	2.7	2.3%

Notes:

1. The information is from the respective companies' annual reports for the year ended 31 December 2017, the latest quarterly reports or official websites.
2. Our Group only sold to the respective PRC subsidiaries of our top five customers during the Track Record Period.

All the sales to our top five customers were dealt with by their respective entities located in the PRC during the Track Record Period and most of our sales are denominated in RMB.

Customer A, who was our largest customer during the Track Record Period, was also one of our suppliers. Owing to Customer A's special request in the key raw materials to be used in the manufacturing of products for itself, we are requested by Customer A to purchase certain corrugated medium with specific specifications produced by its associate in Sweden to produce corrugated packaging products (being mainly corrugated boxes) to them. To the best of our Directors' knowledge, Customer A does not have any production facilities in the PRC but acted as a corrugated packaging solution provider to its end customers comprising, among others, international brands in various sectors. The corrugated packaging products purchased by Customer A from us were mainly for onward selling to its end customers. During the Track Record Period, our sales to Customer A amounted to approximately RMB75.1 million, RMB70.0 million, RMB110.7 million and RMB65.5 million, respectively, representing approximately 7.0%, 5.9%, 6.7% and 7.2% of our total revenue for the respective periods. Our purchase from the said associate company of Customer A accounted for approximately 0.6%, 1.2%, 1.3% and 1.0% of our total purchase during the Track Record Period, respectively. All of such imported corrugated medium were used in the manufacture of products for Customer A.

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One of our top five customers, Customer B, for the year ended 31 December 2015 was no longer our top five customer for the two years ended 31 December 2017. Customer B adopted tendering to select their packaging material suppliers and we did not win the tender.

To our Directors' best knowledge and belief, each of our top five customers is an Independent Third Party and none of our Directors or their respective close associates, or Shareholders holding more than 5.0% of the issued share capital of our Company had any interest in our top five customers during the Track Record Period and up to the Latest Practicable Date.

Terms of sales

It is our Group's practice to enter into framework agreements on a yearly basis with our major customers, which set out, among others, delivery arrangement, credit terms, inspection procedure, quality standard according to the customer's specifications and return policy. Usually these framework agreements do not stipulate a purchase price or order amount, nor have any minimum order amount requirement, as such details vary according to the actual needs of our customers and the fluctuation of key raw material price and shall be decided in separate orders. Our customers are generally required to make payments to us by bank transfers. Generally there is a renewal clause in the framework agreements, which provides that it shall be automatically renewed for one year or more unless being objected by either party.

As advised by our PRC Legal Advisers, the provisions of the framework sales agreements with our major customers during Track Record Period are not in violation of applicable PRC laws and regulations and therefore are valid, binding and enforceable against the parties to the agreement under the PRC laws.

Credit policy and control

In order to foster business relationships with our customers and at the same time protect our interests, our Group adopts different credit policies for different customers. We principally refer to our customers' trading and credit history, sales volume, scale of operations, background, financial conditions and business relationship and the length of such relationship with our Group to determine the specific credit terms for them. In general, the average credit period on sales of goods is 30 and 90 days from the invoice date. For credit periods over 75 days and/or credit amount exceeding RMB500,000, approval is required to be obtained from the general manager of PMPG (HK) or both the head of corporate sales department, and the financial controller.

We also adopt a set of credit control measures which require all of our customers to first go through credit check performed by our sales representative. Results of such assessments are then reviewed by the sales manager and the accounting manager. Our general managers and plant managers at each production plant, together with our finance department, would also review the credit terms of individual customers regularly.

Our production plants are requested to hold a meeting, hosted by the head and involved accounting department and sales department, to review the collection status of their respective accounts receivables on a weekly basis. When any trade receivables become overdue for more than 15 days, accounting department will take follow-up actions, including visit to the customer's production plant/office to understand the situation and issue demand note to the relevant customer and inform relevant sales representative and sales manager the details. When becoming overdue for more than 30 days, our Group usually will involve external legal counsel to issue demand letter to the customer. If a trade receivable has

been outstanding for more than 60 days, we would not accept any new orders from such customer and stop delivery. Once the overdue is more than 75 days, we may consider to file a claim at a relevant court. Based on assessment of the recoverability of the trade receivables, we will make allowances for bad and doubtful debts accordingly. For the Track Record Period, our Group had not experienced any material bad debt. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our trade and bills receivables turnover days were approximately 102.2 days, 100.9 days, 90.0 days and 94.0 days, respectively.

Logistics and product delivery

Our Group is generally responsible for delivery of our products to customer's designated place and bears the costs and risks during the transportation. We relied on Independent Third Party logistic service providers for product delivery. Our production plants shall engage in local logistic service providers to provide transportation services by entering into annual logistic service agreement, and the service fees shall be calculated on the basis of the real transportation volume. The logistic service providers are responsible for all risks relating to the products in transit upon completion of unloading of products. Our Group had not made any material claim against the logistic service providers during the Track Record Period.

Production monitoring

We monitor the entire production process to ensure that our products can meet the requirements specified by our customers. Our paperless platform allows real-time information from onsite locations to be collected so that the supervisors at each production plant, along with the central scheduling team, receive accurate and timely production updates. We consider this real-time system to be crucial for achieving quick turnaround time and on-time delivery to our customers.

In addition, we use an RFID recognition system to manage and track our key raw materials. Each raw paper roll is embedded with an RFID label so that our staff can ensure the right paper is being used for the products to be manufactured. The data collected from the RFID recognition system can help to improve operating efficiency, reduce raw material waste and ensure accurate inventory count.

For the finished products, we use barcode scanning technology to control the inventory level as well as tracking and arranging products for delivery upon customers' requests. The barcode scanning technology is linked to our ERP system which allows information sharing.

Product returns and warranty

We do not offer any product warranties to our customers and hence, no provision for product warranty was made during the Track Record Period which we believe is consistent with the industry norm. The customers usually are requested to notify us within three days upon delivery to the customer's designated location, if there is any defect in the products. Our customer is entitled to return the products to us if they do not fall within the specifications in the agreement. For any product quality complaints, our quality control department undertakes standard examination and evaluation procedures to ascertain the validity of the claims and reports its findings to the relevant production team and sales team. We may offer exchanges to our customers with regards to any products which are certified by us as being defective or offer a discount on the current substandard products.

Our product returns for the three years ended 31 December 2017 and the six months ended 30 June 2018 are approximately RMB5.0 million, RMB6.2 million, RMB6.6 million and RMB4.6 million, respectively, which accounted for approximately 0.5%, 0.5%, 0.4% and 0.5%, respectively, of our total sale for the same period. We confirmed that we had not experienced any significant product returns nor received any material product quality complaints or substantial compensation liability during the Track Record Period. In recognition of our commitment to maintain and improve product quality, all of our operating production plants have been awarded ISO 9001, an international standard indicating that recipients possess a quality management system.

PROCUREMENT

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our procurement of the key raw materials represented approximately 83.0%, 85.5%, 88.5% and 90.9%, respectively, of our total purchase for the same period. Currently, we source the key raw materials from a number of suppliers. We consider that our key raw materials are readily available in the market and we will not face a significant problem in sourcing them.

We procure the key raw materials to (i) maintain a sufficient level for around 25 to 30 days' production need based on central scheduling department's proposal, which was determined mainly by the monthly procurement plans from our customers; (ii) minimise risks arising from substantial price fluctuations. To make sure the key raw materials are consumed effectively and efficiently, we keep track on (i) their inventory level; (ii) the key raw materials supply and consumptions in the preceding month; (iii) the prevailing price of the key raw materials; and (iv) purchase orders from our customers.

The key raw materials are procured based on customers' requirements in terms of density, colour and physical strength. Our Group purchases the key raw materials from a few large and well-established suppliers, mainly in the PRC which are Independent Third Parties. A small percentage of our key raw materials was purchased from overseas mainly from the U.S. and Europe during the Track Record Period.

Given that the key raw materials are a major component of our total costs, any fluctuation in their prices is a key factor affecting our profit margins. We consider that the central procurement department, which was established in 2008, is a critical division to our Group as it allows us to remain price competitive in the market. In addition to the warehouses located at each of our production plants, our Group has established two central warehouses located in Taicang in July 2010 and Haiyan in May 2016. The procurement departments in respective production plants are responsible for procuring ancillary materials for production, including ink, starch, and printing plates, etc.

Suppliers

In order to obtain better pricing terms from our suppliers and to avoid reliance on any single source of supply, we maintain close business relationships with a number of suppliers for key raw materials. We only purchase key raw materials from suppliers that meet our requirements in terms of creditworthiness, stability, pricing, product quality, delivery terms, after-sales services and technical levels and skills. Before confirming the eligibility of a supplier, we perform background checks on its operating history, track record and market reputation. Our central procurement department procures different product samples from potential suppliers for inspection and performs testing to ensure quality and consistency of the key raw materials. Staff of the central procurement department generally meet our Group's major suppliers on a monthly basis to discuss procurement matters, including pricing and delivery arrangements and to ensure their production process and products are in conformity with our quality requirements.

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As at 31 December 2015, 2016 and 2017, 30 June 2018 and the Latest Practicable Date, we had a total of around 860, 820, 880, 680 and 900 suppliers, respectively. As at the Latest Practicable Date, most of our suppliers are located in the PRC. Bulk purchases for linerboard and corrugated medium, which is conducted by our central procurement department and ancillary raw materials are purchased by respective production plants according to the coordination of our central scheduling department. The arrangements allow our Group to get more competitive prices on key raw materials. For the six months ended 30 June 2018, all of our top five suppliers had more than five years of business relationship with our Group. As we maintain good relationship with our suppliers, we can benefit from assured quality, competitive purchase prices and in-time deliveries, which, in turn, leads to reduction of inventory costs. During the Track Record Period, we did not experience any material shortage of the key raw materials or sequent return of key raw materials due to poor quality. During the Track Record Period, our Group's major suppliers were companies selling linerboard and corrugated medium. As the key raw materials required by our Group are not rare or difficult to source, we do not anticipate any material difficulties in sourcing them at prices comparable to those charged by our current suppliers.

We confirm other than Customer A, which is our largest customer and also a supplier of linerboard and corrugated medium for our Group, there is no other supplier who is also our customer. To our Directors' best knowledge and belief, each of our five largest suppliers during the Track Record Period is an Independent Third Party and none of our Directors or their respective close associates, or Shareholders holding more than 5.0% of the issued share capital of our Company had any interest in our top five suppliers during the Track Record Period and up to the Latest Practicable Date.

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our Group's purchases from our five largest suppliers amounted to approximately RMB485.2 million, RMB554.9 million, RMB861.0 million and RMB535.8 million, respectively, which in aggregate accounted for approximately 67.3%, 67.4%, 71.4% and 76.6%, respectively, of our Group's total purchases. During the same period, our purchases from our largest supplier amounted to approximately RMB277.2 million, RMB290.7 million, RMB471.7 million and RMB309.8 million, representing approximately 38.5%, 35.3%, 39.1% and 44.3% of our total purchases, respectively.

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The following tables set forth certain information about our Group’s five largest suppliers during the Track Record Period:

For the year ended 31 December 2015:

Supplier	Background and business nature ^(Note 1)	Major products purchased	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total purchases of our Group
A number of subsidiaries of Nine Dragons Paper (Holdings) Limited (玖龍紙業(控股)有限公司*) (“ Nine Dragon Paper ”)	A China-based group listed on the Stock Exchange and engaged in production and sale of packaging paperboard products	linerboard & corrugated medium	45-75, Acceptance Bill (“ AB ”)	7.5	38.5%
Two subsidiaries of Shanying International Holdings Co., Ltd.* (山鷹國際控股股份有限公司) (“ Shanying Paper ”)	A China-based group listed on the Shanghai Stock Exchange and engaged in manufacturing of paperboard and packaging materials	linerboard & corrugated medium	45-75, AB	7.4	13.4%
Lee & Man Paper Manufacturing Company Limited* (理文造紙有限公司) (“ Lee & Man Paper ”)	A group listed on the Stock Exchange and engaged in manufacturing of paper and pulp	linerboard & corrugated medium	45-75, AB	7.5	8.8%
A number of subsidiaries of Long Chen Paper Co., Ltd. (榮成紙業股份有限公司) (“ Long Chen ”)	A group listed on the Taiwan Stock Exchange and engaged in production and sales of high-grade paper and cardboard	linerboard & corrugated medium	40-70, AB	7.4	3.7%
Baishan City Qixiang Paper Co., Ltd.* (白山市琦祥紙業有限公司) (“ Qixiang ”)	A China-based group, established in 2006 and engaged in production and sale of packaging paper and paper products	corrugated medium	0-30, AB/Bank Transfer	4.8	2.9%

Note:

- The information is from the respective companies’ annual report for the year ended 31 December 2017, the latest quarterly report or official websites.

* for identification purpose only

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For the year ended 31 December 2016:

Supplier	Background and business nature ^(Note 1)	Major products purchased	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total purchases of our Group
Nine Dragons Paper	Please see above	linerboard & corrugated medium	45-75, Acceptance Bill ("AB")	7.5	35.3%
Shanying Paper	Please see above	linerboard & corrugated medium	45-75, AB	7.4	17.3%
Lee & Man Paper	Please see above	linerboard & corrugated medium	45-75, AB	7.5	8.6%
Qixiang	Please see above	corrugated medium	AB, Prepayment, Bank Transfer ("BT")	4.8	3.5%
Zouping Yihong Commerce Co., Ltd.* (鄭平益弘經貿有限公司)	A China-based company, established in 2014 and engaged in wholesale of packaging paper and paper products	linerboard & corrugated medium	30-60, BT	3.5	2.7%

Note:

- The information is from the respective companies' annual report for the year ended 31 December 2017, the latest quarterly report or official websites.

* *for identification purpose only*

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For the year ended 31 December 2017:

Supplier	Background and business nature ^(Note 1)	Major products purchased	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total purchases of our Group
Nine Dragons Paper	Please see above	linerboard & corrugated medium	45-75, Acceptance Bill (“AB”)	7.5	39.1%
Shanying Paper	Please see above	linerboard & corrugated medium	45-75, AB	7.4	22.3%
Lee & Man Paper	Please see above	linerboard & corrugated medium	45-75, AB	7.5	5.6%
Dalian Jinzhou Jinyang Packaging Materials Plant* (大連市金州金洋包裝材料廠) (“Dalian Jinzhou”)	A China-based company and engaged in the production of paper products and trade materials	linerboard & corrugated medium	Prepayment, Bank Transfer (“BT”)	7.4	2.3%
Qixiang	Please see above	corrugated medium	AB, BT	4.8	2.1%

Note:

- The information is from the respective companies’ annual report for the year ended 31 December 2017, the latest quarterly report or official websites.

* for identification purpose only

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For the six months ended 30 June 2018:

Supplier	Background and business nature ^(Note 1)	Major products purchased	Credit period (day), settlement method	Years of business relationship (up to 30 June 2018) (approximately)	% to total purchases of our Group
Nine Dragons Paper	Please see above	linerboard & corrugated medium	45-75, Acceptance Bill (“AB”)	7.5	44.3%
Shanying Paper	Please see above	linerboard & corrugated medium	45-75, AB	7.4	23.7%
Lee & Man Paper	Please see above	linerboard & corrugated medium	45-75, AB	7.5	5.1%
Dalian Jinzhou	Please see above	linerboard & corrugated medium	BT	7.4	2.0%
Long Chen	Please see above	linerboard & corrugated medium	40-70, AB	7.4	1.5%

Note:

- The information is from the respective companies’ latest annual report, latest quarterly report or official website.

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our Group procured approximately 60.8%, 61.2%, 67.0% and 73.1% of our key raw materials from the three largest suppliers. According to Frost & Sullivan, our three largest suppliers occupied more than 50% of the PRC linerboard and corrugated medium industry and the supply of linerboard and corrugated medium is more than that of the demand. Therefore, we are of the view that although we procure around 60.0% of our key raw materials from our three largest suppliers, it is not a material impact on our Group’s operations.

During the Track Record Period, our Group entered into certain legally binding framework supply agreements with our major suppliers for key raw materials. These framework supply agreements did not contain any provision which would impose any minimum purchase amount on us. The key terms of such framework supply agreements are summarised below:

- Product type: as specified in the individual purchase orders.
- Duration: the agreements generally last for around one year.

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- Pricing: the exact prices of the raw materials are not specified in the agreements and are to be fixed in our separate purchase orders.
- Delivery: the supplier is generally responsible for delivery and bears the relevant costs.
- Minimum purchase commitment: there is no minimum purchase commitment imposed on us in the framework supply agreements.
- Credit arrangement: we shall be entitled to a credit period of 30 days to 45 days from a predetermined settlement date during a month.
- Quality standard: the quality of the raw materials shall meet the national standards and/or international ISO 9001 standard. For dangerous or harmful substances, the supplier should make sure that the amount of such harmful substances in our product should not exceed legal standards.
- Inspection and return of raw materials: we are entitled to inspect the raw materials at the spot upon their arrival and are entitled to request the supplier to replace those defective raw materials.
- Termination: we are entitled to early termination with written notice if the supplier cannot fulfill the terms in the agreement.
- Renewal: there is a renewal clause in some of the framework agreements that if there is no objection for renewal within one month before the expiring date of the agreement, the agreement will be renewed for one year starting from such expiring date.
- Quality standard: the supplier shall manufacture the products according to our specifications as set out in our purchase orders from time to time.

INVENTORY MANAGEMENT

We monitor and control the inventory levels of our raw materials and finished products to optimise our operations and to keep our operation costs and risks at a relatively low level. We manage our inventory of raw materials and finished products based on the amount of purchase orders placed by our customers, our production schedules and our procurement cycle for raw materials. We adopt stringent procedures to monitor the inventory levels of our key raw materials, work-in-progress and finished goods. We control our inventory level by (i) keeping track of the inventory movements on a real-time basis; (ii) monthly procurement plans from customers; and (iii) usually maintaining stock of key raw materials at a sufficient level for our use from 25 to 30 days while our finished products will not be stocked at individual plants for more than three days on average.

QUALITY CONTROL

We believe that maintaining an effective quality control programme is essential to our customers as we believe high quality packaging products not only enhance the image and market recognition of our products but also help to promote our customers' brands among their consumers. In view of obtaining the continuous growth of our business, we have implemented a comprehensive and effective quality control system throughout our production.

As at the Latest Practicable Date, we had in total 22 quality control staff responsible for the quality control of raw materials, production process, finished products and after sales services.

Each of our production plants adopts the following standardised quality control measures:

Key raw materials – Our quality control staff conduct sample checks from each shipment for testing according to the national standards on density, durability of external force, edge pressure resistance, shock resistance and humidity resistance. Our quality control staff shall also select testing on auxiliary ingredients, size, pressing line, frame match, thickness and bending curve according to national standards.

Production process – Our quality control staff are responsible for quality control of the production process at various stages of the manufacturing process and select semi-finished products for review and testing based on the above mentioned requirements before the start of the next phase of manufacturing process.

Finished products – Our quality control staff are responsible for quality control of all finished products, which undergone multiple testings and random samplings in accordance with national standards. Our quality control staff are also required to carry out final inspection of our products to ensure that they comply with the specifications of our customers before delivery.

After sales services – Our sales staff collect verbal and/or written feedback from our customers and discuss them with our quality control team in order to ascertain if any further improvement is required on our internal quality control measures. Our sales staff also pass feedbacks from customers to our general managers and plant managers at each production plant. By doing so, our sales department, research and development department and senior management gain a better understanding on the needs and requirements of customers and the demands for packaging in different industries.

For each quality inspection carried out throughout the quality control process, our quality control staff shall make a written record for future reference. In order to carry out effective performance testing of our products, we have procured advanced testing equipment, including box compression testers and SD spectrodensitometers. During the Track Record Period, our operating subsidiaries were awarded ISO 9001, ISO 14001 and ISO 18001 certifications, which indicate our strict quality management system covering different aspects. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our products returns amounted to approximately 0.5%, 0.5%, 0.4% and 0.5% of the total revenue, respectively.

RESEARCH AND DEVELOPMENT

We consider research, development and design to satisfy the needs of our customers, is one of the key drivers to future success in the paper and packaging industries.

We have a research and development centre in Wujiang City. As at the Latest Practicable Date, our team of research and development personnel comprised four staff members. We also have a product design team comprising 23 staff members based at our respective production plants, who work closely with our research and development team on research and development and product design. Among our 27 research and development and product design personnel, three of them obtained the ISTA Certified Packaging Laboratory Professional (CPLP). Our research and development department team up with colleagues from other departments if and when necessary for each research and development project. The research and development centre has the following functions: (i) design, (ii) testing, (iii) providing solutions for our customers, and (iv) packaging researches for specific industries. Our research and development centre had been working on three different areas, including (i) improving efficiency in the supply chain process; (ii) saving costs and resources; and (iii) developing new designs for customers and our own products. Below are the showcase of some of our research and development projects.

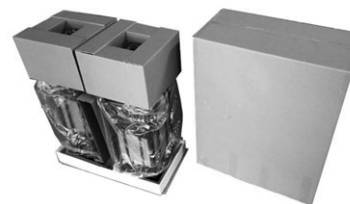
1. Display shelf + shipment box packing combination

This project aims to develop boxes for consumer products (including food and beverage and tools) that meet protection requirement for delivery, and can also be used as retail display stands.



2. Chemical ingredients – shipping packaging solution

This project uses enhanced anti-humidity function in corrugated sheet boards to improve packaging for common chemical ingredients, such as chemical powders and chemical pellets.



3. Medical equipment industry – packaging box

This project aims to find solutions for protection of medical equipment using corrugated packaging. This can replace wood packaging and reduce foam use, which is consistent with the PRC government's efforts to promote more environmentally friendly packaging materials.



Other research and development initiatives

As mentioned in the sub-section headed “Sales and marketing” in this section, starting in 2011, our Group has organised or jointly organised with Shanghai City Packaging Technology Association the “Pacific Millennium Cup Packaging Design Champion”, a packaging design competition for students from colleges and universities across the PRC. While the purpose of organising the competition is to strengthen our reputation in the packaging industry among college and university students, the competition provides an opportunity to the students to apply their academic knowledge in actual product designs, allowing them to gain industrial experience from us.

COMPETITION

Our Group principally engages in the manufacturing and sale of (i) corrugated packaging products and (ii) corrugated sheet boards in the PRC. Our industry is highly fragmented and competitive with a large number of small and medium paper packaging enterprises.

We do not consider most of the enterprises to be a competitive threat to our Group as we operate at a larger scale and in multiple locations. Only companies with similar scale, multiple locations of production plants or integration with paper mills are currently our key competitors, of which some are listed in the PRC or overseas stock exchanges. We strive to maintain our competitiveness through product quality, quick turnaround time and design/development capability.

We believe the barriers for entering into this industry are relatively high for the following reasons:

- (a) Techniques: techniques is the key as corrugated packaging industry no longer labour-intensive and is involving more automation. The leading players have received the certificates from international reputable laboratories or have even established their own laboratories. For new entrants, it is time-consuming to master advanced techniques. Also, with the emergence of new products, which require more technical supports, their weakness in techniques would be more pronounced;
- (b) Client relationship: downstream corporate clients are main buyers of corrugated packaging products. Considering the existing producers have established close relationship with their target clients, client relationship is an obvious barrier for new players;
- (c) Capital investment: corrugated packaging production is a sector requiring intensive capital investment. The huge amount of required capital investment would deter some potential investors from entering this industry;
- (d) Human resources: given that this industry has evolved into a new stage of integrated packaging solution, which needs more high-skilled talents than ever. Lack of human resource would be a barrier for potential entrants; and
- (e) Buildup time: leading companies in China corrugated packaging market have operated their businesses for at least 15 years, the new entrants need strong financial support and proper management and coordination to survive the fierce competition.

Notwithstanding the abovementioned barriers, we believe that we can maintain our competitiveness in the market given (i) our established reputation; (ii) multi-locations production plants; (iii) economies of scale; (iv) stable and long-term relationship with our diversified customers; (v) well-implemented management information system; (vi) value-added total packaging solutions services; (vii) our experienced management team; and (viii) a pool of professionals.

ENVIRONMENTAL PROTECTION

We consider the implementation of environmentally responsible practices and the maintenance of high environmental standards to be a competitive strength as it reduces our risk of exposure to liability under environmental protection laws and regulations, and significantly reduces the impact of our

operations on the environment. We are committed to complying with the relevant environmental protection requirements in the PRC. Our operations in the PRC are subject to, among other relevant environmental protection standards, several PRC environmental laws and regulations. If our Group is charged for any non-compliance with any PRC environmental laws or regulations, the PRC government may, according to the circumstances and the extent of the pollution, impose on us administrative penalties of different types and degrees, from warnings, fines, orders to make rectification within a specific period or orders to suspend production or to close our business, all of which could have an adverse operational and/or financial impact on our Company. Please refer to the section headed “Regulatory overview” in this prospectus for further details.

The major pollutants generated from our operations is the mixed waste water including starch-containing water and water-soluble ink from our production process. In order to comply with applicable environmental laws and regulations in the PRC, our Group has implemented the following measures:

- to minimise the impact on waste water, each of our production plants is equipped with water treatment facilities; and
- we engage qualified contractors to collect and treat the solid waste generated from waste water treatment process, which ensures that our emission levels remain below levels permitted under applicable PRC regulations.

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, there is no material non-compliance with regard to environmental protection issues pending against our Group save as disclosed in the sub-section headed “Non-compliance” in this section below.

AWARDS & RECOGNITIONS

The table below sets forth the major awards and recognitions that our Group has obtained since 2006.

Award/recognition	Date of issue/ Period	Issuing organisation	Recipient
Award for the Yangtze River Delta Corrugated Box Quality Competition of Oriental Star 2006 (Silver Medal) (東方之 星長三角首屆瓦楞紙箱質量 評比(銀獎))	2006	Shanghai Packaging Technology Association (上海市包裝技術協會) Zhejiang Packaging Technology Association (浙江省包裝技術協會) Jiangsu Packaging Technology Association (江蘇省包裝技術協會)	SHBP

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Award/recognition	Date of issue/ Period	Issuing organisation	Recipient
Rapid SME Development (優秀成長型企業)	2008	Management Committee of Economic Development Zone of Tongxiang City, Zhejiang Province (浙江省桐鄉經濟開發區 管理委員會)	ZJBP
BSI Energy Management Pioneer Award (BSI 低碳先鋒 獎)	2011	British Standards Institution	PMPG
Outstanding Academic-Industry Cooperation Entity of Packaging Industry of Shanghai (上海市包裝行業學 研合作先進單位)	2012	Shanghai Packaging Technology Association (上海市包裝技術協會)	PMPC
Certificate of carbon offsets (碳中和證書) for the years 2011–2013	2014	Tianjin Climate Exchange (天津排放權交易所)	SHBP and our eight production plants
Certificate of carbon offsets (碳中和證書) for the year of 2014	2016	Shanghai Environment And Energy Exchange (上海環境能源交易所)	SHBP and our nine production plants
Certificate of carbon offsets (碳中和證書) for the years of 2015–2016	2017	Shanghai Environment And Energy Exchange (上海環境能源交易所)	SHBP and our nine production plants

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The following production plants obtained the Forest Stewardship Council Certification:

Production plant	Period	Scope of certification	Issuing organisation
QDBP	3 June 2016 to 2 June 2021	Sale of production of corrugated sheet board, corrugated box and pallet	TÜV SÜD Czech s.r.o.
DLBP	3 May 2017 to 2 May 2022	Manufacturing and sales of corrugated paperboard, corrugated carton and pallet	TÜV SÜD Czech s.r.o.
JSBP	28 June 2017 to 27 June 2022	Procurement, manufacture and sales of paper products	Shanghai NOA Test & Certification Co., Ltd. and Forest Certification LLC
CSBP	14 September 2017 to 13 September 2022	Procurement and sales of paper products	Shanghai NOA Test & Certification Co., Ltd. and Forest Certification LLC
PMPC	16 October 2017 to 15 October 2022	Manufacturing and sales of corrugated fibreboard, corrugated paper packaging	Shanghai NOA Test & Certification Co., Ltd. and Forest Certification LLC

The following production plants obtained ISO 9001 certification:

Production plant	Period	Scope of certification	Issuing organisation
CSBP	29 August 2016 to 28 August 2019	Corrugated sheet board, carton box (non-hazardous product packaging), packaging and decorating print design, production, processing and marketing services	Quality Assurance Centre of China Association for Quality
DLBP	14 February 2018 to 13 February 2021	Corrugated sheet, corrugated box, pallet and all kinds of innovating products	Northeast Audit Co., Ltd.

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Production plant	Period	Scope of certification	Issuing organisation
JSBP	16 October 2018 to 13 September 2021	Production and sale of corrugated cardboard, paper box, paper products and sale of related packaging products (except for the required qualification licence)	Guangdong Zhongjian Certification Co., Ltd.
NJBP	7 February 2017 to 6 February 2020	Production and sale of corrugated cardboard, paper box (except for the required qualification licence)	Guangdong Zhongjian Certification Co., Ltd.
QDBP	10 January 2018 to 9 January 2021	Sale and production of corrugated sheet board, corrugated box and pallet	Quality Assurance Centre of China Association for Quality
SYBP	10 June 2017 to 9 June 2020	Production of high-grade cardboard, cardboard and carton	Northeast Audit Co., Ltd.
SZBP	20 August 2018 to 28 October 2021	Design, production and related management activities of corrugated sheet boards, carton (including printing)	China Quality Certification Centre
TJBP	22 December 2017 to 21 December 2020	Design, production and service of paper box packaging (except for the required qualification licence)	China Great Wall (Tianjin) Quality Assurance Centre
ZJBP	6 February 2018 to 27 January 2021	Production of high-graded corrugated sheet board, carton and display board	China Quality Certification Centre
GDBP	4 April 2018 to 3 April 2021	Production of corrugated board, carton, packaging paper products	Shenzhen Jianfeng International Certification Co., Ltd.
TCBP	17 October 2018 to 16 October 2021	Related management activities involved in the production of high-grade corrugated cardboard and cardboard boxes	Beijing Standard Certification Centre

BUSINESS

The following production plants obtained ISO 14001 certification:

Production plant	Period	Scope of certification	Issuing organisation
DLBP	14 February 2018 to 13 February 2021	Corrugated sheet, corrugated box, pallet and all kinds of innovating products	Northeast Audit Co., Ltd.
JSBP	16 October 2018 to 13 September 2021	Production and sale of corrugated cardboard, paper box, paper products and sale of related packaging products (except for the required qualification licence)	Guangdong Zhongjian Certification Co., Ltd.
NJBP	7 February 2017 to 6 February 2020	Production and sale of corrugated cardboard, paper box (except for the required qualification licence)	Guangdong Zhongjian Certification Co., Ltd.
QDBP	10 January 2018 to 9 January 2021	Sale and production of corrugated sheet board, corrugated box and pallet	Quality Assurance Centre of China Association for Quality
SZBP	21 August 2018 to 4 November 2021	Design, production and related management activities of corrugated sheet boards, carton (including printing)	China Quality Certification Centre
TJBP	22 December 2017 to 21 December 2020	Design, production and service of paper box packaging (except for the required qualification licence)	China Great Wall (Tianjin) Quality Assurance Centre
ZJBP	29 January 2018 to 27 January 2021	High grade corrugated sheet board, carton and display rack production and related management activities	China Quality Certification Centre
GDBP	4 April 2018 to 3 April 2021	Production of corrugated board, carton, packaging paper products	Shenzhen Jianfeng International Certification Co., Ltd.
SYBP	30 May 2018 to 29 May 2021	Production of high-grade cardboard, cardboard and carton and relative activities and locations	Northeast Audit Co., Ltd.
CSBP	20 August 2018 to 19 August 2021	Design, production, processing and sales services of corrugated cardboard, carton, packaging and decoration of printed matter	Quality Assurance Centre of China Association for Quality

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Production plant	Period	Scope of certification	Issuing organisation
TCBP	17 October 2018 to 16 October 2021	Related management activities involved in the production of high-grade corrugated cardboard and cardboard boxes	Beijing Standard Certification Centre

The following production plants obtained OHSAS 18001 certification:

Production plant	Period	Scope of certification	Issuing organisation
JSBP	16 October 2018 to 11 March 2021	Production and sale of corrugated cardboard, paper box, paper products and sale of related packaging products (except for the required qualification licence)	Zhongjian Certification Co., Ltd.
CSBP	29 August 2016 to 28 August 2019	Production and sale of corrugated cardboard, paperbox (except for the required qualification licence)	Quality Assurance Centre of China Association for Quality
NJBP	7 February 2017 to 6 February 2020	Production and sale of corrugated cardboard, paper box (except for the required qualification licence)	Guangdong Zhongjian Certification Co., Ltd.
QDBP	29 November 2018 to 11 March 2021	Sale and production of corrugated sheet board, corrugated box and pallet	Quality Assurance Centre of China Association for Quality
SZBP	27 August 2018 to 8 November 2021	Design, production and related management activities of corrugated sheet boards, carton (including printing)	China Quality Certification Centre
ZJBP	29 January 2018 to 27 January 2021	High-grade corrugated sheet board, carton and display rack production and related management activities	China Quality Certification Centre
GDBP	4 April 2018 to 3 April 2021	Production of corrugated board, carton, packaging paper products	Shenzhen Jianfeng International Certification Co., Ltd.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group owned nine trademarks registered in the PRC. We have also obtained or applied for patents for our certain production technologies in packaging. Further details of the intellectual property rights of our Group are set out in the section headed “Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

We are authorised and licensed to use the following trademarks registered under the name of PMHC in our business:

Registrant	Trademark	Place of registration	Class	Registration Number	Expiry Date
PMHC		PRC	16	7270049	6 August 2020
					
					
PMHC		Hong Kong	16/39/42	302814183	24 November 2023
					

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any intellectual property rights or legal proceedings to be threatened or pending by or against us that would have a material and adverse effect on our business.

LICENCES AND CERTIFICATIONS

As advised by our PRC Legal Advisers, we have obtained all material requisite licences, permits and approvals for operating our business in the PRC during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the sub-section headed “Non-compliance” in this section below. To ensure that we possess all the required licences and permits in respect of our business operations, our Group reviews the validity and renewal status of all the relevant licences and permits on a regular basis. Our Group will also seek advice from our PRC Legal Advisers to ensure due compliance of the applicable laws and regulations in respect of all our business operations from time to time.

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PROPERTIES

Owned Properties

As at the Latest Practicable Date, our Group held the land use right of five parcels of land with a total site area of approximately 202,674.9 sq.m. and the buildings erected thereon with a total gross floor area of approximately 108,233.3 sq.m. in the PRC. Set forth below is a summary of our owned properties as at the Latest Practicable Date:

No.	City/Province	Description/ Location	Site Area (sq.m.)	Gross		Occupier	Usage
				Floor Area (sq.m.)			
1.	Nanjing, Jiangsu Province	A parcel of land and seven buildings erected thereon No. 10 Chunyang Road, Jiangning Riverside Economic & Technical Development Zone, Nanjing, Jiangsu Province	33,213.6	20,989.9	NJBP	Production/ Ancillary	
2.	Qingdao, Shandong Province	A parcel of land and seven buildings erected thereon Donggu Village, Xiazhuang Town, Chengyang District, Qingdao, Shandong Province	69,015.1	24,443.1	QDBP	Production/ Ancillary	
3.	Suzhou, Jiangsu Province	A parcel of land and six buildings erected thereon Changping Road, Dongqiao Village, Huangdai Town, Xiangcheng District, Jiangsu Province	30,649.1	19,067.3	SZBP	Production/ Ancillary	
4.	Tianjin	A parcel of land and six buildings together with a building under construction erected thereon No. 88, 2nd Xinye Street, the West Zone of Binhai Economic-Technological Development Area, Tianjin	36,703.4	23,565.6	TJBP	Production/ Ancillary	

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No.	City/Province	Description/ Location	Site Area (sq.m.)	Gross		Occupier	Usage
				Floor Area (sq.m.)			
5.	Tongxiang, Zhejiang Province	A parcel of land and six buildings erected thereon No. 518, Fengqi East Road, Wutong Street, Tongxiang, Zhejiang Province	33,093.7	19,765.0	ZJBP	Production/ Ancillary	
6.	Qingdao, Shandong Province	Five residential units ^(Note 1) No. 2 Villagers Building, Guwu Road South, Qingdao, Shandong Province	N/A	402.0	QDBP	Residential	

Note:

- The five residential units, which were purchased by QDBP, were constructed on a parcel of land without obtaining relevant project planning and construction permit by their developer, and therefore, no building ownership certificate has been obtained. They were used by QDBP as temporary staff dormitory but are vacant as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, our Group has obtained land use rights certificates (土地使用權證) and building ownership certificates (房屋所有權證) for all parcels of owed land and properties.

Leased Properties

As at the Latest Practicable Date, we leased the following properties in the PRC and Hong Kong:

No.	City/ Province	Description/Location	Gross Floor Area (sq.m.)	Usage	Lessee	Rental Fee	Tenancy term
1	Shanghai	An office unit ^(Note 1) Unit 204, Block 18, No.1188 Huyi Road, Nanxiang Town, Jiading District, Shanghai	50.0	Office	SHBP	RMB21,600.0/year	1 May 2014 to 31 January 2024
2	Shanghai	An office unit Unit A303 on Level 3, Block 2, No. 398 Tianlin Road, Caohejing Hi-Tech Park, Shanghai	158.7	Office	SHBP	RMB156,428.4/year	1 July 2018 to 30 June 2024
3	Shanghai	An office unit Unit A204 on Level 2, Block 2, No. 398 Tianlin Road, Caohejing Hi-Tech Park, Shanghai	775.6	Office	PMPC	RMB735,997.0/year	1 November 2016 to 31 October 2019

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No.	City/ Province	Description/Location	Gross Floor Area (sq.m.)	Usage	Lessee	Rental Fee	Tenancy term
4	Jiaxing, Zhejiang Province	Two warehouses	4,695.7	Warehouse	PMPC	RMB18.0/month/m ²	16 May 2018 to 15 December 2019
		No. 2529, Yedao Road, Haiyan Daqiao Technological Development Zone, Jiaxing, Zhejiang Province	4,692.8	Warehouse	PMPC	RMB18.0/month/m ²	16 May 2018 to 15 December 2019
5	Taicang, Jiangsu Province	An industrial plant Plot No. 11, Luhe Industrial Zone, Huangjing Town, Taicang, Jiangsu Province	31,905.04	Production/ Ancillary	TCBP	RMB5,275,338.9 from 1st to 3rd year, RMB5,904,187.2 from 4th to 13th year, RMB6,521,390.2 from 14th to 15th year	16 July 2018 to 15 July 2033
6	Dalian, Liaoning Province	An industrial plant ^(Note 2) No. 25-1, 25-2, 25-3, 25-4 Zhangjia Tun, Desheng Village, Desheng Town, Dalian, Liaoning Province	11,062.7	Production/ Ancillary	DLBP	RMB900,000/year from 1 st to 6 th year, RMB1,100,000/year from 7 th to 10 th year, RMB1,500,000/year from 11 th year onwards	1 September 2007 to 31 August 2022
7	Wuhu, Anhui Province	An industrial plant No. 6, Yongfeng Industrial Park, the North Zone of Wuhu Economic and Technological Development Zone, Wuhu, Anhui Province ^(Note 3)	882.7	Production/ Ancillary	NJBP	RMB8.5/month/m ²	1 September 2018 to 31 December 2018
8	Shenyang, Liaoning Province	An industrial plant ^(Note 4) No. 140, Guixiang Street, Sujia Tun District, Shenyang, Liaoning Province	15,250	Production/ Ancillary	SYBP	RMB12.0/month/m ² from 1 st to 3 rd year, RMB16.0/month/m ² from 4 th to 6 th year, increase by 8% from 7 th year onwards	1 January 2014 to 31 December 2028
9	Fenhu, Jiangsu Province	An industrial plant No. 2589, Linhu Road, Fenhu Hi-Tech Industry Development Zone, Fenhu, Jiangsu Province	23,095.2	Production/ Ancillary	JSBP	RMB12.0/month/m ² for the first floor, RMB7.3/month/m ² for the second floor	1 November 2015 to 31 October 2020

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No.	City/ Province	Description/Location	Gross Floor Area (sq.m.)	Usage	Lessee	Rental Fee	Tenancy term
10	Changshu, Jiangsu Province	An industrial plant No. 37, Shuangbang Road, Xinzhuang Town, Changshu, Jiangsu Province	21,630.0	Production/ Ancillary	CSBP	RMB12.0/m ² from 1 st to 3 rd year, RMB13.0/m ² from 4 th to 6 th year, RMB14.25/m ² from 7 th to 9 th year, RMB15.5/m ² from 10 th to 12 th year, RMB16.5/m ² from 13 th to 15 th year	1 May 2016 to 30 April 2031
11	Huizhou, Guangdong Province	An industrial Plant East side of Yongshi Avenue (Jiao Xia Section), Shiwan Town, Boluo County, Huizhou, Guangdong Province	17,242.0	Production/ Ancillary	GDBP	RMB48,040,000 for the whole term	1 April 2018 to 31 March 2033
12	Hong Kong	An office unit Room 2104, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	N/A	Office	PMPG(HK)	HK\$149,450.0 per month plus management and air-conditioning charges of HK\$13,254.5 per month	15 November 2018 to 14 November 2020

Notes:

- As the lessor failed to provide the approval documents from relevant land administration departments, it is possible that the lease agreement being found void. We consider that the property is for office use and the chance of SHBP being ordered to relocate is small. Also, the supply of office buildings are abundant near the current office of SHBP. Our Controlling Shareholders have undertaken to indemnify SHBP against any losses incurred by SHBP. As confirmed by our PRC Legal Advisers, even if the leasing agreement being found void, the operation of SHBP will not be materially negatively affected.
- A lease agreement was entered into between DLBP as lessee and an Independent Third Party as lessor on 9 August 2007 for a period from 1 September 2007 to 31 August 2022 for this industrial plant, which was constructed on a collective land. The lessor held such collective land use right which expired on 30 November 2016. On 2 April 2018, renewal of the land use right for the said collective land was completed with an expiration date of 31 December 2019. For details, please refer to the sub-section headed “Non-compliance” in this section below.
- WHBP ceased production in July 2016 owing to (i) the fact that such production plant was not equipped with the production facilities for the production of corrugated sheet boards; and (ii) its limited leased site area restricting our ability to extend our production facilities to cater for corrugated sheet board production.
- According to the lease agreement between SYBP as lessee and an Independent Third Party as lessor, this industrial plant is occupied by SYBP for its production plant as at the Latest Practicable Date for a period from 1 January 2014 to 31 December 2028. The lessor did not obtain the building ownership certificates for it during the Track Record Period, but only obtained the certificate in November 2018. For details, please refer to the sub-section headed “Non-compliance” in this section below.

As at the Latest Practicable Date, according to our PRC Legal Advisers, each of our landlords owns the land use right of, and has the legal right to lease, the respective lands and buildings except the leased office occupied by SHBP.

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INSURANCE

We maintain insurance in respect of our property, production plants, equipment and machinery. We also maintain insurance in respect of our raw materials and finished products, whereby in the event of loss or damage we will be compensated for the corresponding losses. We believe our insurance coverage is sufficient and in line with common commercial practice in the PRC.

Our employees are provided with social insurance in conformity with PRC social security regulations, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. We also maintain employer liability insurance to cover claims in respect of safety related personal injury of our employees as supplementary coverage in addition to the compensation from the social welfare system in order to reduce our Group's financial risk in case of substantial safety cases occurs.

EMPLOYEES

As at the Latest Practicable Date, our Group has a total of 1,703 full time employees. The following table sets out a breakdown of our employees by function:

Line function

	Number of employees by function
Human resources & administration	65
Accounting and finance	42
Production	1,037
Central scheduling	245
Quality control	22
Sales and marketing	120
Management	88
Sub-total	1,619

Corporate function

	Number of employees by function
Senior management	4
Procurement	17
Sales and marketing	19
Research and development	4
Accounting and finance	7
Central scheduling	1
Technical	6
Project	2
Human resources & administration	8
Management information system	7
Others	9
Sub-total	84
Total	1,703

We have entered into employment contract with every employee in our Group. The contract specifies the employee's position, responsibilities, remuneration and grounds for termination pursuant to the applicable labour laws and regulations. We conduct periodic performance reviews for our employees.

We have implemented training programs according to different job requirements to our existing and new employees. We have both in-house trainers and external trainers to conduct training programs for our employees. We also offer quarterly production training programs for the supervisors, officers and key operators on the production floor and our sales teams. For instance, we have engaged a U.S. university to provide a customised three-week leadership training programme for our management team. As at 30 June 2018, two thirds of our mid-level management have attended this training. We believe that these initiatives have enhanced our productivity and improved management's consciousness and skills.

During the Track Record Period, some of our production plants have engaged labour service companies to provide labour force for our production. As advised by our PRC Legal Advisers, employment relationship only exists between the labour service companies and the labour. We are responsible to pay service fee to the labour service companies and provide safe working environment for the labour. The labour service companies are responsible to pay salaries to the labour and contribute social security insurance, housing and pension schemes according to the relevant PRC laws and regulations.

Some of our subsidiaries also use dispatched workers during the Track Record Period for those positions having relatively high staff turnover rate for our folding, gluing and stacking production processes as well as security and cleaning services at our production plants.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption due to strikes or labour disputes, and we believe that we have and will continue to maintain positive relations with our employees.

LABOUR AND SAFETY ISSUES

We are subject to relevant laws and regulations on occupational health and safety in the PRC. Please refer to the section headed "Regulatory overview" in this prospectus for further details.

In each of our production plants, we have established a safe production committee, headed by the general manager or plant manager, to form and oversee our organisational structure for occupational health and safety. The safe production committee also organises relevant departments and environmental, health and safety personnel to conduct inspections of our production facilities to ensure that all stages of our operations are in compliance with existing laws and regulations and our own standards as well. The human resource department of our Group conducts monthly review and inspection of safety, house-keeping performance in all of our production plants.

Our safe production committee also conducts training sessions for employees on accident prevention and management. Various safety measures are adopted in our daily operations. Our Group provides necessary clothings and equipment for our employees for production. Training is provided to new operators before commencement of work. For special machinery or equipment such as boiler and forklift truck which require licensed operators, our Group will recruit licensed employees or require such employees to pass the licensing examination before commencement of work. The safe production committee of each production plant also conducts staff meetings on safety education.

In relation to the fire safety measures adopted by our Group, (i) before the construction of each production plant, the design of the production plant's fire prevention system will be submitted to and reviewed and approved by the relevant local construction planning authorities and obtained fire inspection and acceptance report from relevant local fire protection department(s); (ii) each of our production plants have signed an annual fire maintenance contract with local professional fire protection units, which the professional fire protection units will do a comprehensive inspection and maintenance of the fire protection system once a month to ensure fire protection equipment such as fire alarms, fire extinguishers, etc. are operating normally. A report will be issued and uploaded to the local fire supervision system after the inspection; and (iii) each of our production plants conducts 2-3 fire safety trainings and emergency drills every year, which all employees have to participate.

According to our PRC Legal Advisers, all of our operations units are in compliance with the currently applicable labour and safety laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

For the three years ended 31 December 2017 and the six months ended 30 June 2018, we had seven, seven, seven and two work place accidents, respectively, among which three cases of injuries are pending as at the Latest Practicable Date.

No injuries (other than the above four pending cases of injuries which classification shall be conducted by relevant labour appraisal committee) have been classified as classes one to five which class "one" is considered the most serious and class "ten" is considered the least serious with reference to one's ability to take care of oneself and the labour dysfunction level affected by the injury according to the Regulation on Work-Related Injury Insurances (Decree No. 375 of the State Council of the PRC) during the Track Record Period.

We have conducted thorough investigations for all of the accidents and compensated the involved employees and family members according to the applicable laws and regulations, and there are no outstanding legal disputes relating to such accidents. In addition, to further improve our internal control measures, we have strengthened our safety measures at our production plants to prevent the recurrence of such accidents, including (i) providing further and specialised safety trainings on machinery and equipment to our staff; (ii) holding regular morning assembly to all staff at each of our production plants on operation safety of machinery and equipment; (iii) putting up warning signs on the relevant machinery and equipment; (iv) replacing certain machinery and equipment with those which are considered safer; and (v) modifying machinery and equipment by installing obstacle sensor, interlocking safety switch or protective plate which can protect hands or other objects from entering.

Our Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge, our Group had no other accidents causing material disruptions to our operations during the Track Record Period and up to the Latest Practicable Date.

NON-COMPLIANCE

As at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against our Group that could have a material adverse effect on our financial conditions and results of operations. Up to the Latest Practicable Date, our Group had the following non-compliance matters which we, save as disclosed otherwise, had rectified and for which the relevant PRC authorities had confirmed that no action would be instituted against us:

No.	Non-compliance incident	Reasons for the incident	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
1.	During the Track Record Period, certain of our subsidiaries utilised and engaged dispatched staff. Pursuant to the Dispatch Provisions which came into effect on 1 March 2014, if the number of dispatched staff utilised by an employer exceeds 10% of the total number of its workers prior to the effective date of the Dispatch Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within 2 years from the effective date of the Dispatch Provisions. The number of dispatched staff engaged by SZBP, TJBP, CSBP, JSBP and SYBP had exceeded the regulatory threshold of 10% of the total number of their respective workers during the Track Record Period.	During the Track Record Period, certain production processes such as folding, gluing and stacking as well as other support functions such as security and cleaning services at our production plants had experienced relatively high staff turnover rate. With the intention to reduce the amount of time and manpower involved in the recruitment of those staff, certain of our subsidiaries engaged dispatched staff to undertake the above functions. Due to the absent of professional advices for the relevant staff who were responsible for the engagement of dispatched staff, the number of dispatched staff engaged by certain of our subsidiaries had exceeded the regulatory threshold during the Track Record Period.	According to our PRC Legal Advisers, the labour authorities may impose a fine between RMB5,000 and RMB10,000 per dispatched staff that violates the Dispatch Provisions and refuses to rectify the violation after being ordered to do so by the labour authorities.	SZBP, TJBP, CSBP, JSBP and SYBP have taken rectification actions for such non-compliance and to rectify the situation. Each of SZBP, TJBP, JSBP and CSBP engaged sub-contractor to provide relevant services to replace the dispatched staff.	We have adopted internal control policies to require our human resources department of each of our production plants to calculate the ratio of dispatched staff to total number of workers and the number of dispatched staff we are allowed to engage on a monthly basis.
		During the Track Record Period and up to the Latest Practicable Date, there is no pecuniary penalty against SZBP, TJBP, SYBP, JSBP and CSBP. According to the certificates issued by the relevant competent authorities in the PRC for those entities, respectively, there was no record of administrative penalty against SZBP, TJBP, SYBP, JSBP and CSBP due to breach of labour laws and regulations during the Track Record Period.	SYBP, after considering its own situation and consulting its competent labour authority, decided to rectify the non-compliance by entering into employment contracts with the dispatched staff directly step by step. SYBP had formulated and completed an employment adjustment plan (the "Adjustment Plan") and filed it with Human Resources and Social Security of Shenyang City for record on 28 December 2017.	Such ratio shall be submitted to the head of human resources department for review and approval to ensure compliance with the relevant regulatory requirements in the PRC in respect of dispatched labour.	Further, we will provide training on the relevant regulatory requirements in relation to dispatched staff in the PRC to our senior management and other staff member.
		As at the Latest Practicable Date, the number of dispatched staff engaged by these five subsidiaries had been reduced to below the regulatory limit respectively.			

No.	Non-compliance incident	Reasons for the incident	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
			According to a certificate issued by Human Resources and Social Security Bureau of Shenyang City (瀋陽市人力資源和社會保障局), which is a competent authority, on 2 January 2018, the authority confirmed that the Adjustment Plan had been filed with them; and prior to the completion of the Adjustment Plan, they shall not impose any administrative penalty against SYBP in respect of labour dispatch issue; moreover, as long as SYBP completes its rectification according to the Adjustment Plan, they shall not impose any administrative penalties upon SYBP in respect of its previous labour dispatch non-compliance.	As at the Latest Practicable Date, each of SZBP, TJBP, CSBP, JSBP and SYBP had not received any notice of rectification from the labour administrative departments. Our PRC Legal Advisers also opined that the risk that each of SZBP, TJBP, CSBP, JSBP and SYBP is exposed to pecuniary penalties imposed by the labour administrative authorities resulting from the fact that their respective number of dispatched staff had exceeded 10% of the total number of workers during the Track Record Period is relatively low. Our Controlling Shareholders have undertaken to us that they will indemnify us against all losses, claims, penalties, fines and expenses as a result of this incident.	

No.	Non-compliance incident	Reasons for the incidents	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
2.	A lease agreement was entered into between DLBP as lessee and an Independent Third Party as lessor (the “DLBP Lessor”) on 9 August 2007. Pursuant to the lease agreement, an industrial factory building with a gross floor area of 11,062 sq.m and a parcel of land (the “DLBP Land”) with a site area of 29,672 sq.m, located in Desheng Town, Dalian were leased to DLBP by the DLBP Lessor for a period from 1 September 2007 to 31 August 2022, which are occupied by DLBP for its production as at the Latest Practicable Date. According to the Collective Land Use Certificate issued by Dalian Municipal People’s Government, the DLBP Land is collectively owned by Desheng Town collectively and the DLBP Lessor held the land use right of the DLBP Land which expired on 30 November 2016. Renewal of the land use right for the DLBP Land was completed on 2 April 2018 with an expiration date of 31 December 2019. Therefore, during the period between 30 November 2016 and 2 April 2018, the DLBP Land was without valid land use right.	At the time of entering into of the lease agreement, the DLBP Lessor held valid land use right of the DLBP Land. Further, pursuant to the lease agreement, the DLBP Lessor has undertaken (i) that there shall not be any title defects in respect of the DLBP Land; and (ii) to compensate DLBP for any loss arising from the DLBP Lessor’s failing to hold valid land use right of the DLBP Land during the term of the lease agreement. Such non-compliance was due to the failure of the DLBP Lessor to abide by the above undertaking as stipulated in the lease agreement.	According to our PRC Legal Advisers, notwithstanding that the expiration date of the lease agreement is 31 August 2022, the DLBP Lessor failed to renew the land use right of the DLBP Land before 30 November 2016 and the valid period for use of the DLBP Land pursuant to the lease agreement shall end on 30 November 2016. In view of the remedial actions taken and to be taken as at the Latest Practicable Date, we consider that the incident will not cause substantial legal consequences or material financial losses to our Group.	As confirmed by Bureau of Land of Jinpu New Area, Dalian City (大连市金普新区国土局) (“JPNA Land Bureau”) in an interview with it conducted by our PRC Legal Advisers on 27 November 2017, (i) DLBP has the right to use the DLBP Land; (ii) no penalty has been or will be imposed on DLBP; (iii) JPNA Land Bureau was aware that the DLBP Lessor was in the process of renewing the land use right of the DLBP Land; (iv) there were no substantial legal impediments in respect of the renewal of such land use right and the renewal was expected to complete by the first quarter of 2018; and (v) DLBP can continue to use the DLBP Land. On 2 April 2018, renewal of the land use right for the DLBP Land with an expiration date of 31 December 2019 was completed. Pursuant to the lease agreement, the DLBP Lessor has undertaken to compensate DLBP for any loss arising from the DLBP Lessor’s failing to hold valid land use right of the DLBP Land during the term of the lease agreement. Our Controlling Shareholders have undertaken to us that they will indemnify us against all losses, claims, penalties, fines and expenses as a result of this incident. After taking into account the foregoing, our PRC Legal Advisers are of the view that the incident will not have a material adverse effect on the production and operation of DLBP and the risk of the relevant authorities imposing administrative penalties on DLBP is relatively low.	To prevent the recurrence of such non-compliance incident, we have taken/will take the following steps to enhance our internal control measures: (i) assign a designated project manager with the relevant expertise and experience before entering into any lease agreement to (i) review the terms of the lease agreement; (ii) review (where applicable) all necessary land use rights certificates, planning permits, construction permits, project completion and acceptance filing form (工程竣工验收备案表) or building ownership certificates, etc.; and (iii) prepare a report on, among others, the terms of the lease agreement, land usage, and the status of completing the necessary inspection and acceptance procedures and obtaining the relevant certificates and/or permits which shall be submitted to our director of corporate human resources & administration for approval; (ii) provide training on the relevant legal requirements in relation to land use rights certificates, planning permits, construction permits, building ownership certificates, inspection and acceptance procedures, etc. in the PRC to our senior management and other relevant staff member; and (iii) when necessary, we will engage PRC legal advisers to provide legal advice on the relevant legal requirements in relation to land use rights certificates, planning permits, construction permits, building ownership certificates, inspection and acceptance procedures, etc. in the PRC.

No.	Non-compliance incident	Reasons for the incidents	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
3.	A lease agreement was entered into between SHBP as lessee (which was subsequently novated by SYBP on 12 September 2017 by a new lease agreement, which superseded the pre-existing lease agreement) and an Independent Third Party as lessor (the "SYBP Lessor") on 24 June 2013 for the lease of factory buildings with a gross floor area of 15,250 sq.m., which are occupied by SYBP for its production plant as at the Latest Practicable Date (the "SYBP Property") for a period from 1 January 2014 to 31 December 2028. The SYBP Lessor failed to complete the necessary procedures for obtaining the project planning and construction permits for constructing the SYBP Property before commencement of construction, and the building ownership certificate was obtained only on 14 November 2018.	Such non-compliance incident was due to the fact that the SYBP Lessor failed to timely complete the necessary procedures for obtaining the necessary project planning and construction permits before commencement of construction, and the inadvertent oversight by the relevant staff in SHBP in ensuring that the relevant procedures for obtaining the necessary project planning and construction permits and the building ownership certificate have been completed by the SYBP Lessor before entering into of the lease agreement.	As advised by our PRC Legal Advisers, if the project planning and construction permit cannot be obtained, there is a risk that the SYBP Property be classified as illegal building and the SYBP Lessor may be ordered to demolish it within a prescribed period of time; or the SYBP Property may be confiscated; or the SYBP Lessor may be subject to fines imposed by the relevant authorities for its non-compliance. In the event that the SYBP Property is classified as illegal building and requested to be demolished within a prescribed period of time or confiscated, there is a risk that the SYBP Property can no longer be used by SYBP, and hence SYBP has to relocate its production to a new site.	As at the Latest Practicable Date, the SYBP Lessor had applied to the relevant authorities to obtain the project planning and construction permits, and obtained the project planning permit, construction permit and the building ownership certificate on 17 November 2017, 30 March 2018 and 14 November 2018, respectively. As confirmed by Sujiatun Branch of Planning and Land Resources Bureau of Shenyang City (瀋陽市規劃與國土資源局蘇家屯分局) ("Sujiatun Planning Bureau") in an interview conducted by our PRC Legal Advisers on 29 November 2017, (i) Sujiatun Planning Bureau was aware that the SYBP Lessor filed the application of project planning permit after commencement of construction; and (ii) the SYBP Lessor had obtained the project planning permit for the SYBP Property. As further confirmed by the Urban-Rural Development Administration of Sujiatun District, Shenyang City (瀋陽市蘇家屯區城鄉建設管理局) ("Sujiatun Construction Bureau") in an interview conducted by our PRC Legal Advisers on 29 November 2017, (i) Sujiatun Construction Bureau is aware that the SYBP Lessor filed the application of project construction permit after commencement of construction; and (ii) the SYBP Lessor is in the process of applying for project construction permit. Also, both Sujiatun Planning Bureau and Sujiatun Construction Bureau confirmed that, (i) the SYBP Lessor shall be responsible for any possible fines; (ii) the construction of the SYBP Property was under the government supervision by Sujiatun Planning Bureau and Sujiatun Construction Bureau, and SYBP can continue to use the SYBP Property for its operation and production after the project planning and construction permits have been obtained; and (iii) up to the interview date, the authority did not, and will not in future, impose any administrative penalties on SYBP in respect of the non-compliance of the SYBP Lessor.	We have taken/will take the same preventive measures as disclosed under the abovementioned non-compliance incident No. 2.

No.	Non-compliance incident	Reasons for the incidents	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
				The filing of project completion and acceptance (竣工驗收備案) for the SYBP property was completed on 29 June 2018. As further confirmed by a meeting between the Sujiatun Planning Bureau and us on 28 February 2018, it is expected that the building ownership certificate for the SYBP Property can be obtained within 100 days upon completion of filing of project completion and acceptance. As advised by our PRC Legal Advisers, both the Sujiatun Construction Bureau and Sujiatun Planning Bureau are competent authorities in providing the above confirmations. The SYBP Lessor had obtained the building ownership certificate for SYBP Property in November 2018. Our Controlling Shareholders have undertaken to us that they will indemnify us against all losses, claims, penalties, fines and expenses as a result of this incident. Our PRC Legal Advisers are of the view that the possibility of SYBP being fined or penalised by the relevant authorities is relatively small. As a contingency plan in the event that the SYBP production plant is required to be relocated, our Group will (i) relocate the production plant to a new area, which is within 20 km from and with similar operating conditions as the existing production plant; and (ii) have comparable monthly rental as the existing production plant. It is expected that the estimated relocating time is approximately six months.	

No.	Non-compliance incident	Reasons for the incidents	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
4.	CSBP had not completed the completion inspection and acceptance procedures in accordance with the relevant environmental protection requirements for its newly-installed printing facilities (the “CSBP New Facilities”) before commencement of operations of the CSBP New Facilities pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) (the “Environmental Protection Regulations”).	As confirmed by Town & Village Construction Environmental Office of Xinzhuang Town, Changshu City (常熟市辛莊鎮村建設環保辦公室) (the “Xinzhuang Environmental Office”), the filing procedures for the completion inspection and acceptance check has been amended under the existing Environmental Protection Regulations, and CSBP, instead of the construction unit, shall organise the filing process. And the staff of CSBP who were responsible for the environmental inspection and acceptance issue was absent of professional advice at the material time.	As advised by our PRC Legal Advisers, we may be requested to suspend the operations of such CSBP New Facilities and may be subject to a fine ranging from RMB200,000 to RMB1 million; and if CSBP fails to rectify as requested by the relevant authority, we may be subject to a fine ranging from RMB1 million to RMB2 million; the supervising officer and other responsible staff who are bearing direct responsibility may be subject to fine ranging from RMB50,000 to RMB200,000.	To rectify the non-compliance, we had engaged independent professional institution, as requested by relevant laws and regulations, to conduct the completion inspection and acceptance for the CSBP New Facilities. Xinzhuang Environmental Office issued a certificate on 29 December 2017 and confirmed that, (i) the CSBP New Facilities were approved by Environmental Protection Bureau of Changshu City (常熟市環保局) and the construction work had been completed; (ii) starting from 1 October 2017, the newly amended Environmental Protection Regulations amended the requirements in respect of completion inspection and acceptance and the relevant enterprises are requested to organise the completion inspection and acceptance by themselves, and the relevant construction environmental office shall urge CSBP to conduct the self-organised inspection and acceptance as soon as possible.	To prevent the recurrence of such non-compliance incident, we have taken/will take the following steps to enhance our internal control measures: (i) when there is a need for our Group to install new facilities where certain environmental protection measures or requirements are requested by laws to follow, the responsible officer of such new installation project shall prepare the installation plan and checklist which shall include applicable environmental protection requirements/measures to be adopted, as well as arranging for completion inspection and acceptance of environmental protection requirements; (ii) the installation plan and checklist shall be submitted to our director of corporate human resources & administration for approval before commencement of installation. The director shall ensure that all laws and regulations in force can be complied with before granting approval, and where necessary, seek relevant PRC legal advices;

No.	Non-compliance incident	Reasons for the incidents	Legal consequences and potential maximum penalties and other financial losses	Remedial actions taken/to be taken/latest status	Preventive measures
				Moreover, the People's Comprehensive Law Enforcement Bureau of Xinzhuang Town, Changshu City (常熟市辛莊鎮人民政府综合执法局) issued a certificate on 11 July 2018 and confirmed that, starting from its establishment till the date of the certificate, CSBP had complied with the relevant environmental protection laws and regulations, paid the sewage charges and relevant fees, and there was no environmental pollution incident or any administrative penalty imposed on CSBP due to breach of environmental protection related laws and regulations. On 5 June 2018, the Environmental Protection Bureau of Changshu City issued its approval of completion inspection and acceptance procedures for CSBP New Facilities. Taking into account the above facts, our PRC Legal Advisers are of the view that, the risk of CSBP being penalised by the relevant environmental protection authorities due to the abovementioned non-compliance incident is relatively low. Our Controlling Shareholders have undertaken to us that they will indemnify us against all losses, claims, penalties, fines and expenses as a result of this incident.	(iii) upon completion of the installation project and before commencement of its operations, the responsible officer shall prepare a completion report which shall include the status of environmental protection completion inspection and acceptance and the compliance with other applicable laws and regulations before commercial operations and submit to our corporate human resources & administration for approval. The director shall ensure that all laws and regulations in force have already been complied with before granting approval, and where necessary, seek relevant PRC legal advices.

No expenditure was incurred by our Group to rectify the above non-compliance incidents.

ON-GOING COMPLIANCE MEASURES

To ensure on-going compliances with applicable laws and regulations upon the Listing and to prevent recurrence of non-compliance incidents in the future, we have adopted the following measures/policies:

- (i) we have engaged and will continue to engage an external internal control consultant to conduct regular review and independent appraisal of the adequacy and effectiveness of our Group's risk management and internal control systems;
- (ii) we have adopted internal control policies to require the relevant human resources personnel of our Group to monitor the use of dispatched labour by our production plants;
- (iii) we have provided and will continue to provide regular trainings to our Directors, senior management and legal staff concerning legal and regulatory requirements applicable to our operations from time to time;
- (iv) we have engaged PRC legal advisers to provide legal advice on the compliance with PRC laws and regulations and to provide trainings to our Directors, senior management and legal staff;
- (v) when necessary, we will engage external professionals, including auditors, external legal advisers and other advisers to provide professional advice in relation to compliance with other statutory and regulatory requirements and matters relating to internal control, as applicable to our Group from time to time; and
- (vi) we have engaged SPDBI Capital as our compliance adviser with effect from the date of Listing to advise us on matters relating to the Listing Rules.

On the basis of the aforesaid measures to continuously improve our Group's corporate governance and to prevent recurrence of non-compliance incidents in the future, our Directors are of the view that our Group has adequate internal control procedures in place. Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group's internal control measures to avoid recurrence of aforesaid non-compliance issues, our Directors are of the view that these past non-compliance incidents do not affect their suitability to act as directors of a listed issuer and the suitability for listing of our Company under the relevant Listing Rules.

The Sole Sponsor has reviewed the abovementioned measures and policies adopted by us to improve our internal control systems and to ensure our compliance with the Listing Rules and the relevant PRC laws and regulations, reviewed the PRC legal opinions issued by our PRC Legal Advisers and discussed further with our PRC Legal Advisers, in particular, regarding the nature and consequences of those non-compliance issues. The Sole Sponsor also noted that our Group had engaged legal advisers to provide appropriate legal and compliance guidance and advice to our Group, our Directors and certain senior management had participated in the training sessions provided to them by our Company's legal advisers to Hong Kong laws and all our Directors had provided written confirmations to the Sole Sponsor that they had reviewed the materials set out in our Directors' training pack provided to them by our

Company's legal advisers as to Hong Kong laws and understood their obligations, duties and responsibilities as executive Director/non-executive Director/independent non-executive Director of a listed company. Based on these reviews and discussions, the Sole Sponsor concurs with our Directors' view, that we have adequate and effective internal control procedures in place with regard to our operation needs and to fulfill the requirements under the Listing Rules.

INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain an effective internal control system to safeguard our Shareholders' investment and our Group's assets at all times. We have engaged an external internal control consultant (the "**Internal Control Consultant**") in September 2017 to (i) carry out a review of financial procedures, systems and controls (including accounting and management systems) in preparation for the Listing and to further enhance our internal control measures; and (ii) issue report to our Company on factual findings and recommendations for enhancing our internal controls in the above-mentioned aspects. During the review, the Internal Control Consultant identified internal control deficiencies and has recommended remedial measures to enhance our internal control system. We have adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with all applicable laws following the suggestions from the Internal Control Consultant. The Internal Control Consultant performed a follow-up review in January 2018 to review the status of the remedial actions taken by the management to address the findings. Following such review and evaluation performed by the Internal Control Consultant, our Group has implemented or will implement prior to Listing all of the recommendations given by the Internal Control Consultant on our internal control system.

Furthermore, in order to continuously improve our corporate governance and to enhance our internal control, we will form, prior to Listing, an audit committee comprising three independent non-executive Directors. The primary duties of the audit committees are to provide our Directors with an independent review on the effectiveness of the financial reporting process, corporate governance measures, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

Our Directors and the audit committee are responsible for the formulation of and for overseeing the implementation of our internal control measures and policies and the effectiveness of our risk management system.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we had not been involved in any litigation, claim, administrative action or arbitration, which had a material adverse effect on our operations or financial conditions during the Track Record Period and as at the Latest Practicable Date, we were not involved in any proceedings, the outcome of which could have any material adverse effect on our business.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this prospectus, including the sections headed "Risk Factors" and "Business".

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a corrugated packaging supplier in the PRC with over 20 years of experience since the establishment of SHBP in 1994. According to Frost & Sullivan, we were the seventh largest packaging product manufacturer in the PRC in terms of revenue for the year ended 31 December 2017.

We are 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. As part of our value-added packaging solutions to some of our customers, we also procure other packaging materials such as polystyrene foam, plastic bags as well as other auxiliary materials, which are sold to these customers together with our corrugated packaging products.

Our head office is located at Shanghai, the PRC. As at the Latest Practicable Date, we operate eleven production plants located in northern, north-eastern, eastern and southern regions of the PRC all of which are equipped with corrugators that have the capacity to produce both corrugated sheet boards and corrugated packaging products. We have extended our presence in the southern region of the PRC since the establishment of GDBP in December 2016, which holds our new production plant in Huizhou, Guangdong Province, the PRC the commercial production of which was commenced in the second quarter of 2018; and have further strengthened our establishment in the eastern region of the PRC since the establishment of TCBP in August 2017, which holds our new production plant in Taicang, Jiangsu Province, the PRC the commercial production of which was commenced in the fourth quarter of 2018.

For the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, our total revenue were approximately RMB1,075.2 million, RMB1,186.8 million, RMB1,664.1 million, RMB713.0 million and RMB906.0 million, respectively, and our profit were approximately RMB30.2 million, RMB53.1 million, RMB85.9 million, RMB53.4 million and RMB43.2 million, respectively. Our total asset increased from approximately RMB810.2 million as at 31 December 2015 to approximately

FINANCIAL INFORMATION

RMB1,035.9 million as at 31 December 2016, approximately RMB1,109.6 million as at 31 December 2017 and further to approximately RMB1,412.9 million as at 30 June 2018. Our net assets increased from approximately RMB337.5 million as at 31 December 2015 to approximately RMB393.5 million as at 31 December 2016, but decreased to approximately RMB367.0 million as at 31 December 2017, which was mainly attributable to an interim dividend declared of US\$16,580,000 (equivalent to approximately RMB112.3 million), as partially offset by our profit of approximately RMB85.9 million for the year ended 31 December 2017. Our net assets amounted to approximately RMB408.5 million as at 30 June 2018.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with IFRSs and include applicable disclosure requirements of the Listing Rules. We prepared our financial statements on the historical cost basis. Our financial statements are presented in Renminbi, which is our functional currency.

The financial information includes the consolidated financial statements of our Company and entities (our subsidiaries) that we control. Control is achieved when we have rights to variable returns from our involvement with an investee and have the ability to affect those returns through our power over such investee. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by our Company. All intragroup transactions, balances, revenue, expenses and cash flows are eliminated in full on consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be affected by a number of factors, many of which are outside of our control, including the following:

Market conditions in the PRC

Our results of operations and financial conditions are significantly affected by general economic and market conditions in the PRC. We believe general economic and market conditions that are favourable to our operations include, among other factors, high GDP growth, liquid and efficient capital markets, reasonable levels of inflation, high investor confidence, stable geopolitical conditions, strong corporate earnings and rising personal wealth. Unfavourable or uncertain economic and market conditions include, but not limited to:

- declines in economic growth, business activities or investor confidence;
- decreases in the availability of, or increases in the cost of, credit and capital;
- significant inflation, increases in interest rates and commodity prices;
- outbreaks of hostilities or other geopolitical instability; or
- natural disasters or pandemics.

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Raw material costs

The manufacture of our corrugated packaging products and corrugated sheet boards requires the use of raw paper (being linerboard and corrugated medium) and other auxiliary raw materials. Raw paper costs amounted to approximately RMB577.4 million, RMB651.0 million, RMB983.9 million and RMB562.9 million, representing approximately 68.7%, 69.0%, 74.8% and 77.2% of our cost of sales for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. Our average purchase price of raw paper was approximately RMB2,326.5 per tonne, RMB2,435.2 per tonne, RMB3,611.9 per tonne and RMB4,075.4 per tonne for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. During the Track Record Period, we had been able to pass on most of the increase in raw paper prices to our customers and our gross profit margins had not been materially adversely affected by the fluctuation of raw paper prices during the Track Record Period.

A sensitivity analysis on the fluctuation of the raw paper costs included in our cost of sales during the Track Record Period is set forth below, which illustrates the hypothetical effects on our gross profit with 5%, 10% and 15% increase or decrease in raw paper costs:

	Impact on our gross profit for 5%, 10% or 15% change in raw paper costs		
	+/-5%	+/-10%	+/-15%
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2015	-/+28,868.2	-/+57,736.3	-/+86,604.5
Year ended 31 December 2016	-/+32,548.5	-/+65,097.0	-/+97,645.5
Year ended 31 December 2017	-/+49,197.3	-/+98,394.5	-/+147,591.8
Six months ended 30 June 2018	-/+28,144.2	-/+56,288.5	-/+84,432.7

Pricing of our products

Price of our corrugated packaging products and corrugated sheet boards is determined on a cost-plus basis according to, among other factors, our costs of production (including raw material costs, direct labour costs, other manufacturing overheads etc.), distribution expenses and our intended profit margins. In general, we are able to pass on most of the increase in our costs of production to our customers and our gross profit margin had not been materially adversely affected by the fluctuation of costs of production during the Track Record Period.

Market competition

Our Group faces competition from a number of corrugated packaging suppliers in the PRC. Should these competitors possess machinery and equipment, technical know-how, expertise, and sales and marketing capabilities comparable to or better than ours, we might not be able to maintain our competitive edges, and the business operations and profitability of our Group might be adversely affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our financial statements and related disclosure have been prepared in conformity with IFRSs. The preparation of our financial statements requires that we make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, net sales and expenses and the disclosure of contingent assets and liabilities. Actual results could be significantly different from these estimates. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to the estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants' Report included in Appendix I to this prospectus.

Revenue recognition

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.

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.

Impairment on financial assets

Our Group has one category of financial assets which is measured at amortised cost.

We have the following types of financial assets subject to IFRS 9's expected credit loss ("ECL") model:

- Trade receivables for sales of goods
- Financial assets included in other receivables and deposits

For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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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.

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 our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable.

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Payments for leasehold land held for own use under operating leases

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

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.

Leasing

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

Our Group as lessee

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

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

Financial liabilities

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

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

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

Early Adoption of IFRS 9 and IFRS 15

IFRS 9 Financial Instruments replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 15 Revenue from Contracts with Customers replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standards are effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

We have elected to early adopt IFRS 9 and IFRS 15 consistently during the Track Record Period. The adoption of IFRS 9 has no material impact on our financial position and performance during the Track Record Period.

The adoption of IFRS 15 does not affect the timing and amount of revenue recognition during the Track Record Period. Upon adoption of IFRS 15, contract liabilities which represented the unsatisfied performance obligation would have been measured as deferred revenue (included under trade and other payables) under IAS 18 were separately presented on the consolidated statement of financial position. The amount of contract liabilities recorded as at 31 December 2015, 2016 and 2017 and 30 June 2018 amounted to RMB1,991,000, RMB2,681,000 and RMB3,058,000 and RMB3,102,000 respectively. According, we consider that the adoption of IFRS 15 has no significant impact on our financial position and performance during the Track Record Period.

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OUR RESULTS OF OPERATIONS

The following table sets out our consolidated statements of comprehensive income for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, which was extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Revenue	1,075,227	1,186,794	1,664,102	713,035	905,960
Cost of sales	<u>(840,222)</u>	<u>(943,010)</u>	<u>(1,315,308)</u>	<u>(552,645)</u>	<u>(729,362)</u>
Gross profit	235,005	243,784	348,794	160,390	176,598
Other income and other gains and losses, net	4,458	25,093	3,225	2,497	1,447
Selling and distribution expenses	(69,208)	(69,987)	(77,760)	(34,568)	(42,590)
Administrative expenses	(102,524)	(112,377)	(136,712)	(47,348)	(60,874)
Impairment (loss)/gain on trade receivables	(3,967)	(529)	104	(745)	(517)
Finance costs	<u>(12,177)</u>	<u>(15,139)</u>	<u>(17,410)</u>	<u>(7,985)</u>	<u>(12,514)</u>
Profit before income tax	51,587	70,845	120,241	72,241	61,550
Income tax expense	<u>(21,404)</u>	<u>(17,700)</u>	<u>(34,347)</u>	<u>(18,881)</u>	<u>(18,399)</u>
Profit for the year/period	30,183	53,145	85,894	53,360	43,151
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax					
Exchange differences on translation of foreign operations	<u>(337)</u>	<u>2,816</u>	<u>(128)</u>	<u>(1,437)</u>	<u>(1,558)</u>
Total comprehensive income for the year/period	<u>29,846</u>	<u>55,961</u>	<u>85,766</u>	<u>51,923</u>	<u>41,593</u>

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DISCUSSION OF SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

We generate revenues through the sale of (i) corrugated packaging products, which mainly include corrugated boxes, as well as a small portion of corrugated pallet, display stand, heavy duty packaging and specialised packaging products; and (ii) corrugated sheet boards in the PRC. The following table sets out a breakdown of our revenue by products and their respective sales volumes and average selling prices for the years/periods indicated:

(i) Revenue by products

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Product type										
Corrugated packaging products	935,577	87.0	1,044,037	88.0	1,516,253	91.1	638,058	89.5	826,461	91.2
Corrugated sheet boards	139,650	13.0	142,757	12.0	147,849	8.9	74,977	10.5	79,499	8.8
Total	1,075,227	100.0	1,186,794	100.0	1,664,102	100.0	713,035	100.0	905,960	100.0

(ii) Sales volume and average selling price by products

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Total sales volume	Average selling price	Total sales volume	Average selling price	Total sales volume	Average selling price	Total sales volume	Average selling price	Total sales volume	Average selling price
	sq.m.	RMB/sq.m.	sq.m.	RMB/sq.m.	sq.m.	RMB/sq.m.	sq.m.	RMB/sq.m.	sq.m.	RMB/sq.m.
Product type										
Corrugated packaging products	295,633,317	3.16	340,193,423	3.07	363,052,019	4.18	162,847,504	3.92	185,087,544	4.47
Corrugated sheet boards	63,907,840	2.19	62,465,163	2.29	44,603,779	3.31	24,041,564	3.12	22,173,256	3.59
Total	359,541,157	2.99	402,658,586	2.95	407,655,798	4.08	186,889,068	3.82	207,260,800	4.37

Corrugated packaging products

During the Track Record Period, we sold corrugated packaging products to our customers which were mainly companies engaged in industries such as food and beverage, paper and packaging, non-food-and-beverage-consumables, supplier chain solution, e-commerce and home electronics in the PRC. Revenue generated from the sale of our corrugated packaging products represented our main source of revenue and accounted for approximately 87.0%, 88.0%, 91.1%, 89.5% and 91.2% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

Corrugated sheet boards

During the Track Record Period, most of the corrugated sheet boards we manufactured were used internally for the production of our corrugated packaging products. We also sold some of our corrugated sheet boards to external corrugated packaging manufacturers in the PRC. Revenue generated from our sale of corrugated sheet boards to external corrugated packaging manufacturers accounted for approximately 13.0%, 12.0%, 8.9%, 10.5% and 8.8% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

Cost of sales

Cost of sales represents the direct costs of production, which includes primarily raw paper costs, auxiliary materials costs, manufacturing overheads and direct labour costs. Raw paper costs, which comprise mainly costs of corrugated medium and linerboards for use in the manufacture of corrugated sheet boards, represented the largest component of our cost of sales, and accounted for approximately 68.7%, 69.0%, 74.8%, 73.3% and 77.2% of our total cost of sales for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively. Auxiliary materials costs include mainly the cost of offset printed linerboards we procure from third party manufacturers for use in the production of our corrugated packaging products that require offset printing (in contrast to flexographic printing which is done in our production plants), as well as other materials we procure for our customers such as polystyrene foam, plastic bags and other packaging materials, which are sold to our customers together with our corrugated packaging products as part of our value-added packaging solutions to these customers. Manufacturing overheads represent mainly utilities costs, depreciation expenses, consumables and repair and maintenance costs. Direct labour costs represent mainly salaries paid to our production staff for the manufacture of corrugated packaging products and corrugated sheet boards.

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The following table sets out a breakdown of our cost of sales by nature of costs for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Raw paper cost	577,364	68.7	650,970	69.0	983,945	74.8	404,875	73.3	562,885	77.2
Auxiliary materials cost	63,063	7.5	71,634	7.6	84,773	6.4	38,355	6.9	36,322	5.0
Manufacturing overheads	149,323	17.8	168,420	17.9	187,942	14.3	83,110	15.0	101,434	13.9
Direct labour cost	50,472	6.0	51,986	5.5	58,648	4.5	26,305	4.8	28,721	3.9
Total	840,222	100.0	943,010	100.0	1,315,308	100.0	552,645	100.0	729,362	100.0

The following table sets out a breakdown of our cost of sales by products for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Product type										
Corrugated packaging products	721,674	85.9	822,102	87.2	1,194,846	90.8	491,398	88.9	659,741	90.5
Corrugated sheet boards	118,548	14.1	120,908	12.8	120,462	9.2	61,247	11.1	69,621	9.5
Total	840,222	100.0	943,010	100.0	1,315,308	100.0	552,645	100.0	729,362	100.0

Gross profit and gross profit margin

Gross profit margin for our corrugated packaging products is generally higher than that of our corrugated sheet boards as the manufacture of corrugated packaging products requires a higher level of value-added services in product design and testing, and involves additional production procedures that turn corrugated sheet boards into corrugated packaging products. Because of the higher revenue contribution as well as gross profit margin, gross profit from our corrugated packaging products accounted for approximately 91.0%, 91.0%, 92.1%, 91.4% and 94.4% of our total gross profit for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively, while gross profit from our corrugated sheet boards accounted for approximately 9.0%, 9.0%, 7.9%, 8.6% and 5.6% of our total gross profit for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively. Gross profit margin for our corrugated packaging products was approximately 22.9%, 21.3%, 21.2%, 23.0% and 20.2% for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively, while gross profit margin for our corrugated sheet boards was approximately 15.1%, 15.3%, 18.5%, 18.3% and 12.4% for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

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The following table sets out our gross profit and gross profit margin by product types for the years/periods indicated:

Product type	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Corrugated packaging products	213,903	22.9	221,935	21.3	321,407	21.2	146,660	23.0	166,721	20.2
Corrugated sheet boards	21,102	15.1	21,849	15.3	27,387	18.5	13,730	18.3	9,877	12.4
Total	235,005	21.9	243,784	20.5	348,794	21.0	160,390	22.5	176,598	19.5

Other income and other gains and losses, net

Our other income and other gains and losses, net primarily include (i) sales of other materials and consumables; (ii) consultancy fee income; (iii) interest income; (iv) government grants; (v) relocation compensation of enterprise income tax paid; (vi) sundry income; and (vii) loss on disposal of property, plant and equipment. During the Track Record Period, government grants represented subsidies granted to our Group for the replacement of certain equipment with more environmentally friendly equipment as well as other government incentives received by our Group. The relocation compensation of enterprise income tax paid in the amount of approximately RMB20.4 million for the year ended 31 December 2016 represented reimbursement by the local government of enterprise income tax paid by our Group in 2014 on the relocation compensation received. On 31 December 2009 and 26 June 2012, our Group entered into the demolition and relocation compensation settlement agreement (拆遷補償安置協議) and the agreement in relation to land expropriation compensation (關於土地徵收的補償協議) (collectively, the “**Relocation Compensation Agreements**”) with the People’s Government of Nanxiang Town, Jiading District, Shanghai City (the “**Nanxiang Government**”), respectively, in respect of the relocation compensation (the “**Relocation Compensation**”) from the Nanxiang Government to our Group for the expropriation of a parcel of land located at 10 Baoxiang Road, Nanxiang Town then owned by our Group by the Nanxiang Government. Pursuant to the Relocation Compensation Agreements, the Nanxiang Government should pay to our Group the Relocation Compensation and should reimburse our Group for any tax paid by us in respect thereof. The Nanxiang Government failed to reimburse our Group for our enterprise income tax paid on the Relocation Compensation on 27 May 2014. Our Group made an application for arbitration with the Shanghai International Economic and Trade Arbitration Commission (the “**SIAC**”) on 18 August 2015 and received an arbitral award dated 15 December 2015 issued by the SIAC pursuant to which the Nanxiang Government should reimburse our Group for our enterprise income tax paid on the Relocation Compensation. Though Nanxiang Government made an application for revocation of the arbitration award with Shanghai No.2 Intermediate People’s Court (the “**Shanghai People’s Court**”) on 23 January 2016, such application was dismissed by the Shanghai People’s Court’s decision on 29 February 2016.

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The following table sets out our other income and other gains and losses, net for the years/periods indicated:

	Year ended 31 December			Six months ended	
	2015	2016	2017	30 June	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of other materials and consumables	368	1,434	1,856	1,300	187
Consultancy fee income	127	1,286	–	–	–
Interest income	1,230	1,156	1,471	716	950
Government grants	3,070	399	627	182	82
Relocation compensation of enterprise income tax paid	–	20,407	–	–	–
Sundry income	203	498	264	225	344
(Loss)/gain on disposal of property, plant and equipment	(540)	(87)	(993)	74	(116)
Total	4,458	25,093	3,225	2,497	1,447

Selling and distribution expenses

Our selling and distribution expenses primarily consist of distribution expenses, staff costs, marketing, sales and promotion expenses, travelling and transportation expenses, and other selling and distribution expenses. The following table sets out our selling and distribution expenses for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distribution expenses	46,560	67.3	46,885	67.0	49,904	64.2	22,961	66.4	26,761	62.9
Staff costs	13,163	19.0	13,846	19.8	16,858	21.7	7,500	21.7	9,236	21.7
Marketing, sales and promotion expenses	5,034	7.3	3,946	5.6	4,942	6.3	1,612	4.7	3,172	7.4
Travelling and transportation expenses	3,562	5.1	4,017	5.7	4,213	5.4	1,872	5.4	2,128	5.0
Others	889	1.3	1,293	1.9	1,843	2.4	623	1.8	1,293	3.0
Total	69,208	100.0	69,987	100.0	77,760	100.0	34,568	100.0	42,590	100.0

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Distribution expenses

Distribution expenses mainly represent the costs incurred for the delivery of our products by third parties' logistics companies from our production facilities to our customers. Distribution expenses accounted for approximately 67.3%, 67.0%, 64.2%, 66.4% and 62.9% of our total selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

Staff costs

Staff costs include mainly salaries, welfares and benefits, and other staff related costs for our sales and marketing staff, which accounted for approximately 19.0%, 19.8%, 21.7%, 21.7% and 21.7% of our selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

Marketing, sales and promotion expenses

Marketing, sales and promotion expenses represent mainly entertainment expenses in relation to our sales and marketing activities, which accounted for approximately 7.3%, 5.6%, 6.3%, 4.7% and 7.4% of our selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

Travelling and transportation expenses

Travelling and transportation expenses represent mainly travelling and transportation expenses in relation to our sales and marketing activities, which accounted for approximately 5.1%, 5.7%, 5.4%, 5.4% and 5.0% of our selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

Others

Others include mainly telephone expenses, office supplies and other miscellaneous selling and distribution expenses, which accounted for approximately 1.3%, 1.9%, 2.4%, 1.8% and 3.0% of our selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively.

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Administrative expenses

Our administrative expenses primarily consist of staff costs, office and warehouse expenses, other tax charges, travelling and entertainment expenses, assets impairment loss, depreciation and amortisation, professional fees, listing expenses and other administrative expenses. The following table sets out our administrative expenses for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	57,302	55.9	64,145	57.1	77,899	57.0	26,084	55.2	27,600	45.3
Office and warehouse expenses	13,057	12.7	15,775	14.0	20,602	15.1	7,123	15.0	9,771	16.1
Other tax charges	10,050	9.8	8,930	7.9	10,674	7.8	4,739	10.0	6,303	10.4
Travelling and entertainment expenses	7,054	6.9	9,095	8.1	8,852	6.5	3,378	7.1	4,261	7.0
Depreciation and amortisation	4,816	4.7	4,930	4.4	4,545	3.3	2,314	4.9	2,280	3.7
Professional fees	3,046	3.0	8,216	7.3	3,929	2.9	2,025	4.3	3,048	5.0
Listing expenses	3,015	2.9	–	–	7,243	5.3	–	–	6,056	9.9
Others	4,184	4.1	1,286	1.2	2,968	2.1	1,685	3.5	1,555	2.6
Total	102,524	100.0	112,377	100.0	136,712	100.0	47,348	100.00	60,874	100.00

Staff costs

Staff costs include mainly salaries, welfares and benefits, and other staff related costs for our Directors and administrative staff, which accounted for approximately 55.9%, 57.1%, 57.0%, 55.2% and 45.3% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively.

Office and warehouse expenses

Office and warehouse expenses represent mainly rental expenses, office supplies, maintenance and repair expenses, telephone and internet expenses, utilities, and other miscellaneous expenses related to our head office and offices of each of our production facilities, as well as expenses related to our central warehouses located in Haiyan, Zhejiang Province and Taicang, Jiangsu Province, which accounted for approximately 12.7%, 14.0%, 15.1%, 15.0% and 16.1% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively.

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Other tax charges

Other tax charges include mainly other supplementary tax and land use tax expenses of our Group, which accounted for approximately 9.8%, 7.9%, 7.8%, 10.0% and 10.4% of our total administrative expenses for the three year ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively.

Travelling and entertainment expenses

Travelling and entertainment expenses include mainly travelling and transportation expenses and entertainment expenses, which accounted for approximately 6.9%, 8.1%, 6.5%, 7.1% and 7.0% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively.

Depreciation and amortisation

Depreciation and amortisation represents mainly depreciation of our office equipment, vehicles and properties and leasehold improvement, and amortisation of prepaid lease payment for land, which accounted for approximately 4.7%, 4.4%, 3.3%, 4.9% and 3.7% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively.

Professional fees

Professional fees comprise mainly fees for engaging third parties' security companies, audit fees, consultancy fees and legal fees, which accounted for approximately 3.0%, 7.3%, 2.9%, 4.3% and 5.0% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively. The higher professional fees recorded for the year ended 31 December 2016 was mainly attributable to (i) the consultancy fees paid to a consultant for its consultancy services provided in relation to a potential investment opportunity in a packaging business in the PRC, which did not materialise due to commercial reasons, being incurred for the year ended 31 December 2016 but not for other periods during the Track Record Period; and (ii) the legal fees arose from the arbitration between our Group (as applicant) and the local government (as respondent) in respect of the claim by our Group of the reimbursement of enterprise income tax paid to be made by the local government (please refer to the sub-section headed "Discussion of selected consolidated statements of comprehensive income items – Other income and other gains and losses, net" in this section for further details), being incurred for the year ended 31 December 2016 but not for other periods during the Track Record Period.

Listing expenses

Listing expenses represent expenses incurred by our Group in preparation for the listing of Shares of our Company on the Stock Exchange, which accounted for approximately 2.9%, nil, 5.3%, nil and 9.9% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively. Listing expenses recorded for the year ended 31 December 2015 relate to expenses incurred by our Group for its Initial Listing Preparation. Please refer to the section headed "History, Reorganisation and corporate structure – Change of shareholding structure of our Company – Former investors" in this prospectus for further details.

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Others

Others mainly include exchange loss, insurance costs, bank charges and other miscellaneous administrative expenses, which accounted for approximately 4.1%, 1.2%, 2.1%, 3.5% and 2.6% of our total administrative expenses for the three years ended 31 December 2017 and for the six months ended 30 June 2017 and 2018, respectively.

Impairment loss or gain on trade receivables

Impairment loss or gain on trade receivables represent the expected loss and reversal of impairment on trade receivables with our customers. The higher impairment loss on trade receivables recorded for the year ended 31 December 2015 was primarily due to the impairment of trade receivables from certain customers which were mainly corrugated packaging manufacturers for the sale of corrugated sheet boards against which our Group instituted legal proceedings for debt recovery in 2015. In light of the above, our Group has since 2015 tightened the credit period granted towards the sale of corrugated sheet boards to corrugated packaging manufacturers and requested that payment of products be settled within 30 days from a predetermined settlement date during a month.

Finance costs

Finance costs comprise interest on finance leases net of capitalised amounts, interest on bank loans, interest on sale and leaseback arrangements and interest on amounts due to a related company. The following table sets out our finance costs for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Interest on finance leases, net of capitalised amounts	2,489	20.4	4,036	26.7	2,422	13.9	1,351	16.9	1,672	13.4
Interest on bank loans	8,454	69.5	10,221	67.5	13,081	75.1	6,010	75.3	8,005	63.9
Interest on sale and leaseback arrangements	–	–	832	5.5	1,907	11.0	624	7.8	2,837	22.7
Interest on amounts due to a related company	1,234	10.1	50	0.3	–	–	–	–	–	–
Total	12,177	100.0	15,139	100.0	17,410	100.0	7,985	100.0	12,514	100.0

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Income tax expense

No provision of Hong Kong profits tax had been made as our Group had no assessable profits arising in Hong Kong during the Track Record Period.

Provision for PRC enterprise income tax was based on the statutory rate of 25% of the assessable profits of our Group as determined in accordance with the relevant income tax rules and regulations of the PRC during the Track Record Period.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established 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 Mainland China and Hong Kong, the relevant withholding tax rate applicable to our Group is reduced from 10% to 5% subject to the fulfilment of certain conditions.

Our effective tax rate for the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, was approximately 41.5%, 25.0%, 28.6%, 26.1% and 29.9%, respectively. The higher effective tax rate for the year ended 31 December 2015 was mainly due to the withholding tax on earnings expected to be remitted by our PRC subsidiaries recognised in 2015.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2018 compared with six months ended 30 June 2017

Revenue

Our revenue increased by approximately RMB193.0 million or 27.1% from approximately RMB713.0 million for the six months ended 30 June 2017 to approximately RMB906.0 million for the six months ended 30 June 2018, which was due to the increase in revenue from the sale of both corrugated packaging products and, to a lesser extent, corrugated sheet boards.

(i) Corrugated packaging products

Revenue from the sale of our corrugated packaging products increased substantially by approximately RMB188.4 million or 29.5% from approximately RMB638.1 million for the six months ended 30 June 2017 to approximately RMB826.5 million for the six months ended 30 June 2018. Such increase in revenue was mainly due to (i) the increase in average selling price from approximately RMB3.92 per sq.m. to RMB4.47 per sq.m. as resulted mainly from the passing on of our increased purchase price of raw paper to our customers; and (ii) the increase in sales volume from approximately 162.8 million sq.m. to 185.1 million sq.m., which in turn was mainly attributable to the increased sales volumes recorded by our then existing production plants, as well as the contribution of sales volume from GDBP, which holds our production plant in Huizhou, Guangdong Province, the commercial production of which was commenced in the second quarter of 2018.

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(ii) Corrugated sheet boards

Revenue from the sale of our corrugated sheet boards increased by approximately RMB4.5 million or 6.0% from approximately RMB75.0 million for the six months ended 30 June 2017 to approximately RMB79.5 million for the six months ended 30 June 2018, which was mainly due to the increase in average selling price from approximately RMB3.12 per sq.m. to RMB3.59 per sq.m. as resulted mainly from the passing on of our increased purchase price of raw paper to our customers, partially offset by the decrease in sales volume from approximately 24.0 million sq.m. to 22.2 million sq.m. which in turn was mainly attributable to our strategy to focus more of our resources on the manufacture and sale of corrugated packaging products which have higher gross profit margins.

Cost of sales

Our cost of sales increased by approximately RMB176.8 million or 32.0% from approximately RMB552.6 million for the six months ended 30 June 2017 to approximately RMB729.4 million for the six months ended 30 June 2018, which was mainly due to (i) the increase in raw paper costs as resulted from the increase in the average purchase price of raw paper and the increase in purchase volume to satisfy the increased demand for our corrugated packaging products; and (ii) the increase in manufacturing overheads and direct labour costs as sales volume increased.

Gross profit and gross profit margin

Our gross profit increased by approximately 10.1% from approximately RMB160.4 million for the six months ended 30 June 2017 to approximately RMB176.6 million for the six months ended 30 June 2018, which was primarily due to the increases in our revenue. Gross profit margin decreased from approximately 22.5% for the six months ended 30 June 2017 to approximately 19.5% for the six months ended 30 June 2018, which was resulted from the decrease in gross profit margins for corrugated packaging products and corrugated sheet boards from 23.0% and 18.3% to 20.2% and 12.4%, respectively. The drop in gross profit margin for our corrugated packaging products was mainly due to (i) the increase in revenue contributions by two of our major customers, Customer A and Customer I, to whom we sold our corrugated packaging products at relatively lower gross profit margins mainly because of the discount offered for increased sales volume during the six months ended 30 June 2018; and (ii) the lower gross profit margin recorded by GDBP, which holds our new production plant in Huizhou which commenced commercial production in the second quarter of 2018. Gross profit margin for our corrugated sheet boards also decreased mainly as a result of the lower gross profit margin recorded by GDBP. Gross profit margins of our new production plants are usually lower in their early development stage as they are more likely to accept orders from customers at relatively lower margins to better utilise their production capacities.

Other income and other gain and losses, net

Other income and other gain and losses, net of our Group decreased by approximately 44.0% from approximately RMB2.5 million for the six months ended 30 June 2017 to approximately RMB1.4 million for the six months ended 30 June 2018. Such decrease was mainly due to the decrease in the income from the sales of other materials and consumables of approximately RMB1.1 million.

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Selling and distribution expenses

Selling and distribution expenses increased by approximately 23.1% from approximately RMB34.6 million for the six months ended 30 June 2017 to approximately RMB42.6 million for the six months ended 30 June 2018. Such increase was primarily due to (i) the increase in distribution expenses of approximately RMB3.8 million for the delivery of our products to our customers, which in turn was mainly attributable to the increase in our sales volume; and (ii) the increase in our staff costs of approximately RMB1.7 million, which in turn was due to both the increase in the number of our sales and marketing staff and the increase in the salaries, welfares and benefits paid to our sales and marketing staff.

Administrative expenses

Administrative expenses increased by approximately 28.6% from approximately RMB47.3 million for the six months ended 30 June 2017 to approximately RMB60.9 million for the six months ended 30 June 2018. Such increase was primarily due to (i) the listing expenses of approximately RMB6.1 million being incurred for the six months ended 30 June 2018 but not for the six months ended 30 June 2017; (ii) the increase in our office and warehouse expenses of approximately RMB2.6 million, which in turn was mainly due to the increase in our rental expenses paid for our new central warehouse in Haiyan, Zhejiang Province, and office supplies expenses, (iii) the increase in other tax charges of approximately RMB1.6 million mainly due to the increased value-added tax surcharges in line with increased sales; and (iv) the increase in staff costs of approximately RMB1.5 million mainly due to increased salary level as well as increased number of administrative staff to cope with the expansion of business.

Impairment loss on trade receivables

Impairment loss on trade receivables decreased by approximately 28.6% from approximately RMB0.7 million for the six months ended 30 June 2017 to approximately RMB0.5 million for the six months ended 30 June 2018 as we continued to pursue our stringent credit policy and control.

Finance costs

Our finance costs increased by approximately 56.3% from approximately RMB8.0 million for the six months ended 30 June 2017 to approximately RMB12.5 million for the six months ended 30 June 2018, which was mainly attributable to (i) the increase in interest on bank loans of approximately RMB2.0 million as a result of the increase in our average bank borrowings as well as interest rate; and (ii) the increase in interest on sale and leaseback arrangements of approximately RMB2.2 million as a result of the increase in average obligations under finance leases.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by approximately RMB10.6 million or 14.7% from approximately RMB72.2 million for the six months ended 30 June 2017 to approximately RMB61.6 million for the six months ended 30 June 2018.

Income tax expenses

Our income tax expenses decreased by approximately 2.6% from approximately RMB18.9 million for the six months ended 30 June 2017 to approximately RMB18.4 million for the six months ended 30 June 2018. The decrease in income tax expenses was primarily due to our decreased taxable income.

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Our effective tax rate increased from approximately 26.1% for the six months ended 30 June 2017 to approximately 29.9% for the six months ended 30 June 2018, which was mainly due to the increased non-deductible expenses incurred by our Company for the six months ended 30 June 2018.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately 19.1% from approximately RMB53.4 million for the six months ended 30 June 2017 to approximately RMB43.2 million for the six months ended 30 June 2018.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our revenue increased by approximately RMB477.3 million or 40.2% from RMB1,186.8 million for the year ended 31 December 2016 to RMB1,664.1 million for the year ended 31 December 2017, which was due to the increase in revenue from both the sale of corrugated packaging products and, to a lesser extent, corrugated sheet boards.

(i) Corrugated packaging products

Revenue from the sale of our corrugated packaging products increased substantially by approximately RMB472.3 million or 45.2% from approximately RMB1,044.0 million for the year ended 31 December 2016 to approximately RMB1,516.3 million for the year ended 31 December 2017. Such increase in revenue was mainly due to (i) the increase in average selling price from approximately RMB3.07 per sq.m. to RMB4.18 per sq.m. as resulted mainly from the passing on of our increased purchase price of raw paper to our customers; and (ii) the increase in sales volume from approximately 340.2 million sq.m. to 363.1 million sq.m., which in turn was mainly attributable to the increased sales volumes recorded by our then existing production plants, as well as the contribution of sales volume from CSBP, our production plant in Changshu, Jiangsu Province, the operation of which was commenced in April 2016.

(ii) Corrugated sheet boards

Revenue from the sale of our corrugated sheet boards increased by approximately RMB5.0 million or 3.5% from approximately RMB142.8 million for the year ended 31 December 2016 to approximately RMB147.8 million for the year ended 31 December 2017, which was mainly due to the increase in average selling price from approximately RMB2.29 per sq.m. to RMB3.31 per sq.m. as resulted mainly from the passing on of our increased purchase price of raw paper to our customers, as partially offset by the decrease in sales volume from approximately 62.5 million sq.m. to 44.6 million sq.m. which in turn was mainly attributable to our strategy to focus more of our resources on the manufacture and sale of corrugated packaging products which have higher gross profit margins.

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Cost of sales

Our cost of sales increased by approximately RMB372.3 million or 39.5% from approximately RMB943.0 million for the year ended 31 December 2016 to approximately RMB1,315.3 million for the year ended 31 December 2017, which was mainly due to (i) the increase in raw paper costs as resulted from the increase in the average purchase price of raw paper and the increase in purchase volume to satisfy the increased demand for our corrugated packaging products; and (ii) the increase in manufacturing overheads and auxiliary material costs as sales volume increased.

Gross profit and gross profit margin

Our gross profit increased significantly by approximately 43.1% from approximately RMB243.8 million for the year ended 31 December 2016 to approximately RMB348.8 million for the year ended 31 December 2017, which was primarily due to the increases in our revenue and our gross profit margin. Gross profit margin increased from approximately 20.5% for the year ended 31 December 2016 to approximately 21.0% for the year ended 31 December 2017, which was resulted from (i) the higher portion of our sales being contributed by the sale of corrugated packaging products which have higher gross profit margins; and (ii) the increase in gross profit margins for corrugated sheet boards from approximately 15.3% to 18.5%. The gross profit margin for corrugated sheet boards increased from approximately 15.3% to 18.5%, as a greater portion of our production capacity was allocated to our corrugated packaging products production in view of the increased customer demand, which allowed us to be more selective and provide corrugated sheet boards to customers with higher gross profit margins.

Other income and other gain and losses, net

Other income and other gain and losses, net of our Group decreased by approximately 87.3% from approximately RMB25.1 million for the year ended 31 December 2016 to approximately RMB3.2 million for the year ended 31 December 2017. Such decrease was mainly due to the one-off relocation compensation of enterprise income tax paid of approximately RMB20.4 million received from the Nanxiang Government being recorded for the year ended 31 December 2016 but not in 2017. Please refer to the sub-section headed “Discussion of selected consolidated statements of comprehensive income items – Other income and other gain and losses, net” in this section for further details.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 11.1% from approximately RMB70.0 million for the year ended 31 December 2016 to approximately RMB77.8 million for the year ended 31 December 2017. Such increase was primarily due to (i) the increase in distribution expenses of approximately RMB3.0 million for the delivery of our products to our customers, which in turn was mainly attributable to the increase in our sales volume; and (ii) the increase in our staff costs of approximately RMB3.0 million, which in turn was due to both the increase in the number of our sales and marketing staff and the increase in the salaries, welfares and benefits paid to our sales and marketing staff.

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Administrative expenses

Administrative expenses increased by approximately 21.6% from approximately RMB112.4 million for the year ended 31 December 2016 to approximately RMB136.7 million for the year ended 31 December 2017. Such increase was primarily due to (i) the listing expenses of approximately RMB7.2 million being incurred for the year ended 31 December 2017 but not in 2016; (ii) the increase in our staff costs of approximately RMB13.8 million as resulted mainly from the increase in our number of staff to cope with our expanded operations and the greater amount of discretionary bonus being recognised in 2017; (iii) the increase in our office and warehouse expenses of approximately RMB4.8 million, which in turn was mainly due to the increase in our rental expenses paid for our new central warehouse in Haiyan, Zhejiang Province, and office supplies expenses, as partially offset by the decrease in our professional fees, being mainly legal fees, of approximately RMB4.3 million. For details regarding the change in our professional fees during the Track Record Period, please refer to the sub-section headed “Discussion of selected consolidated statements of comprehensive income items – Administrative expenses – Professional fees” in this section.

Impairment loss or gain on trade receivables

We recorded an impairment loss on trade receivables of approximately RMB0.5 million while we recorded a gain on reversal of impairment on trade receivables of approximately RMB0.1 million as we continued to pursue our stringent credit policy and control.

Finance costs

Our finance costs increased by approximately 15.2% from approximately RMB15.1 million for the year ended 31 December 2016 to approximately RMB17.4 million for the year ended 31 December 2017, which was mainly attributable to the increase in interest on bank loans of approximately RMB2.9 million as a result of the increase in our average bank borrowings.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by approximately RMB49.4 million or 69.8% from approximately RMB70.8 million for the year ended 31 December 2016 to approximately RMB120.2 million for the year ended 31 December 2017.

Income tax expenses

Our income tax expenses increased by approximately 93.8% from approximately RMB17.7 million for the year ended 31 December 2016 to approximately RMB34.3 million for the year ended 31 December 2017. The increase in income tax expenses was primarily due to our increased taxable income.

Our effective tax rate increased from approximately 25.0% for the year ended 31 December 2016 to approximately 28.6% for the year ended 31 December 2017, which was mainly due to the increased non-deductible expenses incurred by PMPG (HK) for the year ended 31 December 2017.

Profit for the period

As a result of the foregoing, our profit for the year increased by approximately 61.8% from approximately RMB53.1 million for the year ended 31 December 2016 to approximately RMB85.9 million for the year ended 31 December 2017.

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Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by approximately RMB111.6 million or 10.4% from approximately RMB1,075.2 million for the year ended 31 December 2015 to approximately RMB1,186.8 million for the year ended 31 December 2016, which was due to the increase in revenue from both the sale of our corrugated packaging products and corrugated sheet boards.

(i) Corrugated packaging products

Revenue from the sale of our corrugated packaging products increased by approximately RMB108.4 million or 11.6% from approximately RMB935.6 million for the year ended 31 December 2015 to approximately RMB1,044.0 million for the year ended 31 December 2016. Such increase in revenue was mainly due to the increase in sales volume from approximately 295.6 million sq.m. to 340.2 million sq.m., which in turn was mainly attributable to the increased sales volumes recorded by our then existing production plants, as well as contributions of sales volumes from JSBP and CSBP, our production plants in Wujiang District, Jiangsu Province and Changshu, Jiangsu Province, the operations of which were commenced in August 2015 and April 2016, respectively. The effect of the increase in sales volume was partially offset by the slight decrease in average selling price from approximately RMB3.16 per sq.m. for the year ended 31 December 2015 to approximately RMB3.07 per sq.m. for the year ended 31 December 2016.

(ii) Corrugated sheet boards

Revenue from the sale of our corrugated sheet boards increased slightly by approximately RMB3.1 million or 2.2% from approximately RMB139.7 million for the year ended 31 December 2015 to approximately RMB142.8 million for the year ended 31 December 2016, which was mainly due to the increase in average selling price from approximately RMB2.19 per sq.m. to RMB2.29 per sq.m., as partially offset by the decrease in sales volume from approximately 63.9 million sq.m. to 62.5 million sq.m.

Cost of sales

Our cost of sales increased by approximately RMB102.8 million or 12.2% from approximately RMB840.2 million for the year ended 31 December 2015 to approximately RMB943.0 million for the year ended 31 December 2016, which was mainly due to the increase in raw paper costs and manufacturing overheads as resulted primarily from the increase in sales volume.

Gross profit and gross profit margin

Our gross profit increased by approximately 3.7% from approximately RMB235.0 million for the year ended 31 December 2015 to approximately RMB243.8 million for the year ended 31 December 2016. Such increase was primarily due to the increase in our revenue, as partially offset by the decrease in our gross profit margin. Gross profit margin decreased from approximately 21.9% for the year ended 31 December 2015 to approximately 20.5% for the year ended 31 December 2016. For the year ended 31 December 2016, gross profit margin for corrugated packaging products was lower than that for the same period in 2015, which in turn was mainly resulted from the relatively lower gross profit margins

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being recorded by JSBP and CSBP in 2016 as they were both in the early stage of operation since their respective commencement of operations in August 2015 and April 2016.

Other income and other gains and losses, net

Other income and other gains and losses, net of our Group increased by approximately 457.8% from approximately RMB4.5 million for the year ended 31 December 2015 to approximately RMB25.1 million for the year ended 31 December 2016. Such increase was mainly due to the one-off relocation compensation of enterprise income tax paid of approximately RMB20.4 million received from the Nanxiang Government, being recorded for the year ended 31 December 2016 but not for the year ended 31 December 2015. Please refer to the sub-section headed “Discussion of selected consolidated statements of comprehensive income items – Other income and other gain and losses, net” in this section for further details.

Selling and distribution expenses

Selling and distribution expenses remained stable and amounted to approximately RMB69.2 million and RMB70.0 million for the two years ended 31 December 2016, respectively.

Administrative expenses

Administrative expenses increased by approximately 9.7% from approximately RMB102.5 million for the year ended 31 December 2015 to approximately RMB112.4 million for the year ended 31 December 2016. Such increase was primarily due to (i) the increase in our staff cost of approximately RMB6.8 million as resulted mainly from the increase in the year-end discretionary bonuses paid to our staff in view of our improved financial results; (ii) the increase in our professional fees, being mainly consultancy and legal fees, of approximately RMB5.2 million; (iii) the increase in our office and warehouse expenses of approximately RMB2.7 million, which in turn was mainly due to the increase in our telephone and internet expenses and office supplies expenses, as partially offset by (i) the listing expenses of approximately RMB3.0 million being incurred for the year ended 31 December 2015 but not for the year ended 31 December 2016; and (ii) the decrease in other tax charges of approximately RMB1.1 million. For details regarding the change in our professional fees during the Track Record Period, please refer to the sub-section headed “Discussion of selected consolidated statements of comprehensive income items – Administrative expenses – Professional fees” in this section for further details.

Impairment loss on trade receivables

Impairment loss on trade receivables decreased by approximately 87.5% from approximately RMB4.0 million for the year ended 31 December 2015 to approximately RMB0.5 million for the year ended 31 December 2016. For details regarding such decrease, please refer to the sub-section headed “Discussion of selected consolidated statements of comprehensive income items – Impairment loss or gain on trade receivables” in this section.

Finance cost

Our finance costs increased by approximately 23.8% from approximately RMB12.2 million for the year ended 31 December 2015 to approximately RMB15.1 million for the year ended 31 December 2016.

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Such increase was mainly attributable to (i) the increase in interest on finance leases of approximately RMB1.5 million as our obligations under finance leases for the purchase of machinery and equipment for our new production plants and replacement of old machinery and equipment for our existing production plants increased; and (ii) the increase in interest on bank loans of approximately RMB1.8 million as a result of the increase in our average bank loans, as partially offset by the decrease in interest on amounts due to a related company of approximately RMB1.2 million, which was fully settled by us during the year ended 31 December 2016.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by approximately RMB19.2 million or 37.2% from approximately RMB51.6 million for the year ended 31 December 2015 to approximately RMB70.8 million for the year ended 31 December 2016.

Income tax expenses

Our income tax expenses decreased by approximately 17.3% from approximately RMB21.4 million for the year ended 31 December 2015 to approximately RMB17.7 million for the year ended 31 December 2016. The decrease in income tax expenses was primarily due to (i) the tax effect of withholding tax on dividend for the year ended 31 December 2015, (ii) the tax effect of tax losses not recognised for the year ended 31 December 2015 and (iii) the increased amount of income which were not taxable for tax purposes for the year ended 31 December 2016.

As a result of the foregoing, our effective tax rate decreased from approximately 41.5% for the year ended 31 December 2015 to approximately 25.0% for the year ended 31 December 2016.

Profit for the year

As a result of the foregoing, the profit for the year increased by approximately 75.8% from approximately RMB30.2 million for the year ended 31 December 2015 to approximately RMB53.1 million for the year ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Source of liquidity and working capital

We have financed our operations and capital expenditures primarily through cash flows from operating activities, financial leasing and bank and other borrowings. As at 31 December 2015, 2016 and 2017 and 30 June 2018, we had cash and cash equivalents of approximately RMB74.5 million, RMB183.4 million, RMB73.8 million and RMB140.0 million and pledged deposits of approximately RMB31.4 million, RMB21.0 million, RMB12.2 million and RMB118.2 million, respectively.

Taking into account our cash generated from operating activities, the net proceeds we expect to receive from the Global Offering and our credit facilities maintained with banks, our Directors are of the opinion that we will have available sufficient working capital for our operations for at least the 12 months following the date of this prospectus. Save as disclosed in this prospectus, we currently do not expect any significant changes in the mix and the relative costs of our capital resources. Save as disclosed in this prospectus, as of the date of this prospectus, we do not have any other definitive external financing plan.

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Further, our Directors confirmed that we had no material defaults in payment of our trade and bills payables, financial leasing and bank and other borrowings, or breaches of financial covenants during the Track Record Period.

Cash Flow Analysis

The following table sets forth our cash flows for the years/periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash generated from operating activities	108,479	63,002	90,234	30,288	114,086
Net cash used in investing activities	(11,957)	(28,002)	(50,064)	(75,077)	(156,273)
Net cash (used in)/generated from financing activities	(140,629)	73,434	(148,483)	(33,031)	108,083
Net (decrease)/increase in cash and cash equivalents	(44,107)	108,434	(108,313)	(77,820)	65,896
Cash and cash equivalents at the beginning of the year/period	118,124	74,501	183,408	183,408	73,767
Effect of exchange rate changes on cash and cash equivalents	484	473	(1,328)	(1,052)	381
Cash and cash equivalents at the end of the year/period	74,501	183,408	73,767	104,536	140,044

Net cash generated from operating activities

Net cash generated from operating activities consisted primarily of our profit for the year adjusted by income taxes paid, non-operating items, such as finance costs and interest income, and non-cash items, such as depreciation of property, plant and equipment, amortisation of prepaid lease payment for land, impairment loss on inventories and trade receivables, and adjusted by changes in working capital, such as inventories, trade receivables, bills receivables, other receivables, deposits and prepayments, and trade and other payables.

For the six months ended 30 June 2018, net cash generated from operating activities was approximately RMB114.1 million, which consisted primarily of profit before income tax expense of approximately RMB61.6 million, as adjusted for items with no operating cash effect and non-operating items, which included mainly depreciation of property, plant and equipment of approximately RMB25.7 million, and finance costs of approximately RMB12.5 million. Additional factor that contributed to our cash generated from operating activities included the approximately RMB94.9 million increase in trade

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and other payables, which comprised mainly increase in trade payables to our suppliers as resulted mainly from the increase in raw paper prices and our purchase of raw materials to meet increased customers' demand, but was more than offset by (i) the approximately RMB35.6 million increase in inventories, being mainly increase in raw materials; and (ii) the approximately RMB30.3 million increase in trade receivables, bills receivables, other receivables, deposits and prepayments, which comprised mainly increase in trade receivables in line with our increased revenue.

For the year ended 31 December 2017, net cash generated from operating activities was approximately RMB90.2 million, which consisted primarily of profit before income tax expense of approximately RMB120.2 million, as adjusted for items with no operating cash effect and non-operating items, which included mainly depreciation of property, plant and equipment of approximately RMB47.7 million, and finance costs of approximately RMB17.4 million. Additional factor that contributed to our cash generated from operating activities included the approximately RMB63.6 million increase in trade and other payables, which comprised mainly (i) increase in trade payables to our suppliers as resulted mainly from the increased raw paper prices and our increased purchase of raw materials to meet increased customers' demand; and (ii) increase in accruals and other payables due to increased accrued staff salaries and increased payables for property, plant and equipment, but was more than offset by (i) the approximately RMB29.8 million increase in inventories, being mainly increase in raw materials; and (ii) the approximately RMB95.4 million increase in trade receivables, bills receivables, other receivables, deposits and prepayments, which comprised mainly increase in trade receivables as a result of increased revenue, and the increase in prepayments, other receivables and deposits as resulted mainly from the increase in deposits paid to our suppliers and prepaid expenses such as rental, insurance and utilities expenses.

For the year ended 31 December 2016, net cash generated from operating activities was approximately RMB63.0 million, which consisted primarily of profit before income tax expense of approximately RMB70.8 million, as adjusted for items with no operating cash effect and non-operating items, which included mainly depreciation of property, plant and equipment of approximately RMB44.5 million, and finance costs of approximately RMB15.1 million. Additional factor that contributed to our cash generated from operating activities included the approximately RMB48.0 million increase in trade and other payables, which comprised mainly increase in trade payables to our suppliers as resulted mainly from the increased raw paper prices, but was more than offset by (i) the approximately RMB21.9 million increase in inventories, being mainly increase in raw materials; and (ii) the approximately RMB75.4 million increase in trade receivables, bills receivables, other receivables, deposits and prepayments, which comprised mainly increase in trade and bills receivables as a result of increased revenue.

For the year ended 31 December 2015, net cash generated from operating activities was approximately RMB108.5 million, which consisted primarily of profit before income tax expenses of approximately RMB51.6 million, as adjusted for items with no operating cash effect and non-operating items, which included mainly depreciation of property, plant and equipment of approximately RMB38.9 million, finance costs of approximately RMB12.2 million, and the impairment loss on trade receivables of approximately RMB4.0 million. Additional factor that contributed to our cash generated from operating activities included (i) the approximately RMB9.8 million increase in trade and other payables; and (ii) the approximately RMB19.5 million decrease in trade receivables, bills receivables, other receivables, deposits and prepayments, as partially offset by approximately RMB4.9 million increase in inventories.

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Net cash used in investing activities

For the six months ended 30 June 2018, net cash used in investing activities was approximately RMB156.3 million, which consisted primarily (i) purchase of property, plant and equipment of approximately RMB38.5 million mainly for GDBP and TCBP; (ii) prepayments made for purchase of property, plant and equipment of approximately RMB14.8 million mainly for GDBP and TCBP; and (iii) increase in pledged deposit of approximately RMB106.0 million mainly for our increased bank loans and bank facilities, as partially offset by the proceeds from disposal of property, plant and equipment of approximately RMB2.0 million.

For the year ended 31 December 2017, net cash used in investing activities was approximately RMB50.1 million, which consisted primarily of (i) purchase of property, plant and equipment of approximately RMB47.4 million mainly for GDBP; and (ii) prepayments made for purchase of property, plant and equipment of RMB18.9 million mainly for GDBP, as partially offset by (i) decrease in pledged deposits of RMB8.8 million for securing the bills payable; and (ii) the proceeds from disposal of property, plant and equipment of approximately RMB5.9 million.

For the year ended 31 December 2016, net cash used in investing activities was approximately RMB28.0 million, which consisted primarily of (i) purchase of property, plant and equipment of approximately RMB40.3 million mainly for JSBP and CSBP; and (ii) prepayments made for purchase of property, plant and equipment of approximately RMB2.6 million mainly for SZBP and JSBP, as partially offset by (i) the decrease in pledged deposits of approximately RMB10.5 million; and (ii) the proceeds from disposal of property, plant and equipment of approximately RMB3.3 million.

For the year ended 31 December 2015, net cash used in investing activities was approximately RMB12.0 million, which consisted primarily of (i) purchase of property, plant and equipment of approximately RMB52.1 million mainly for JSBP; and (ii) prepayments made for purchase of property, plant and equipment of approximately RMB2.3 million mainly for SZBP and JSBP, as partially offset by (i) the decrease in pledged deposits of approximately RMB32.8 million for securing the bills payable; and (ii) the proceeds from disposal of property, plant and equipment of approximately RMB8.4 million.

Net cash (used in)/generated from financing activities

For the six months ended 30 June 2018, net cash generated from financing activities was approximately RMB108.1 million, which consisted primarily of proceeds from bank and other borrowings of approximately RMB263.1 million, as partially offset by (i) dividend paid of approximately RMB39.8 million, (ii) repayment of obligations under finance leases of approximately RMB19.0 million, and (iii) repayment of bank and other borrowings of approximately RMB69.5 million.

For the year ended 31 December 2017, net cash used in financing activities was approximately RMB148.5 million, which consisted primarily of (i) dividend paid of approximately RMB69.8 million; (ii) interest paid on bank loans of approximately RMB13.1 million; (iii) repayment of obligations under finance leases of approximately RMB40.3 million; and (iv) repayment of bank and other borrowings of approximately RMB455.8 million, as partially offset by the proceeds from bank and other borrowings of approximately RMB421.7 million.

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For the year ended 31 December 2016, net cash generated from financing activities was approximately RMB73.4 million, which consisted primarily of proceeds from bank and other borrowings of approximately RMB382.3 million, as partially offset by (i) the interest paid on bank loans of approximately RMB10.2 million; (ii) the decrease in amount due to a related company of approximately RMB9.2 million; (iii) the decrease in amount due to immediate holding company of approximately RMB31.7 million; (iv) repayment of obligations under finance leases of approximately RMB29.0 million; and (v) repayment of bank and other borrowings of approximately RMB223.4million.

For the year ended 31 December 2015, net cash used in financing activities was approximately RMB140.6 million, which consisted primarily of (i) interest paid on bank loans of approximately RMB8.5 million; (ii) repurchase of ordinary Shares of our Company of approximately RMB98.2 million; (iii) decrease in amount due to a related company of approximately RMB14.1 million; (iv) repayment of obligations under finance leases of approximately RMB15.3 million; and (v) repayment of bank and other borrowings of approximately RMB180.4 million, as partially offset by (i) the increase in amount due to immediate holding company of approximately RMB14.7 million and (ii) proceeds from bank and other borrowings of approximately RMB165.2 million.

Net Current Assets

The following table sets forth our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current Assets					
Inventories	66,722	88,956	118,140	153,637	130,408
Trade receivables, bills receivables, other receivables, deposits and prepayments	310,736	389,750	484,383	515,830	548,116
Prepaid lease payments for land	284	284	284	284	284
Pledged deposits	31,440	20,985	12,180	118,194	126,440
Bank balances and cash	74,501	183,408	73,767	140,044	120,649
Total current assets	483,683	683,383	688,754	927,989	925,897

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	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current liabilities					
Trade and other payables	216,507	264,559	328,078	426,350	411,375
Contract liabilities	1,991	2,681	3,058	3,102	3,336
Dividend payable	–	–	41,065	–	–
Bank and other borrowings	165,200	307,911	259,000	434,977	480,420
Amount due to immediate holding company	29,943	–	13,393	–	–
Amount due to a related company	9,208	–	–	–	–
Tax payable	4,261	7,198	6,903	11,632	6,295
Obligations under finance leases	20,712	23,847	27,838	35,446	23,674
Total current liabilities	447,822	606,196	679,335	911,507	925,100
Net current assets	35,861	77,187	9,419	16,482	797

Our current assets consist primarily of inventories, trade receivables, bills receivables, other receivables, deposits and prepayments, prepaid lease payments for land, pledged deposits, and bank balances and cash. Our current liabilities consist primarily of trade and other payables, dividend payable, bank and other borrowings, amount due to immediate holding company, amount due to a related company, tax payable and obligations under finance leases.

Our net current assets increased by approximately RMB41.3 million or 115.0%, from approximately RMB35.9 million as at 31 December 2015 to approximately RMB77.2 million as at 31 December 2016. Such increase was mainly attributable to (i) the increase in bank balances and cash of approximately RMB108.9 million; (ii) the increase in trade receivables, bills receivables, other receivables, deposits and prepayments of approximately RMB79.0 million; and (iii) the decrease in the amount due to immediate holding company of approximately RMB29.9 million, as partially offset by (i) the increase in bank and other borrowings of approximately RMB142.7 million; and (ii) the increase in trade and other payables of approximately RMB48.1 million.

Our net current assets decreased by approximately RMB67.8 million or 87.8%, from approximately RMB77.2 million as at 31 December 2016 to approximately RMB9.4 million as at 31 December 2017. Such decrease was mainly attributable to (i) the decrease in bank balances and cash of approximately RMB109.6 million; (ii) the increase in trade and other payables of approximately 63.5 million; and (iii) the increase in dividend payable of approximately RMB41.1 million, as partially offset by (i) the increase in trade receivables, bills receivables, other receivables, deposits and prepayments of approximately RMB94.6 million; (ii) the increase in inventories of approximately RMB29.2 million; and (iii) the decrease in bank and other borrowings of approximately RMB48.9 million.

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Our net current assets increased by approximately RMB7.1 million or 75.5%, from approximately RMB9.4 million as at 31 December 2017 to approximately RMB16.5 million as at 30 June 2018. Such increase was mainly attributable to (i) the increase in pledged deposit of approximately RMB106.0 million; (ii) the increase in bank balances and cash of approximately RMB66.3 million; and (iii) the decrease of dividend payable of approximately RMB41.1 million, as partially offset by (i) the increase in bank and other borrowings of approximately RMB176.0 million; and (ii) the increase in trade and other payables of approximately RMB98.3 million.

Our net current assets decreased by approximately RMB15.7 million or 95.2%, from approximately RMB16.5 million as at 30 June 2018 to approximately RMB797,000 as at 31 October 2018. Such decrease was mainly attributable to (i) the increase in bank and other borrowings of approximately RMB45.4 million; (ii) the decrease in inventories of approximately RMB23.2 million; and (iii) the decrease in bank balances and cash of approximately RMB19.4 million, as partially offset by (i) the decrease of trade and other payables of RMB15.0 million; (ii) the decrease in obligations under finance leases of approximately RMB11.8 million; and (iii) the increase of trade receivables, bills receivables, other receivables, deposits and prepayments of approximately RMB32.3 million.

DESCRIPTION OF CERTAIN COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Property, plant and equipment	306,852	331,568	365,303	446,915
Prepaid lease payments for land	10,958	10,674	10,390	10,248
Prepayments for purchase of property, plant and equipment	2,320	2,579	40,098	21,824
Deferred tax assets	6,362	7,688	5,078	5,951
	<u>326,492</u>	<u>352,509</u>	<u>420,869</u>	<u>484,938</u>
Current Assets				
Inventories	66,722	88,956	118,140	153,637
Trade receivables, bills receivables, other receivables, deposits and prepayments	310,736	389,750	484,383	515,830
Prepaid lease payment for land	284	284	284	284
Pledged deposits	31,440	20,985	12,180	118,194
Bank balances and cash	74,501	183,408	73,767	140,044
	<u>483,683</u>	<u>683,383</u>	<u>688,754</u>	<u>927,989</u>
Total current assets	<u>483,683</u>	<u>683,383</u>	<u>688,754</u>	<u>927,989</u>
Total Assets	<u>810,175</u>	<u>1,035,892</u>	<u>1,109,623</u>	<u>1,412,927</u>

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	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade and other payables	216,507	264,559	328,078	426,350
Contract liabilities	1,991	2,651	3,058	3,102
Dividend payable	–	–	41,065	–
Bank and other borrowings	165,200	307,911	259,000	434,977
Amount due to immediate holding company	29,943	–	13,393	–
Amount due to a related company	9,208	–	–	–
Tax payable	4,261	7,198	6,903	11,632
Obligations under finance leases	20,712	23,847	27,838	35,446
Total current liabilities	447,822	606,196	679,335	911,507
Net current assets	35,861	77,187	9,419	16,482
Non-current liabilities				
Bank and other borrowings	–	16,207	31,078	50,105
Obligations under finance leases	20,333	17,705	32,256	42,768
Deferred tax liabilities	4,473	2,276	–	–
Total non-current liabilities	24,806	36,188	63,334	92,873
Net assets	337,547	393,508	366,954	408,547
Equity				
Share capital	1,785	1,785	1,785	1,785
Reserves	335,762	391,723	365,169	406,762
Total equity	337,547	393,508	366,954	408,547

Property, Plant and Equipment

Our property, plant and equipment mainly represented buildings, leasehold improvements, plant and machinery, furniture and fixtures, motor vehicles and construction in progress. As at 31 December 2015, 2016, 2017 and 30 June 2018, the aggregate net book values of our property, plant and equipment amounted to approximately RMB306.9 million, RMB331.6 million, RMB365.3 million and RMB446.9 million, respectively. The increase was mainly due to the purchases of plant and machinery, as partially offset by depreciation during the Track Record Period. For details of our purchases and disposals of property, plant and equipment during the Track Record Period, please refer to note 15 to the Accountants' Report in Appendix I to this prospectus.

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Prepayments for purchase of property, plant and equipment

Our prepayments for purchase of property, plant and equipment were approximately RMB2.3 million, RMB2.6 million, RMB40.1 million and RMB21.8 million as at 31 December 2015, 2016, 2017 and 30 June 2018. The increase from approximately RMB2.6 million as at 31 December 2016 to approximately RMB40.1 million as at 31 December 2017 was mainly due to the prepayment we made to our suppliers for purchase of machinery for both GDBP and TCBP. The commercial production of GDBP and TCBP was commenced in the second quarter and fourth quarter of 2018, respectively.

Inventories

Our inventories consist primarily of raw materials, work in progress, finished goods and consumables. To minimise the risk of excessive inventories, we review our inventory levels periodically. We believe maintaining an appropriate level of inventories can help us produce and deliver products to our customers on a timely basis without adversely affecting our liquidity. For details of our inventory management, please see the section headed “Business – Inventory management” in this prospectus.

The following table sets forth a summary of our inventories balance at the dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Raw materials	52,965	71,310	94,001	130,278
Work in progress	1,517	1,648	1,925	3,197
Finished goods	6,125	7,896	15,410	11,949
Consumables	6,115	8,102	6,804	8,213
Total	66,722	88,956	118,140	153,637

Our inventories increased by approximately RMB22.3 million from approximately RMB66.7 million as at 31 December 2015 to approximately RMB89.0 million as at 31 December 2016, which was mainly due to the increase in raw materials of approximately RMB18.3 million as a result of both (i) the increased raw paper prices; and (ii) our increased purchase of raw materials to meet the increased customers' demand.

Our inventories increased by approximately RMB29.1 million from approximately RMB89.0 million as at 31 December 2016 to approximately RMB118.1 million as at 31 December 2017, which was mainly due to (i) the increase in raw materials of approximately RMB22.7 million as a result of both the increased raw paper prices and our increased purchase of raw materials to meet the increased customers' demand; and (ii) the increase in finished goods of approximately RMB7.5 million as a result of the increased customers' demand. The increase in inventories was in line with our business expansion.

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Our inventories increased by approximately RMB35.5 million from approximately RMB118.1 million as at 31 December 2017 to approximately RMB153.6 million as at 30 June 2018, which was mainly due to the increase in raw materials of approximately RMB36.3 million as a result of both the increased raw paper prices and our increased purchase of raw materials to meet the increased customers' demand.

As at the Latest Practicable Date, inventories in the amount of approximately RMB146.8 million, accounting for approximately 94.7% of our inventories of approximately RMB155.0 million before impairment, as at 30 June 2018 were consumed or sold.

The following table sets forth our inventory turnover days for the years/periods indicated.

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June 2018
Inventory turnover days ^(Note)	28.1	30.1	28.7	33.9

Note: Inventory turnover days are based on the average balance of inventories divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended 31 December and the period ended 30 June are 365 days and 182 days, respectively.

The inventory turnover days increased slightly from approximately 28.1 days for the year ended 31 December 2015 to approximately 30.1 days for the year ended 31 December 2016, which was primarily due to our increased purchase of raw paper to increase our raw paper inventory level in view of the sudden surge in raw paper price in the fourth quarter of 2016. However, the inventory turnover day decreased slightly from approximately 30.1 days for the year ended 31 December 2016 to approximately 28.7 days for the year ended 31 December 2017 as we tightened the control of our inventory level in view of the continuous surge in raw paper price especially in the second half of 2017. The inventory turnover days increased from approximately 28.7 days for the year ended 31 December 2017 to approximately 33.9 days for the six months ended 30 June 2018 mainly due to the increased purchase cost of raw materials as well as the increased inventory balances contributed by GDBP, the commercial production of which commenced in the second quarter of 2018.

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Trade receivables, bills receivables, other receivables, deposits and prepayments

The following table sets forth our trade receivables, bills receivables, other receivables, deposits and prepayments as at the dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Trade and bills receivables, net of impairment losses	291,391	364,497	456,402	479,150
Prepayments, other receivables and deposits	19,345	25,253	27,981	36,680
Total	310,736	389,750	484,383	515,830

(i) Trade and bills receivables

The trade and bills receivables represent mainly the balance due from customers to which credit terms are granted, net of impairment loss. Pursuant to our credit policy, we offer customers different credit terms depending on the trading and credit history, sales volume, scale of business, background, business relationship and the length of such relationship with our Group of such customer. In general, the average credit period on sale of goods is 30 to 120 days from the invoice date.

Our trade and bills receivables increased from approximately RMB291.4 million as at 31 December 2015 to approximately RMB364.5 million as at 31 December 2016. The increase in trade and bills receivables was mainly due to the increase in trade receivables as a result of increased revenue.

Our trade and bills receivables increased from approximately RMB364.5 million as at 31 December 2016 to approximately RMB456.4 million as at 31 December 2017. The increase in trade and bills receivables was mainly due to the increase in trade receivables as a result of increased revenue.

Our trade and bills receivables increased from approximately RMB456.4 million as at 31 December 2017 to approximately RMB479.2 million as at 30 June 2018. The increase in trade and bills receivables was mainly due to the increase in trade receivables as a result of increased revenue.

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The following table set forth the aging analysis of trade and bills receivables, based on the invoice date and net of impairment losses as at the dates indicated.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	136,210	192,848	236,315	291,997
Over 1 month but within 3 months	135,311	148,674	203,000	163,802
Over 3 months	19,870	22,975	17,087	23,351
Total	291,391	364,497	456,402	479,150

The following is an analysis of trade and bills receivables past due but not impaired as at the dates indicated.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Past due				
1-90 days	19,711	18,603	20,757	19,054
91-180 days	774	131	156	919
181-270 days	189	40	77	430
Total	20,674	18,774	20,990	20,403

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on our past experience with them, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

As at the Latest Practicable Date, trade and bills receivables in the amount of approximately RMB473.5 million, accounting for approximately 97.6% of our trade and bills receivables of approximately RMB485.0 million before impairment, as at 30 June 2018 were settled.

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The following table sets forth trade and bills receivables turnover days for the years/periods indicated.

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June 2018
Trade and bills receivables turnover days ^(Note)	102.2	100.9	90.0	94.0

Note: Trade and bills receivables turnover days are based on the average balance of trade and bills receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended 31 December and the period ended 30 June are 365 days and 182 days, respectively.

The trade and bills receivables turnover days decreased from approximately 102.2 days for the year ended 31 December 2015 to approximately 100.9 days for the year ended 31 December 2016. The trade and bills receivables turnover days further decreased from approximately 100.9 days for the year ended 31 December 2016 to approximately 90.0 days for the year ended 31 December 2017. The overall decrease in our trade and bills receivables turnover days was primarily due to the tightening of our credit policy in view of the surge in raw paper prices. For the six months ended 30 June 2018, the trade and bills receivables turnover days increased to 94.0 days mainly due to increased sales to customers with longer credit period.

(ii) Prepayments, other receivables and deposits

Our prepayments, other receivables and deposits comprised mainly deposits to suppliers, prepayments for raw materials, prepaid expenses (such as insurance, rental and utilities expenses), other receivables from customers, as well as other prepayments, other receivables and deposits.

Our prepayments, other receivables and deposits increased from approximately RMB19.3 million as at 31 December 2015 to approximately RMB25.3 million as at 31 December 2016. Such increase was primarily due to the increase in other receivables from customers of approximately RMB1.1 million, which comprised mainly security deposits paid to certain customers by our Group as bidder for such customers' tender processes, and the increase in prepayments for raw paper of approximately RMB6.1 million.

Our prepayments, other receivables and deposits increased from approximately RMB25.3 million as at 31 December 2016 to approximately RMB28.0 million as at 31 December 2017. Such increase was primarily due to the increase in deposits paid by our Group for the construction of the production plant of GDBP and other deposits paid to suppliers of approximately RMB5.3 million, partially offset by the decrease in our other prepayments of approximately RMB2.4 million, which was mainly due to the decrease in the prepayments for raw paper.

Our prepayments, other receivables and deposits increased from approximately RMB28.0 million as at 31 December 2017 to approximately RMB36.7 million as at 30 June 2018. Such increase was primarily due to (i) the increase in value-added tax receivable of approximately RMB3.9 million arising from the import of machinery; and (ii) the increase in prepaid listing expenses of approximately RMB4.7 million, as partially offset by the decrease in prepayments for raw paper of approximately RMB1.6 million.

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Trade and other payables

The following table sets forth our trade and other payables as at the dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Trade and bills payables	176,315	217,094	244,158	366,199
Accruals and other payables	40,192	47,465	83,920	60,151
Total	216,507	264,559	328,078	426,350

(i) Trade and bills payables

Our trade and bills payables represented primarily amount incurred for the purchase of raw materials and consumables from independent third parties.

Our trade and bills payables increased from approximately RMB176.3 million as at 31 December 2015 to approximately RMB217.1 million as at 31 December 2016, which was primarily due to the increase in trade payables of approximately RMB33.9 million as resulted mainly from the increased raw paper prices.

Our trade and bills payables increased from approximately RMB217.1 million as at 31 December 2016 to approximately RMB244.2 million as at 31 December 2017, which was primarily due to the increase in trade payables of approximately RMB42.3 million as resulted mainly from the increased raw paper prices and our increased purchase of raw materials to meet increased customers' demand.

Our trade and bills payables increased from approximately RMB244.2 million as at 31 December 2017 to approximately RMB366.2 million as at 30 June 2018, which was primarily due to the increase in trade payables of approximately RMB107.8 million as resulted mainly from the increased raw paper prices and our increased purchase of raw materials to meet increased customers' demand.

The following table sets forth the aging analysis of our trade and bills payables, based on the invoice date as at the dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Within 1 month	76,201	118,045	154,922	194,738
Over 1 month but within 3 months	97,849	84,607	77,856	167,048
Over 3 months	2,265	14,442	11,380	4,413
Total	176,315	217,094	244,158	366,199

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As at the Latest Practicable Date, approximately RMB349.1 million, accounting for approximately 95.3% of our trade and bills payables of approximately RMB366.2 million that were outstanding as at 30 June 2018 were settled.

The following table sets forth trade and bills payables turnover days for the years/periods indicated.

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June 2018
Trade and bills payables turnover days ^(Note)	76.5	76.1	64.0	76.2

Note: Trade and bills payables turnover days are based on the average balance of trade and bills payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended 31 December and the period ended 30 June are 365 days and 182 days, respectively.

The trade and bills payables turnover days remained stable for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2018, ranging from 76.1 days to 76.5 days. The lower trade and bills payables turnover days for the year ended 31 December 2017 is mainly due to the earlier payment made to certain of our suppliers for the procurement of raw materials near the year end of 2017 in order to take advantages of the discounts offered by these suppliers.

(ii) Accruals and other payables

Our accruals and other payables related mainly to freight charges payables, payables to suppliers, accrued staff salaries and reimbursements, accrued expenses, maintenance fees payables, value-added tax and other supplementary tax payables as well as other accruals and other payables.

Our accruals and other payables increased from approximately RMB40.2 million as at 31 December 2015 to approximately RMB47.5 million as at 31 December 2016, which was primarily due to the increase in accrued staff salaries of approximately RMB6.1 million as a result of the increase accrued year-end discretionary bonuses to staff in 2016, as partially offset by the decrease in freight changes payables of approximately RMB1.6 million.

Our accruals and other payables increased from approximately RMB47.5 million as at 31 December 2016 to approximately RMB83.9 million as at 31 December 2017, which was primarily due to (i) the increase in accrued staff salaries of approximately RMB12.0 million as we made accrual for the year-end discretionary bonus to our staff for the year ended 31 December 2017; and (ii) the increase in payables for property, plant and equipment of approximately RMB7.9 million mainly for GDBP.

Our accruals and other payables decreased from approximately RMB83.9 million as at 31 December 2017 to approximately RMB60.2 million as at 30 June 2018, which was primarily due to (i) the decrease in accrued staff salaries of approximately RMB22.2 million due to the payment made for the accrued year-end discretionary bonus to our staff for the year ended 31 December 2017; and (ii) the decrease in tax payable of approximately RMB6.1 million.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our Group's key financial ratios for the Track Record Period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
Current ratio ^(Note 1)	1.08	1.13	1.01	1.02
Quick ratio ^(Note 2)	0.93	0.98	0.84	0.85
Gearing ratio ^(Note 3)	0.73	0.93	0.99	1.38
Debt to equity ratio ^(Note 4)	0.41	0.41	0.76	0.75
				Six months ended
	Year ended 31 December			30 June
	2015	2016	2017	2018
Net profit margin ^(Note 5)	2.8%	4.5%	5.2%	4.8%
Interest coverage ratio ^(Note 6)	5.24	5.68	7.91	5.92
Return on equity ^(Note 7)	9.4%	14.5%	21.4%	22.4%
Return on assets ^(Note 8)	3.6%	5.8%	8.0%	6.9%

Notes:

1. Current ratio represents current assets divided by current liabilities as at the end of period.
2. Quick ratio represents current assets (net of inventories) divided by current liabilities as at the end of period.
3. Gearing ratio represents total borrowings divided by total equity as at the end of period.
4. Debt to equity ratio is calculated by dividing net debt by total equity as at the end of period.
5. Net profit margin is calculated by the profit for the year/period divided by the revenue for the year/period.
6. Interest coverage represents profit before interest and tax divided by interest recorded during the year/period.
7. Return on equity is calculated by dividing profit for the year/period by average of beginning and closing total equity plus dividend declared but not paid for the year/period. Profit for the period is adjusted on an annualised basis.
8. Return on assets is calculated by dividing profit for the year/period by average of beginning and closing total assets for the year/period. Profit for the period is adjusted on an annualised basis.

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Current ratio

As at 31 December 2015, 2016, 2017 and 30 June 2018, our Group's current ratios were approximately 1.08, 1.13, 1.01 and 1.02, respectively.

Our current assets increased by approximately RMB199.7 million from approximately RMB483.7 million as at 31 December 2015 to approximately RMB683.4 million as at 31 December 2016, which was mainly attributable to (i) the increase in bank balances and cash of approximately RMB108.9 million; and (ii) the increase in trade receivables, bills receivables, other receivables, deposits and prepayments of approximately RMB79.0 million. Our current liabilities also increased by approximately RMB158.4 million from approximately RMB447.8 million as at 31 December 2015 to approximately RMB606.2 million as at 31 December 2016, which was mainly attributable to (i) the increase in the current portion of our bank and other borrowings of approximately RMB142.7 million; and (ii) the increase in trade and other payables of approximately RMB48.1 million. The larger increase in our current assets than that in our current liabilities resulted in the increase in our current ratio as at 31 December 2016 as compared to that as at 31 December 2015.

Our current assets increased by approximately RMB5.4 million from approximately RMB683.4 million as at 31 December 2016 to approximately RMB688.8 million as at 31 December 2017, which was mainly attributable to (i) the increase in trade receivables, bills receivables, other receivables, deposits and prepayments of approximately RMB94.6 million; and (ii) the increase in inventories of approximately RMB29.2 million, as partially offset by the decrease in bank balances and cash of approximately RMB109.6 million. Our current liabilities also increased by approximately RMB73.1 million from approximately RMB606.2 million as at 31 December 2016 to approximately RMB679.3 million as at 31 December 2017, which was mainly attributable to (i) the increase in trade and other payables of approximately RMB63.5 million; and (ii) the increase in dividend payable of approximately RMB41.1 million, as partially offset by the decrease in the current portion of our bank and other borrowing of approximately RMB48.9 million. The larger increase in our current liabilities than that in our current assets resulted in the decrease in our current ratio as at 31 December 2017 as compared to that as at 31 December 2016.

Our current assets increased by approximately RMB239.2 million from approximately RMB688.8 million as at 31 December 2017 to approximately RMB928.0 million as at 30 June 2018, which was mainly attributable to (i) the increase in pledged deposit of approximately RMB106.0 million; and (ii) the increase in bank balances and cash of approximately RMB66.3 million. Our current liabilities also increased by approximately RMB232.2 million from approximately RMB679.3 million as at 31 December 2017 to approximately RMB911.5 million as at 30 June 2018, which was mainly attributable to (i) the increase in trade and other payables of approximately RMB98.3 million; and (ii) the increase in bank and other borrowings of approximately RMB176.0 million, as partially offset by the decrease in dividend payable of approximately RMB41.1 million. As our current assets and current liabilities both increased by a comparable extent, our current ratio as at 30 June 2018 remained relatively stable as compared to that as at 31 December 2017.

Quick ratio

As at 31 December 2015, 2016, 2017 and 30 June 2018, our Group's quick ratios were approximately 0.93, 0.98, 0.84 and 0.85, respectively.

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As described above, as at 31 December 2016, our current assets and current liabilities increased by approximately RMB199.7 million and RMB158.4 million, respectively, as compared to that as at 31 December 2015, while our inventories increased by approximately RMB22.2 million as at 31 December 2016 as compared to that as at 31 December 2015. The larger increase in our current assets (net of the increase in our inventories) than that in our current liabilities resulted in the increase in our quick ratio as at 31 December 2016 as compared to that as at 31 December 2015.

As described above, as at 31 December 2017, our current assets and current liabilities increased by approximately RMB5.4 million and RMB73.1 million, respectively, as compared to that as at 31 December 2016, while our inventories increased by approximately RMB29.2 million as at 31 December 2017 as compared to that as at 31 December 2016. The increase in our current liabilities and the decrease in our current assets (net of inventories) resulted in the decrease in our quick ratio as at 31 December 2017 as compared to that as at 31 December 2016.

As described above, as at 30 June 2018, our current assets and current liabilities increased by approximately RMB239.2 million and RMB232.2 million, respectively, as compared to that as at 31 December 2017, while our inventories increased by approximately RMB35.5 million as at 30 June 2018 as compared to that as at 31 December 2017. As our current assets (net of inventories) and current liabilities both increased by a comparable extent, our quick ratio as at 30 June 2018 remained relatively stable as compared to that as at 31 December 2017.

Gearing ratio

As at 31 December 2015, 2016, 2017 and 30 June 2018, our Group's gearing ratios were approximately 0.73, 0.93, 0.99 and 1.38, respectively.

The increase in our gearing ratio from 31 December 2015 to 31 December 2016 was primarily attributable to the larger increase in our total borrowings (including bank and other borrowings, amount due to immediate holding company, amount due to a related company and obligations under finance leases) of approximately RMB120.3 million than that in our equity of approximately RMB56.0 million.

The increase in gearing ratio from 31 December 2016 to 31 December 2017 was primarily attributable to the decrease in our equity of approximately RMB26.6 million as resulted mainly from our declaration of dividend of approximately RMB112.3 million during the year ended 31 December 2017.

The increase in gearing ratio from 31 December 2017 to 30 June 2018 was primarily attributable to the increase in total debt of approximately RMB199.7 million as resulted mainly from the increase of bank and other borrowings of approximately RMB195.0 million.

Debt to equity ratio

As at 31 December 2015, 2016, 2017 and 30 June 2018, our Group's debt to equity ratio was approximately 0.41, 0.41, 0.76 and 0.75, respectively.

Our debt to equity ratio from 31 December 2015 to 31 December 2016 remained stable at approximately 0.41.

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The increase in debt to equity ratio from 31 December 2016 to 31 December 2017 was primarily attributable to the increase in our net debt (including bank and other borrowings, amount due to a related company, amount due to immediate holding company and obligation under finance leases less bank balance and cash and pledged deposits) of approximately RMB116.3 million and the decrease in our equity of approximately RMB26.6 million.

Our debt to equity ratio as at 30 June 2018 remained relatively stable as compared to that as at 31 December 2017, which is mainly attributable to the increase in total debt as partially offset by the increase in pledged deposits and bank balances and cash.

Net Profit Margin

Our Group's net profit margin for the three years ended 31 December 2017 and the six months ended 30 June 2018 were approximately 2.8%, 4.5%, 5.2% and 4.8%, respectively.

Our net profit margin increased from approximately 2.8% for the year ended 31 December 2015 to approximately 4.5% for the year ended 31 December 2016, which was mainly contributed by (i) the increase in other income and other gains of approximately RMB20.6 million mainly due to the one-off relocation compensation of enterprise income tax paid being recorded in 2016 and (ii) the decrease in selling and distribution expenses and administrative expenses as a percentage of revenue as a result of our Group's continue efforts in cost control, partially offset by the decrease in our gross profit margin.

Our net profit margin increased from approximately 4.5% for the year ended 31 December 2016 to approximately 5.2% for the year ended 31 December 2017, which was mainly contributed by (i) the improved gross profit margin and (ii) the decrease in selling and distribution expenses and administrative expenses as a percentage of revenue as a result of our Group's continue efforts in cost control, partially offset by the decrease in other income and other gains of approximately RMB21.9 million mainly due to the one-off relocation compensation of enterprise income tax paid being recorded in 2016.

Our net profit margin decreased from approximately 5.2% for the year ended 31 December 2017 to approximately 4.8% for the six months ended 30 June 2018, which was mainly contributed by (i) the decline of gross profit margin and (ii) the higher effective tax rate for the six months ended 30 June 2018.

Interest coverage ratio

Our Group's interest coverage ratio for the three years ended 31 December 2017 and the six months ended 30 June 2018 was approximately 5.24, 5.68, 7.91 and 5.92, respectively. The interest coverage ratio remained relatively stable from 2015 to 2016. The increase in our interest coverage ratio for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016 was mainly due to our enhanced profitability during the year ended 31 December 2017. The decrease in our interest coverage ratio for the six months ended 30 June 2018 as compared to that for the year ended 31 December 2017 was mainly due to our increased finance costs during the six months ended 30 June 2018.

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Return on equity

Our Group's return on equity was approximately 9.4%, 14.5%, 21.4% and 22.4% for the three years ended 31 December 2017 and the six months ended 30 June 2018. The increase in our return on equity was attributable to the larger increase in our net profit for the year or period than that in our equity (plus dividend declared but not paid) for the three years ended 31 December 2017 and the six months ended 30 June 2018, which in turn was mainly due to our enhanced profitability as well as increased leverage.

Return on assets

Our Group's return on assets was approximately 3.6%, 5.8%, 8.0% and 6.9% for the three years ended 31 December 2017 and the six months ended 30 June 2018. The increase in our return on assets was attributable to the larger increase in our net profit for the year than that in our total assets for the three years ended 31 December 2017, which in turn was mainly due to our enhanced profitability. The decrease in our return on assets for the six months ended 30 June 2018 as compared to that for the year ended 31 December 2017 was mainly due to the increase of total assets such as property, plant and equipment for GDBP and TCBP.

COMMITMENTS

Capital commitments

Our capital commitments during the Track Record Period were primarily relating to the acquisition of property, plant and equipment.

The table below sets forth capital commitments as at the dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Commitment for the acquisition of property, plant, equipment	1,209	2,546	5,011	8,133

Operating lease commitments

Our operating lease commitment were mainly for the lease of our office premises and leasehold lands, with leases negotiated for terms ranging from 3 months to 15 years.

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The table below sets forth operating lease commitments as at the dates indicated.

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Not later than 1 year	10,066	13,022	15,147	16,848
Later than 1 year and not later than 2 years	8,731	11,391	10,808	14,047
Later than 2 year and not later than 5 years	19,919	25,191	23,647	31,884
Later than 5 years	19,701	45,442	43,831	69,474
Total	58,417	95,046	93,433	132,253

CAPITAL EXPENDITURES

Our capital expenditures mainly represented the purchase of property, plant and equipment and the prepayments made for the purchase of property, plant and equipment. For the three years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, our total capital expenditures were approximately RMB54.4 million, RMB42.9 million, RMB66.3 million, RMB27.2 million and RMB53.2 million, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had entered into certain transactions with related parties.

The following table sets forth the related party transactions which our Group entered into during the Track Record Period:

	Type of transaction	Year ended 31 December			Six months ended	
		2015	2016	2017	30 June	2018
		RMB'000	RMB'000	RMB'000	2017	2018
					(unaudited)	
PMHC	Consultancy fee received (Note 1)	–	210	–	–	–
PMHC	Use of trademarks (Note 4)	–	–	–	–	–
PM Investment	Consultancy fee received (Note 1)	127	752	–	–	–
Shanghai Asia Corp. Communications Inc. Limited* 上海寰亞信息技術有限公司	System development and maintenance service charges (Note 1)	–	1,038	–	–	–

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	Type of transaction	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Shanghai Pacific Millennium Asia Corp. Communications Inc. Limited* 上海濟豐寰亞信息技術有限公司	Domain hosting and support charges (Note (1))	113	104	104	104	104
Chongqing Stone Tan	Interest expenses on obligations under finance leases (Note (2))	2,849	4,511	3,192	1,448	2,433
Chongqing Stone Tan	Interest expenses on sale and leaseback arrangements (Note (2))	–	832	1,907	624	2,836
Chongqing Stone Tan	Handling fee in relation to finance leases (Note (2))	228	245	589	200	372
Chongqing Stone Tan	Handling fee in relation to sale and leaseback arrangements (Note (2))	–	283	506	199	419
Chongqing Stone Tan Equity Investment Fund Management Co., Limited* 重慶談石股權投資基金管理有限公司	Interest expenses on amount due to a related company (Note (3))	208	50	–	–	–
Stone Tan China Holding Corporation	Interest expenses on amount due to a related company (Note (3))	1,026	–	–	–	–
Total		<u>4,551</u>	<u>8,025</u>	<u>6,298</u>	<u>2,575</u>	<u>6,164</u>

Notes:

- Consultancy fee income (for provision of policy and regulatory advice, management consulting and market research services), system development and maintenance service charges and domain hosting and support charges were determined with reference to the terms mutually agreed between our Group and the counterparties.
- Details of sales and leaseback and finance lease arrangements for the three years ended 31 December 2017 and the six months ended 30 June 2018 are set out in Notes 24 and 27 to Accountants' Report as set out in Appendix I to this prospectus.

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3. Details of interest on amounts due to a related company are set out in Note 26 to Accountants' Report as set out in Appendix I to this prospectus.
4. The immediate holding company, at nil consideration, granted to our Group a non-exclusive licence to use the trademarks in relation to the business of paper and packaging.

Our Directors have confirmed that the aforementioned transactions with the related parties were conducted on normal commercial terms and were fair and reasonable and in the interest of our Shareholders as a whole. Our Directors also believe that those transactions with related parties and amounts due to related parties did not distort our Group's results of operations during the Track Record Period.

INDEBTEDNESS

Bank and other borrowings

(i) Bank borrowings

Our bank borrowings were interest-bearing at fixed rate ranging from 4.57% to 5.62%, 3.92% to 4.57%, 4.35% to 4.57% and 3.04% to 6.53% per annum during the years ended 31 December 2015, 31 December 2016, 31 December 2017 and the six months ended 30 June 2018, respectively. All of the bank borrowings were denominated in RMB as at 31 December 2015, 2016 and 2017. Bank borrowings of approximately RMB84.3 million and RMB88.7 million were denominated in HK\$ while the remaining were denominated in RMB as at 30 June 2018 and 31 October 2018 respectively.

The table below sets forth the breakdown of our bank borrowings as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Bank loans, secured	165,200	299,030	243,260	405,707	470,610

As at 31 December 2015, 2016 and 2017 and 30 June and 31 October 2018, our bank borrowings were short-term secured bank loans repayable within one year subject to a repayable on demand clause in the facility letters.

As at 31 December 2015, the banking facilities were secured by: (i) buildings of our Group with net carrying value of approximately RMB83.1 million and (ii) land of our Group with net carrying value of RMB11.2 million.

As at 31 December 2016, the banking facilities were secured by: (i) buildings of our Group with net carrying value of approximately RMB76.6 million; (ii) land of our Group with net carrying value of RMB11.0 million; and bank loans of approximately RMB128.0 million were secured by pledged deposits provided by a related company.

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As at 31 December 2017, the banking facilities were secured by: (i) buildings of our Group with net carrying value of approximately RMB70.1 million; (ii) land of our Group with net carrying value of RMB10.7 million, and bank loans of approximately RMB73.3 million were secured by pledged deposits provided by the immediate holding company.

As at 30 June 2018, the banking facilities were secured by: (i) buildings of our Group with net carrying value of approximately RMB67.3 million; (ii) land of our Group with net carrying value of RMB10.5 million. Bank loans of RMB86.7 million were secured by pledged deposits provided by the immediate holding company, and pledge of certain bank deposits amounted to approximately RMB107.0 million were for letter of credit issued by banks for a total amount of RMB64.5 million and bank loans of HK\$100.0 million. Our Directors confirm that all the pledged deposits provided by the immediate holding company were fully settled on 13 September 2018 and released on 14 September 2018.

As at 31 October 2018, the banking facilities were secured by: (i) buildings of our Group with net carrying value of approximately RMB65.5 million; (ii) land of our Group with net carrying value of RMB10.4 million, and pledge of certain bank deposits amounted to approximately RMB115.2 million were for letter of credit issued by banks for a total amount of RMB61.9 million and bank loans of HK\$100.0 million.

As at 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness, our total available banking facilities amounted to approximately RMB483.7 million of which approximately RMB13.1 million were unutilised.

(ii) Other borrowings

As at 31 December 2016, 31 December 2017 and 30 June 2018, our Group entered into two, three and six sale and leaseback arrangements with effective interest rates ranging from 8.78% to 8.81%, 8.98% to 9.05% and 8.98% to 9.05%, respectively, for plant and equipment with a related company. The transactions are classified as secured loan financing and the carrying amount of the corresponding plant and equipment pledged under the sale and leaseback arrangements amounted to of approximately RMB26.7 million, RMB47.6 million and RMB84.2 million as at 31 December 2016, 31 December 2017 and 30 June 2018, respectively. As at 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness, our Group entered into three sale and leaseback arrangements with effective interest rate of 8.98%, for plant and equipment with a related company. The transactions are classified as secured loan financing and the carrying amount of the corresponding plant and equipment pledged under the sale and leaseback arrangements amounted to approximately RMB29.7 million as at 31 October 2018. For details of the related company and the sale and leaseback arrangements, please refer to the section headed “Connected transactions” in this prospectus.

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The table below set forth our present values of minimum lease payments under our other borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
No later than 1 year	–	8,881	15,740	29,270	9,811
Later than 1 year and not later than 2 years	–	9,695	17,207	32,004	10,729
Later than 2 years and not later than 5 years	–	6,512	13,871	18,101	7,028
Total	–	25,088	46,818	79,375	27,568

Obligations under finance leases

As at 31 December 2015, 2016 and 2017 and 30 June 2018 and 31 October 2018, our Group acquired certain plant and machinery under finance leases with a related company and the effective interest rates ranged from 8.9% to 10.23%, 8.76% to 10.23%, 8.76% to 10.23% and 8.76% to 10.23% and 8.76% to 9.54%, respectively.

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our Group entered into finance lease arrangements in respect of plant and equipment with total capital value at the inception of the leases of approximately RMB38.2 million, RMB29.5 million, RMB58.9 million and RMB37.2 million, respectively. For details of the related company and the finance leases, please refer to the section headed “Connected transactions” in this prospectus.

The table below set forth our present values of minimum lease payments under our finance lease obligations as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
No later than 1 year	20,712	23,847	27,838	35,446	23,674
Later than 1 year and not later than 2 years	14,204	16,061	21,351	32,601	21,959
Later than 2 years and not later than 5 years	6,129	1,644	10,905	10,167	5,548
Total	41,045	41,552	60,094	78,214	51,181

FINANCIAL INFORMATION

Amounts due to related parties

The following table sets forth the balances with the related parties as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Amount due to immediate holding company	29,943	–	13,393	–	–
Amount due to a related company	9,208	–	–	–	–

The amount due to immediate holding company was non-trade in nature, unsecured, interest-free and repayable on demand. The amount due to a related company was unsecured, interest bearing at 5.9% per annum and was repayable within one year.

Our Directors confirm that there was no breach in any financial covenants or other material covenants relating to the bank and other borrowings, and no material defaults by our Group in payment of its bank and other borrowings during the year ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 and up to the Latest Practicable Date.

Save as disclosed above, as at 31 October 2018, being the latest practicable date for determining our indebtedness, we did not have any other outstanding loan capital, bank overdrafts and liabilities under acceptances or acceptance credits (other than normal trade bills) or other similar indebtedness, finance leases or hire purchases and finance lease commitments, debentures, mortgages, charges or loans, or hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness, commitments and contingent liabilities since 31 October 2018.

Contingent liabilities and guarantees

As at 31 December 2015, 2016, and 2017 and 30 June 2018 and 31 October 2018, we did not record any significant contingent liabilities, guarantees or any litigations against us. We confirm that, as at the Latest Practicable Date, there have been no material changes to our contingent liabilities.

FINANCIAL RISKS

We are exposed to various types of financial risks in the normal course of business, including credit risk, liquidity risk, interest rate risk and currency risk.

Credit risk

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

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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. Our Group does not obtain collateral from customers.

In respect of trade receivables, our 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 31 December 2015, 2016 and 2017 and 30 June 2018, our Group has no concentration of credit risk.

The credit risk on bank balances and pledged deposits is low as these balances are placed with reputable financial institutions.

Liquidity risk

Each company within our Group is responsible for its own cash management, including the raising of loans to cover expected cash demands, subject to approval by our Directors when the borrowings exceed certain predetermined levels of authority. Our 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 our Group's remaining contractual maturity for its non-derivative financial liabilities as at the dates indicated, 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 our Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within 1 year RMB'000	More than 1 year but less than 5 years RMB'000
As at 31 December 2015				
Trade and other payables	216,507	216,507	216,507	–
Bank and other borrowings	165,200	170,787	170,787	–
Obligations under finance leases	41,045	45,435	23,639	21,796
Amount due to immediate holding company	29,943	29,943	29,943	–
Amount due to a related company	9,208	9,326	9,326	–
	<u>461,903</u>	<u>471,998</u>	<u>450,202</u>	<u>21,796</u>

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	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	On demand or within 1 year <i>RMB'000</i>	More than 1 year but less than 5 years <i>RMB'000</i>
As at 31 December 2016				
Trade and other payables	264,559	264,559	264,559	–
Bank and other borrowings	324,118	333,644	316,173	17,471
Obligations under finance leases	41,552	45,263	26,703	18,560
	<u>630,229</u>	<u>643,466</u>	<u>607,435</u>	<u>36,031</u>
As at 31 December 2017				
Trade and other payables	328,078	328,078	328,078	–
Bank and other borrowings	290,078	302,715	268,713	34,002
Obligations under finance leases	60,094	65,997	31,426	34,571
Dividend payable	41,065	41,065	41,065	–
Amount due to immediate holding company	13,393	13,393	13,393	–
	<u>732,708</u>	<u>751,248</u>	<u>682,675</u>	<u>68,573</u>
As at 30 June 2018				
Trade and other payables	426,350	426,350	426,350	–
Bank and other borrowings	485,082	500,155	445,942	54,213
Obligations under finance leases	78,214	86,544	40,935	45,609
	<u>989,646</u>	<u>1,013,049</u>	<u>913,227</u>	<u>99,822</u>

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. Our Group is not exposed to cash flow interest rate risk as the interest rates of all our Group's borrowings which are interest bearing are fixed.

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The following table details the interest rate profile of our Group's borrowings as at the dates indicated.

	As at 31 December				As at 30 June			
	2015		2016		2017		2018	
	<i>Effective</i>		<i>Effective</i>		<i>Effective</i>		<i>Effective</i>	
	<i>interest</i>		<i>interest</i>		<i>interest</i>		<i>interest</i>	
	<i>rate (%)</i>	<i>RMB'000</i>	<i>rate (%)</i>	<i>RMB'000</i>	<i>rate (%)</i>	<i>RMB'000</i>	<i>rate</i>	<i>RMB'000</i>
Fixed rate borrowings:								
Amount due to a related company	5.90%	9,208	N/A	–	N/A	–	N/A	–
Bank loans, secured	5.14%	165,200	4.26%	299,030	4.50%	243,260	4.63%	405,707
Other borrowings, secured	N/A	–	8.80%	25,088	9.01%	46,818	9.01%	79,375
Obligations under finance leases	9.32%	41,045	9.30%	41,552	9.23%	60,094	9.23%	78,214
		<u>215,453</u>		<u>365,670</u>		<u>350,172</u>		<u>563,296</u>

Currency risk

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

The following table details our Group's exposure as at the dates indicated 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.

	As at 31 December			As at
	2015	2016	2017	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets or liabilities denominated in HK\$				
Bank balances and cash	81	46,926	235	569
Amount due to immediate holding company	(17)	–	–	–
Trade receivables, bills receivables, other receivables, deposits and prepayments	–	463	516	4,904
Trade and other payables	–	–	(1,143)	(3,248)
Bank loans	–	–	–	(84,277)
	<u>64</u>	<u>47,389</u>	<u>(392)</u>	<u>(82,052)</u>

FINANCIAL INFORMATION

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets or liabilities denominated in US\$				
Bank balances and cash	7,603	2,029	10,753	11,229
Trade receivables, bills receivable, other receivables, deposits and prepayments	2,989	9,012	6,792	4,936
Trade and other payables	(759)	(979)	(856)	(5,242)
Dividend payable	–	–	(41,065)	–
Amount due to immediate holding company	(29,926)	–	(13,393)	–
	<u>(20,093)</u>	<u>10,062</u>	<u>(37,769)</u>	<u>10,923</u>
Overall net exposure	<u>(20,029)</u>	<u>57,451</u>	<u>(38,161)</u>	<u>(71,129)</u>

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging, research and development or other services with us.

DIVIDEND

For the two years ended 31 December 2016, our Group did not distribute any dividends to our shareholders.

For the year ended 31 December 2017, an interim dividend of US\$16,580,000 (equivalent to approximately RMB112,320,000) was declared of which US\$10,295,000 (equivalent to approximately RMB69,823,000) and US\$6,285,000 (equivalent to approximately RMB39,793,000) was paid during the year ended 31 December 2017 and the six months ended 30 June 2018 respectively.

For the six months ended 30 June 2018, our Group did not distribute any dividends to our shareholders.

After completion of the Global Offering, Shareholders will be entitled to receive dividends declared by our Company.

FINANCIAL INFORMATION

Dividend payments are discretionary and will be subject to the recommendation of our Board and approval of the Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in a given year in the future will depend on, among others, our Group's results of operations, available cash flows and financial conditions, operating and capital requirements, the amount of distributable profits based on the IFRSs, the Articles, applicable laws and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future.

The historical dividend payments may not be indicative of future dividend trends. We currently do not have a formal dividend policy or a fixed dividend payout ratio. There can be no assurance that any dividends will be paid. Our Group conducts its core business operations through its operating subsidiaries in the PRC. Our profits available for dividend distributions are therefore dependent on the profits available for distribution from our PRC subsidiaries. Further details can be found in the section headed "Risk factors" in this prospectus. Investors should also consider the cautionary notice regarding the forward-looking statements contained under the section headed "Forward-looking statements" in this prospectus.

DISTRIBUTABLE RESERVE

As at 30 June 2018, we had approximately RMB175.6 million of retained profits available for distribution to our Shareholders.

LISTING EXPENSES INCURRED AND TO BE INCURRED

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. During the Track Record Period, we have incurred listing expenses, including legal, professional and other fees, in connection with the Global Offering. We expect the total estimated amount of listing related fees, including underwriting commissions, with the assumption of an Offer Price of HK\$4.37 (being the mid-point of the Offer Price range) would be approximately HK\$37.2 million, of which approximately HK\$8.6 million and HK\$7.0 million was charged to our administrative expenses for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively. We expect an additional amount of approximately HK\$5.0 million to be further recognised as administrative expenses for the second half of the year ending 31 December 2018 and approximately HK\$16.6 million to be deducted from equity upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The statement of our unaudited pro forma adjusted consolidated net tangible assets below illustrates the effect of the Global Offering of our Company on the consolidated net tangible assets of our Group, assuming the Global Offering had taken place on 30 June 2018.

FINANCIAL INFORMATION

The statement of our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as at 30 June 2018 or at any future date.

	Consolidated net tangible assets of our Group as at 30 June 2018 HK\$'000 <i>Note 1</i>	Estimated net proceeds from the Global Offering HK\$'000 <i>Note 2</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ <i>Note 3</i>	Market capitalisation HK\$ <i>Note 5</i>
Based on an Offer Price of HK\$3.98 per Offer Share	459,453	284,352	743,805	2.47	1,197 million
Based on an Offer Price of HK\$4.76 per Offer Share	459,453	340,509	799,962	2.66	1,431 million

Notes:

- (1) The consolidated net tangible assets of our Group as at 30 June 2018 have been calculated based on the consolidated total equity as at 30 June 2018 of approximately RMB408.5 million extracted from the Accountants' Report set out in Appendix I to this Prospectus and translated to HK\$ at the rate of RMB1 to HK\$1.125.
- (2) The estimated net proceeds from the Global Offering are based on 75,158,000 Shares (25% of 300,632,000 shares expected to be in issue immediately following the completion of the Global Offering) at the Offer Price of HK\$3.98 per Offer Share (being the low-end of the Offer Price) and HK\$4.76 per Offer Share (being the high-end of the Offer Price), after deduction of the estimated underwriting fees and other estimated related expenses which has not yet been accounted for prior to 30 June 2018 and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,632,000 Shares expected to be in issue immediately following the completion of the Global Offering.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions entered into subsequent to 30 June 2018.
- (5) The market capitalisation is calculated based on 300,632,000 Shares expected to be in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2018 and up to the date of this prospectus, and there is no event since 30 June 2018 and up to the date of this prospectus which will materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders include Mr. Richard Tan, PMHC, Golden Ford, Elite Age and Star Concord. Immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, our Controlling Shareholders (except Mr. Richard Tan who was/is not, and will not be, interested in any Shares) will continue to be (or deemed to be) interested in aggregate of 180,379,200 Shares, representing 60% of the issued and outstanding share capital of our Company. As (i) each of PMHC, Golden Ford, Elite Age and Star Concord is directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power of general meetings of our Company immediately following the Listing; and (ii) Mr. Richard Tan, the protector of the TCC Entrepreneur Trust and the sole director of PMHC, is entitled to, despite he has no interest in any Share, indirectly exercise or control the exercise of 30% or more of the voting power of general meetings of our Company or in a position to control the composition of a majority of our Board, each of Mr. Richard Tan, PMHC, Golden Ford, Elite Age and Star Concord shall be regarded as a Controlling Shareholder under the Listing Rules. Please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus for further details regarding the shareholding structure of our Company.

Save as disclosed above, there is no other person who, immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, will be entitled to exercise or control the exercise of 30% or more of the voting power of our Company or in a position to control the composition of a majority of our Board.

Apart from our Group’s business, our Controlling Shareholders currently own certain other businesses which comprise of non-corrugated packaging products and corrugated sheet boards business such as banking and financial leasing. Each of the Controlling Shareholders confirms that as at the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our Group’s business, and requires disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

For the purpose of the Listing, our Controlling Shareholders entered into the Deed of Non-competition in favour of our Company (for ourselves and for the benefit of our subsidiaries) on 30 November 2018, pursuant to which each of our Controlling Shareholders irrevocably and unconditionally undertakes and covenants with our Company for ourselves and for the benefit of our subsidiaries that, during the Relevant Period (as defined below), he/it shall not, and shall procure that his/its associates (for the purpose of the Deed of Non-competition, shall have the same meaning as defined under Rule 1.01 of the Listing Rules but excluding our Group) shall not:

- (a) directly or indirectly (other than through our 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 our Group (the “**Restricted Business**”);
- (b) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) solicit or procure any of the directors, senior management or other employees of our Group from time to time to resign or otherwise cease providing services to our Group; and/or
- (d) unless with the prior written consent of our Company, disclose any confidential information of our Group to any other third parties, including but not limited to, customers list and supplier list.

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

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

In addition, each of our Controlling Shareholders irrevocably and unconditionally undertakes and covenants that if he/it and or any of his/its associates (other than our Group) is offered or become aware of any business opportunity relating to any of the products and/or services of our 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 our Company in writing of the Business Opportunity and provide such information as is reasonably required by our Company as soon as practicable in order to enable it to come to an informed assessment of the Business Opportunity;
- (b) use its/his best endeavours to procure that the Business Opportunity is offered to our 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 our 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) our Company has confirmed in writing it will not take up the Business Opportunity; or (ii) one month from the Notification Date has expired and our Company has failed to enter into agreement with the prospective contracting party in respect of the Business Opportunity; or (iii) the prospective contracting

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

party has confirmed to our Company or the relevant Controlling Shareholder to the effect that it will not enter into agreement with our Company in respect of the Business Opportunity.

Each of our Controlling Shareholders also represents and warrants that as at the date of the Deed of Non-competition, other than his/its interests in our Group, neither he/it nor any of his/its close associates is interested, involved or engaged, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business (otherwise than through our Group) or is otherwise engaged in any business that competes or may compete with those of our Group.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/it shall and shall procure his/its close associates to, amongst others:

- (i) provide with our Company all information necessary for the enforcement of the undertakings or covenants in the Deed of Non-competition;
- (ii) provide an annual confirmation to our Company confirming that he/it and his/its close associates have not breached the terms of the undertakings contained in the Deed of Non-competition;
- (iii) provide all information necessary for the annual review by our independent non-executive Directors of his/its compliance with the terms of the Deed of Non-competition and the enforcement of the Deed of Non-competition; and
- (iv) abstain from voting at any general meeting of our Company where there is any actual or potential conflict of interests.

Our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertakings in the Deed of Non-competition and we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertakings (for example, the exercise or non-exercise of options or first rights of refusal in respect of the Business Opportunity) either in our annual reports, or by way of announcements.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon the Listing taking place.

The Deed of Non-competition will cease to have effect on the earliest of the date on which (i) our relevant Controlling Shareholder together with their respective close associates (other than a member of our Group) ceases to be a controlling shareholders (as defined under the Listing Rules from time to time) of our Company; or (ii) our Shares cease to be listed on the Stock Exchange (the “**Relevant Period**”).

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and their associates upon the completion of the Global Offering.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management Independence

Our Board comprises five Directors, of which three are independent non-executive Directors who have extensive experience in different areas or professions and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent opinions.

None of our Directors is our Controlling Shareholder or related to our Controlling Shareholders. Our Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to have any decision-making power unless authorised by our Board.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event there is a material potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum except permitted under the Articles and/or the Listing Rules.

The three independent non-executive Directors provide checks and balances over our Board's decision-making on significant transactions. The audit committee of our Board, which comprises of the three independent non-executive Directors and the non-executive Director, is responsible for reviewing potential conflicts of interest (if any) as well as reviewing connected transactions (if any) falling within the scope of Chapter 14A of the Listing Rules. Such committee is also responsible for reviewing and approving the financial reporting process, risk management and internal control systems of our Group.

Other than the audit committee of our Board, we have also established a remuneration committee of our Board to ensure that Directors and senior management are properly remunerated without being over compensated. We also have a nomination committee which is responsible for ensuring that only persons with capability and relevant experience are appointed as Directors and assessing the independence of our Directors on an annual basis.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Global Offering.

Operational Independence

During the Track Record Period, our Group was operationally independent from our Controlling Shareholders and their associates. Save for the related party transactions disclosed under note 31 to the Accountants' Report set out in Appendix I to this prospectus and the connected transactions disclosed under the section headed "Connected transactions", there have been no other business dealings between our Group and our Controlling Shareholders and their associates. Our Directors are of the view that the entering into of the licensing deed and the machinery and equipment finance lease agreements were concluded after arm's length negotiations on normal commercial terms which in the interests of our Shareholders and our Group as a whole. Our Directors are of the view that our Group's business will be operationally independent of our Controlling Shareholders despite the entering into the licensing deed and the machinery and equipment finance lease agreements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our organisational structure is made up of a number of operational teams and functional departments, each with specific areas of duties and responsibilities under the leadership of the management team of our Group, and all of which operate independently from our Controlling Shareholders. Internal control procedures are available to ensure effective operation of our business. Further, our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major suppliers and major customers of our Group (other than the business contacts in the ordinary course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Financial Independence

Our Group has an independent internal control and accounting system. We also have an independent accounting department responsible for discharging the treasury function. Our Group is capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

Besides, our Group's outstanding bank borrowings as at 30 June 2018 was approximately RMB405.7 million. Our Group's bank borrowings were short-term secured bank loans repayable within one year subject to a repayable on demand clause in the facility letters. Our loan in the amount of RMB86.7 million was secured by pledged deposits provided by our immediate holding company, namely PMHC. Our Directors confirm that the pledged deposits provided by PMHC was fully released on 14 September 2018 and that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating incomes, save for the finance lease transactions disclosed in the section headed "Connected transactions" in this prospectus. Our Directors do not expect our Group to be financially dependent on our Controlling Shareholders or their associates after the Listing and are of the view that after the Listing, our Group is capable of obtaining financing from external sources and there will be no financial dependence on our Controlling Shareholders or any of their respective associates.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt corporate governance measures with the following principles to manage potential conflict of interests and safeguard the interests of our Shareholders:

- (i) In the event that there is a material potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum except permitted under the Articles and/or the Listing Rules;
- (ii) Each of our Controlling Shareholders has undertaken to provide to our Company all information necessary for the enforcement of the undertakings or covenants in the Deed of Non-competition;
- (iii) Each of our Controlling Shareholders has undertaken to provide an annual confirmation to our Company that he/it and his/its associates have not breached the terms of the undertakings contained in the Deed of Non-competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) Each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors of his/its compliance with the terms of the Deed of Non-competition and the enforcement thereof;
- (v) Each of our Controlling Shareholders has undertaken to abstain from voting at any general meeting of our Company where there is any actual or potential conflict of interests;
- (vi) Our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertakings in the Deed of Non-competition by our Controlling Shareholders. Our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition in our Company's annual reports, or by way of announcements;
- (vii) We have appointed SPDBI Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules; and
- (viii) Pursuant to the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules, our Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our cost.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group, and to protect the interests of our Shareholders, in particular, our minority Shareholders.

Moreover, any transaction that is proposed between us and any of our Controlling Shareholders will be required to comply with the then requirements of the Listing Rules, including, where applicable, the announcement, reporting and/or independent Shareholders' approval requirements.

Based on the above, our Board is satisfied that there are sufficient and effective preventive measures to manage conflicts of interest and our Board is able to operate independently of the Controlling Shareholders.

CONNECTED TRANSACTIONS BETWEEN OUR GROUP AND OUR CONTROLLING SHAREHOLDERS OR THEIR RESPECTIVE ASSOCIATE

Particulars of continuing connected transactions between our Group and PMHC, being one of our Controlling Shareholders and Chongqing Stone Tan, an associate of Golden Ford (a Controlling Shareholder) and thus a connected person of our Group, are set out in the section headed "Connected transactions" in this prospectus.

CONNECTED TRANSACTIONS

We have entered into a number of agreements or transactions with our connected persons in our ordinary and usual course of business. Upon the Listing, the transactions disclosed under this section will constitute continuing connected transactions under the Listing Rules.

FULLY EXEMPT CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

A. FULLY EXEMPT CONNECTED TRANSACTION

Service Agreement

On 11 May 2018, a service agreement was entered into among Asia Corp, PMPC and SHBP (the “**Service Agreement**”). According to the Service Agreement, Asia Corp as service provider provides domain hosting and supporting services to both PMPC and SHBP for the period from 13 May 2018 to 12 May 2019 at a fixed fee of RMB110,400 (including VAT). As at the Latest Practicable Date, Asia Corp is engaging in the business of, amongst others, internet access and storage of internet data services and is wholly-owned by Ms. Long Yanping, a member of our senior management and a director and supervisor of certain of our subsidiaries and thus, Asia Corp is a connected person of our Company.

B. FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Licensing Deed

On 28 January 2018, a licensing deed was executed by PMHC, a Controlling Shareholder, which holds 80% of the issued share capital of our Company immediately prior to the Listing, as licensor and our Company as licensee (the “**Licensing Deed**”). According to the Licensing Deed, PMHC as licensor shall at nil consideration grant to our Group a non-exclusive licence to use the trademark registered in Hong Kong with registration number 302814183 and the trademark registered in the PRC with registration number 7270049 in relation to the business of producing and selling of corrugated packaging products (including boxes, display stands, paper pallets etc.) and corrugated sheet boards to the PRC market during the period of three years commencing on the date of execution of the Licensing Deed, which shall automatically renew for periods of three years subject to compliance of the requirements under the Listing Rules. The Licensing Deed shall continue in full force and effect until terminated in accordance with the provisions thereunder. Each party thereto may give to the other party at least three months’ notice in writing to terminate the Licensing Deed. For details of the trademarks, please refer to the section headed “B. Further information about the business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the Service Agreement and the Licensing Deed (on an annual basis) are less than 5% and the consideration and annual total consideration (where applicable) is less than HK\$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, each of such transactions constitutes a *de minimis* connected transaction and continuing connected transaction fully exempt from Shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have since 2013 entered into a number of lease transactions with Chongqing Stone Tan for the provision of direct lease and sale and leaseback services in respect of various machinery and equipment used in the business of our Group by Chongqing Stone Tan. As at the Latest Practicable Date, certain of our subsidiaries entered into the following machinery and equipment lease transactions (collectively the “Existing Lease Transactions”), which are subsisting as at the Latest Practicable Date. Chongqing Stone Tan is a company incorporated in the PRC with limited liability whose principal business is provision of finance lease service. Chongqing Stone Tan is indirectly owned as to approximately 91.5% by Stone Tan China Holding Corporation which in turn is indirectly owned as to, in aggregate, approximately 45.7% by Pacific Millennium Global Holdings Corporation (“PMGHC”). As PMGHC is owned as to 80% by Golden Ford, Chongqing Stone Tan is an associate of Golden Ford, a Controlling Shareholder, and thus a connected person of our Company. Set out below is a brief summary of the Existing Lease Transactions subsisting as at the Latest Practicable Date:

Transactions	Principal amount (including VAT)	One-off handling fee (including VAT)	Interest rate (Note) (approximately)	Term
<i>Machinery and equipment lease agreements between CSBP as lessee and Chongqing Stone Tan as lessor</i>				
1. Financial leasing of machinery and equipment	RMB320,239.0	RMB3,202.0	9.2%	36 months from June 2018
<i>Machinery and equipment lease agreements between TCBP as lessee and Chongqing Stone Tan as lessor</i>				
2. Financial leasing of machinery and equipment	RMB23,775,043.0	RMB239,800.0	8.8%	36 months from August 2017
3. Financial leasing of machinery and equipment	RMB7,634,188.0	RMB77,000.0	9.2%	36 months from January 2018
4. Financial leasing of machinery and equipment	RMB694,017.0	RMB7,000.0	9.2%	36 months from January 2018
5. Financial leasing of machinery and equipment	RMB1,685,470.0	RMB17,000.0	9.3%	36 months from January 2018
6. Financial leasing of machinery and equipment	RMB2,379,487.0	RMB24,000.0	9.2%	36 months from January 2018
7. Financial leasing of machinery and equipment	RMB2,339,829.0	RMB23,600.0	9.3%	36 months from March 2018
8. Financial leasing of machinery and equipment	RMB3,570,000.0	RMB36,000.0	9.3%	36 months from March 2018
9. Financial leasing of machinery and equipment	RMB1,764,787.0	RMB17,800.0	9.2%	36 months from March 2018
10. Financial leasing of machinery and equipment (lease back)	RMB12,004,500.0	RMB120,045.0	9.0%	36 months from June 2018
11. Financial leasing of machinery and equipment (lease back)	RMB8,557,250.0	RMB85,573.0	9.0%	36 months from July 2018

CONNECTED TRANSACTIONS

Transactions	Principal amount (including VAT)	One-off handling fee (including VAT)	Interest rate (Note) (approximately)	Term
<i>Machinery and equipment lease agreements between DLBP as lessee and Chongqing Stone Tan as lessor</i>				
12. Financial leasing of machinery and equipment	RMB408,000.0	RMB4,080.0	9.2%	36 months from June 2018
<i>Machinery and equipment lease agreements between GDBP as lessee and Chongqing Stone Tan as lessor</i>				
13. Financial leasing of machinery and equipment	RMB568,092.0	RMB5,681.0	9.2%	36 months from July 2018
<i>Machinery and equipment lease agreements between QDBP as lessee and Chongqing Stone Tan as lessor</i>				
14. Financial leasing of machinery and equipment	RMB3,570,000.0	RMB35,700.0	9.3%	36 months from June 2018
<i>Machinery and equipment lease agreements between SYBP as lessee and Chongqing Stone Tan as lessor</i>				
15. Financial leasing of machinery and equipment	RMB345,000.0	RMB3,450.0	9.2%	36 months from May 2018
16. Financial leasing of machinery and equipment	RMB1,720,000.0	RMB17,200.0	9.2%	36 months from May 2018
<i>Machinery and equipment lease agreements between SZBP as lessee and Chongqing Stone Tan as lessor</i>				
17. Financial leasing of machinery and equipment	RMB180,000.0	RMB1,800.0	9.2%	36 months from July 2018
<i>Machinery and equipment lease agreements between ZJBP as lessee and Chongqing Stone Tan as lessor</i>				
18. Financial leasing of machinery and equipment (lease back)	RMB12,782,086.9	nil	9.7%	36 months from November 2018

Note: The interest rate was calculated without taking into account the handling fee.

The Existing Lease Transactions between us and Chongqing Stone Tan involved mainly (i) the purchase of machinery and equipment by Chongqing Stone Tan from independent supplier specified by us and lease of such machinery and equipment by Chongqing Stone Tan to us for a term; and (ii) in some cases, the purchase of machinery and equipment owned by us by Chongqing Stone Tan and lease back of such machinery and equipment by Chongqing Stone Tan to us for a term.

CONNECTED TRANSACTIONS

The interest rate for the Existing Lease Transactions were determined with reference to (i) the benchmark lending rates published by People’s Bank of China from time to time for the same period; (ii) the prevailing market interest rate for comparable leases transactions in the PRC; and (iii) various other factors including but not limited to loan to value ratio, amount of down payment and value of collateral etc.

In view of the fact that the machinery and equipment lease transactions between us 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, we 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 us and Chongqing Stone Tan after the Listing. We consider it beneficial for us to continue to engage in the machinery and equipment lease transactions with Chongqing Stone Tan having regard to the nature of the services to be provided by Chongqing Stone Tan and our established working relationships with Chongqing Stone Tan, and the fact that the machinery and equipment lease transactions have facilitated and are expected to continue to facilitate the operation and growth of our Group’s business through broadening our financing channels and providing stable and reliable source of funding.

Under the Framework Agreement, Chongqing Stone Tan shall provide machinery and equipment lease service to our Group for the purchase of various machinery and equipment for our business. The term of the Framework Agreement is from the Listing Date and ending on 31 December 2020 (both days inclusive). Our Group and Chongqing Stone Tan shall enter into specific agreement in respect of each transaction contemplated under the Framework Agreement in accordance with the principal terms under the Framework Agreement.

Historical transaction amount

The table below sets out the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) paid by us to Chongqing Stone Tan in relation to the Existing Lease Transactions during the Track Record Period:

Period	Maximum outstanding balance (including VAT) (approximately)	Annual interest payment plus handling fee (including VAT) (approximately)
For the year ended 31 December 2015	RMB65.7 million	RMB3.6 million
For the year ended 31 December 2016	RMB75.8 million	RMB6.7 million
For the year ended 31 December 2017	RMB129.3 million	RMB6.8 million
For the six months ended 30 June 2018	RMB170.4 million	RMB6.2 million

CONNECTED TRANSACTIONS

Annual cap

Our Directors estimate that the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) payable by us to Chongqing Stone Tan for the machinery and equipment lease transactions contemplated under the Framework Agreement for the three years ending 31 December 2020 will not exceed the following amounts:

Period	Maximum outstanding balance (including VAT)	Annual interest payment plus handling fee (including VAT)
For the year ending 31 December 2018	RMB180.0 million	RMB13.2 million
For the year ending 31 December 2019	RMB190.0 million	RMB13.7 million
For the year ending 31 December 2020	RMB200.0 million	RMB13.6 million

Basis for annual cap

In determining the above annual caps, our Directors have considered (i) the aggregate outstanding balance and repayment schedule of the Existing Lease Transactions; and (ii) the demand of our Group for the lease services to be provided by Chongqing Stone Tan to upgrade our production facilities and purchase new machinery and equipment for our existing production plants.

Pricing policy

The interest rate payable by us to Chongqing Stone Tan for the machinery and equipment lease transactions contemplated under the Framework Agreement shall be determined with reference to (i) the benchmark lending rates published by People's Bank of China from time to time for the same period; (ii) the prevailing market interest rate for comparable lease transactions in the PRC; and (iii) various other factors including but not limited to loan to value ratio, amount of down payment and value of collateral etc., and in any event the interest rate offered by Chongqing Stone Tan to us shall be no less favourable than that offered to (a) our Group by other independent comparable leasing companies; and (b) other independent third parties by Chongqing Stone Tan for comparable lease service.

In addition to the annual review on the transactions contemplated under the Framework Agreement by the auditor of our Group under Rule 14A.56 of the Listing Rules, to ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders as a whole, our senior management will supervise and monitor the transactions contemplated under the Framework Agreement and will ensure that the maximum outstanding balance (including VAT) and annual interest payment plus handling fee (including VAT) payable by our Group to Chongqing Stone Tan will not exceed the annual caps for the corresponding year/period.

CONNECTED TRANSACTIONS

LISTING RULES IMPLICATIONS

As Chongqing Stone Tan is an associate of Golden Ford, a Controlling Shareholder, and thus a connected person of our Company, the transactions contemplated under the Framework Agreement will constitute continuing connected transactions under the Listing Rules. Based on the proposed annual caps for the years ending 31 December 2018, 2019 and 2020, given that the relevant applicable percentage ratio (other than the profits ratio) in respect of the transactions contemplated under the Framework Agreement will be more than 5% and such proposed annual caps are more than HK\$10 million on an annual basis, the transactions contemplated under the Framework Agreement will be subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described above, and for which waiver has been sought, are determined through an arm's length negotiations between the parties to the Framework Agreement and the non-exempt continuing connected transactions described above (including the proposed annual caps) have been entered into on normal commercial terms or better that are fair and reasonable and in the interest of our Shareholders as a whole and in the ordinary and usual course of business of our Company and will be so in the future.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the Framework Agreement described above for which the waiver is sought has been entered into on normal commercial terms or better that are fair and reasonable and in the interest of the Shareholders as a whole and in the ordinary and usual course of business of our Company and that the proposed annual caps are fair and reasonable.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the non-exempt continuing connected transactions will continue after the Listing on a recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and incur unnecessary administrative costs on our Company each time such transactions arise. Accordingly, pursuant to the Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent Shareholder's approval requirements under Chapter 14A requirement of the Listing Rules once our Shares are listed on the Stock Exchange in respect of such non-exempt continuing connected transactions, subject to the aggregate amount of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

As part of the International Offer, we have entered into cornerstone investment agreements with (i) Brilliant Goal Investments Limited (“**Brilliant Goal**”) and its guarantor; (ii) Mega Capital Inc. (“**Mega Capital**”) and its guarantor; and (iii) Cycle Link International Holdings Limited (“**Cycle Link**”, together with Brilliant Goal and Mega Capital, the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”) and the Sole Global Coordinator, pursuant to which the Cornerstone Investors have agreed to purchase at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of HK\$134,966,000 (the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$3.98 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 33,911,000 Shares, representing approximately 11.28% of the Shares in issue upon completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option). Assuming an Offer Price of HK\$4.37 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 30,884,000 Shares, representing approximately 10.27% of the Shares in issue upon completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option). Assuming an Offer Price of HK\$4.76 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 28,354,000 Shares, representing approximately 9.43% of the Shares in issue upon completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option).

The details of their respective investments in our Company and respective Shares to be subscribed for are set forth below:

Cornerstone Investor	Investment amount ^(Note 1)	Indicative Offer Price per Offer Share ^(Note 2)	Number of Offer Shares to be subscribed ^(Note 3)	Approximate % of total Offer Shares in the Global Offering	Approximate % of total Shares in issue immediately following the completion of the Global Offering
Brilliant Goal	HK\$59,700,000	Low-end: HK\$3.98	15,000,000 Shares	19.96%	4.99%
		Mid-point: HK\$4.37	13,661,000 Shares	18.18%	4.54%
		High-end: HK\$4.76	12,542,000 Shares	16.69%	4.17%
Mega Capital	HK\$15,566,000	Low-end: HK\$3.98	3,911,000 Shares	5.20%	1.30%
		Mid-point: HK\$4.37	3,562,000 Shares	4.74%	1.18%
		High-end: HK\$4.76	3,270,000 Shares	4.35%	1.09%
Cycle Link	HK\$59,700,000	Low-end: HK\$3.98	15,000,000 Shares	19.96%	4.99%
		Mid-point: HK\$4.37	13,661,000 Shares	18.18%	4.54%
		High-end: HK\$4.76	12,542,000 Shares	16.69%	4.17%

Notes:

1. The investment amount is exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% which the Cornerstone Investor will pay in respect of such Offer Shares.
2. Being the low-end, mid-point and high-end of the indicative Offer Price range set out in this prospectus respectively.
3. Based on the total investment amount payable by each Cornerstone Investor and subject to the rounding down to the nearest whole board lot of 1,000 Shares.

CORNERSTONE INVESTORS

To the best knowledge of our Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is, and will immediately following the Global Offering be, an Independent Third Party, independent of each other, not our connected person, and not an existing Shareholder of our Company or their respective close associates. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to their respective cornerstone investment agreements.

The Cornerstone Placing forms part of the International Offer. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any representation on our Board nor become a Substantial Shareholder (as defined in the Listing Rules) of our Company. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by any reallocation of Offer Shares between the International Offer and the Hong Kong Public Offer in the event of over subscription under the Hong Kong Public Offer as described in “Structure and conditions of the Global Offering – Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Offer” in this prospectus.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors. The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Brilliant Goal

Brilliant Goal is a company incorporated in BVI with limited liability. Its principal business activity is investment holding. Brilliant Goal is wholly-owned by Nine Dragons Paper (BVI) Group Limited, which in turn is wholly-owned by Nine Dragons Paper. Nine Dragons Paper, a China-based group listed on the Stock Exchange and engaged in production and sale of packaging paperboard products, is our largest supplier for the three years ended 31 December 2017 and the six months ended 30 June 2018. Other than the investment in our Company through the Cornerstone Placing and being a supplier of our Group, each of Brilliant Goal, Nine Dragons Paper (BVI) Group Limited and Nine Dragons Paper is independent of and not connected with or have any other relationship with our Directors, senior management or Substantial Shareholders of our Company or any of their respective associates.

Pursuant to the cornerstone investment agreement regarding the investment of Brilliant Goal in our Company, the performance of the obligations of Brilliant Goal thereunder are guaranteed by Nine Dragons Paper.

Mega Capital

Mega Capital is a company incorporated in Anguilla with limited liability. Its principal business activity is investment holding. Mega Capital is wholly-owned by Mr. Chan Ka Kui (“**Mr. Chan**”). Mr. Chan is a resident of Macau and is currently living in Taiwan. Mr. Chan is a consultant in catering service mainly providing solutions and advice to restaurants. Save for the investment in our Company as described above, each of Mega Capital and Mr. Chan does not have any other relationship, whether present or past, with our Group, our Substantial Shareholders, Directors and senior management, any connected persons of our Company or any of their respective associates.

Pursuant to the cornerstone investment agreement regarding the investment of Mega Capital in our Company, the performance of the obligations of Mega Capital thereunder are guaranteed by Mr. Chan.

Cycle Link

Cycle Link is a company incorporated in Hong Kong with limited liability and its subsidiaries are involving in manufacturing of pulp or acting as waste broker and dealer. Cycle Link is wholly-owned by Shanying Paper. Shanying Paper, a China-based group listed on the Shanghai Stock Exchange and engaged in manufacturing of paperboard and packaging materials, is our second largest supplier for the three years ended 31 December 2017 and the six months ended 30 June 2018. Other than the investment in our Company through the Cornerstone Placing and being a supplier of our Group, each of Cycle Link and Shanying Paper is independent of and not connected with or have any other relationship with our Directors, senior management or Substantial Shareholders of our Company or any of their respective associates.

CONDITIONS PRECEDENT

The obligations of our Company to issue and deliver the Offer Shares and the obligations of the Cornerstone Investors to subscribe for the Offer Shares under their respective cornerstone investment agreements are subject to the following conditions precedent:

- (a) the Offer Price having been agreed by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company in connection with the Global Offering;
- (b) the Underwriting Agreements having been entered into and become effective and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the respective time and date specified in the Underwriting Agreements;
- (c) no Laws (as defined therein) shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the acquisition contemplated under the Cornerstone Placing and there shall be no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the Cornerstone Placing;
- (d) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor are accurate, true in all aspects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the respective Cornerstone Investor;

- (e) none of the Underwriting Agreements having been terminated; and
- (f) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Offer Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and that such waiver, approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator, it will not, and will procure his/its affiliates not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any direct or indirect interest of any of the Shares to be subscribed by him/it pursuant to the respective cornerstone investment agreement or any interest in any company or entity (directly or indirectly) holding any of the relevant Shares (save for under some limited circumstances where such Cornerstone Investor transfers all or part of its interest in the relevant Shares to any company(ies) wholly owned by such Cornerstone Investor provided that, among other things, such Cornerstone Investor shall undertake in writing in favour of our Company, the Sole Sponsor and the Sole Global Coordinator to procure that such company(ies) wholly owned by it will, and each such company(ies) will also undertake in writing in favour of our Company, the Sole Sponsor and the Sole Global Coordinator that it will, abide by the obligations of such Cornerstone Investor under the respective cornerstone investment agreement, and such company(ies) shall be deemed to have given the same representation, warranties, acknowledgments and undertakings thereunder, as if such company(ies) were itself/themselves subject to such obligations and restrictions, and they shall jointly and severally bear all outstanding obligations and liabilities of such Cornerstone Investor under the respective cornerstone investment agreement.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option):

Authorised share capital

	<i>HK\$</i>
600,000,000 Shares	6,000,000

Shares issued and to be issued, fully paid or credited as fully paid

225,474,000	Shares in issue as at the date of this prospectus	2,254,740
7,516,000	Shares to be issued under the Hong Kong Public Offer	75,160
67,642,000	Shares to be issued under the International Offer (before any exercise of the Over-allotment Option) <i>(Note)</i>	676,420
300,632,000	Shares (before any exercise of the Over-allotment Option) <i>(Note)</i>	3,006,320

Note: If the Over-allotment Option is exercised in full, then 11,273,000 additional Shares will be issued resulting in a total issued share capital of 311,905,000 Shares with an aggregate nominal value of HK\$3,119,050.

According to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, we must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.

Assumptions

The above table assumes that the Global Offering becomes unconditional and are completed in accordance with the relevant terms and conditions. It takes no account of any Shares which may be allotted, issued or repurchased by us pursuant to the general mandates granted to our Directors for the allotment and issue of Shares and the repurchase of Shares as referred to below. It also assumes the Over-allotment Option is not exercised.

SHARE CAPITAL

Ranking

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this prospectus.

Circumstances under which general meeting and class meeting are required

Pursuant to the Cayman Companies Law and the terms of our Company's memorandum and articles of association, we may from time to time by ordinary shareholders' resolution (i) increase our capital; (ii) consolidate and divide our capital into shares of larger amount; (iii) divide our shares into classes; (iv) subdivide our shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, we may reduce our share capital or any capital redemption reserve or other distributable reserve in any way by shareholders' special resolution. For details, see the section headed "2. Articles of Association – (e) Alteration of capital" in Appendix III to this prospectus.

Subject to the Cayman Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For details, please refer to the section headed "2. Articles of Association – (d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

General mandate to issue Shares

Conditional on the conditions as stated in the section headed "Structure and conditions of the Global Offering – Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue by virtue of, scrip dividend schemes or other similar arrangements in accordance with the Articles, or pursuant to the Global Offering, Shares with an aggregate nominal value not exceeding the sum of (i) 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following the Global Offering (not including Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option); and (ii) if the general mandate to repurchase Shares referred to below is granted, the nominal value of the share capital of our Company which may be repurchased by our Company.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the Over-allotment Option. The general mandate will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;

SHARE CAPITAL

- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable law to be held; or
- (c) the passing of an ordinary resolution of the Shareholders of our Company in general meeting revoking or varying such mandate;

whichever occurs first.

For further details of this general mandate, see the section headed “A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 30 November 2018” in Appendix IV to this prospectus.

General mandate to repurchase Shares

Conditional on the conditions as stated in the section headed “Structure and conditions of the Global Offering – Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue following completion of the Global Offering.

This general mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of options which may be granted under share option scheme. A summary of the relevant Listing Rules is set out in the section headed “A. Further information about our Company – 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

The general mandate will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking or varying such mandate;

whichever occurs first.

For further details of this general mandate, see the section headed “A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 30 November 2018” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), each of the following persons will have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholder	Capacity and nature of interests	Number of Shares held ^(Note 1)	Approximate percentage of shareholding
PMHC ^(Note 2)	Beneficial Owner	180,379,200 (L)	60%
Golden Ford ^(Note 2)	Interest in a controlled corporation	180,379,200 (L)	60%
Elite Age ^(Note 3)	Interest in a controlled corporation	180,379,200 (L)	60%
Star Concord ^(Note 3)	Trustee	180,379,200 (L)	60%
Ample Bright ^(Note 4)	Trustee	180,379,200 (L)	60%
Fortune China ^(Note 4)	Interest in a controlled corporation	180,379,200 (L)	60%
Mr. Tsai ^(Note 5)	Interest in the Trustee	180,379,200 (L)	60%
Mr. Richard Tan ^(Note 5)	Interest in the Trustee	180,379,200 (L)	60%
Lead Forward ^(Note 6)	Beneficial Owner	45,094,800 (L)	15%
Mr. Cheng ^(Note 6)	Interest in a controlled corporation	45,094,800 (L)	15%

Notes:

- The letter “L” denotes the entity/person’s long position in the Shares.
- PMHC is wholly-owned by Golden Ford, Golden Ford is deemed to be interested in all the Shares held by PMHC pursuant to the SFO.
- Star Concord holds 60% of the entire issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Elite Age. Therefore, Star Concord is deemed to be interested in all the Shares held by Golden Ford pursuant to the SFO. Star Concord is the trustee of the TCC Entrepreneur Trust.
- Fortune China holds 40% of the entire issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Ample Bright. Therefore, Fortune China is deemed to be interested in all the Shares held by Golden Ford pursuant to the SFO. Fortune China is the trustee of the TCC Education Trust.
- PMHC is wholly-owned by Golden Ford which is in turn owned as to 60% and 40% by Elite Age and Ample Bright, respectively. Elite Age is wholly-owned by Star Concord while Ample Bright is wholly-owned by Fortune China. As Mr. Tsai is the sole shareholder of Star Concord and Mr. Richard Tan is the sole shareholder of Fortune China, each of Mr. Tsai and Mr. Richard Tan is deemed to be interested in all the Shares held by PMHC.
- Lead Forward is owned as to 87.7%, 7.3% and 5% by Mr. Cheng, Mr. Lan and Mr. Chow, respectively. Mr. Cheng is deemed to be interested in all the Shares held by Lead Forward pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering, have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Board consists of five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. The information of our Directors is set out below:

Name	Age	Position/Title	Responsibilities in our Group	Date of joining our Group	Date of appointment	Relationship with other Director(s) or senior management
Mr. Cheng Hsien-Chun (鄭顯俊)	62	Chairman of the Board and Executive Director	Overall management, business operation, strategic planning and business development	1994	29 January 2018 ^(Note 1)	Nil
Mr. Chow Tien-Li (周天力)	62	Non-executive Director	As a non-executive Director	2008	29 January 2018	Nil
Mr. Wang Jisheng (王計生)	65	Independent non-executive Director	As an independent non-executive Director	2013 ^(Note 2)	30 November 2018	Nil
Mr. Kiang Tien Sik David (江天錫)	72	Independent non-executive Director	As an independent non-executive Director	2018	30 November 2018	Nil
Dr. Su Morley Chung Wu (蘇崇武)	62	Independent non-executive Director	As an independent non-executive Director	2018 ^(Note 3)	30 November 2018	Nil

Notes:

1. Mr. Cheng was appointed as a Director on 20 July 2017 and redesignated as the chairman of the Board and the executive Director on 29 January 2018.
2. Mr. Wang Jisheng was an independent director of PMPG (HK) during the period from January 2013 to January 2018, responsible for providing independent advice to our Group. During that period, Mr. Wang had no day to day management in our Group.
3. Dr. Su was a director and general manager of SHBP from March 1994 to January 1995. Please refer to the sub-section headed “Board of Directors – Independent non-executive Directors” in this section for details.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Group's senior management team has the following members:

Name	Age	Position/Title	Responsibilities in our Group	Date of joining our Group	Date of appointment	Relationship with other Director(s) or senior management
Ms. Long Yanping (龍艷萍)	55	Corporate Controller	Accounting and financial control	1994	29 January 2018	Nil
Mr. Jiang Xiaogang (蔣曉剛)	55	Corporate Human Resources and Administration Director	Human resources and administration	2007	29 January 2018	Nil
Mr. Lan Tsung Hsien (藍宗賢)	63	Corporate Technical Director	Equipment and facilities management	1996	29 January 2018	Nil

BOARD OF DIRECTORS

Executive Director

Mr. Cheng Hsien-Chun is our executive Director and the chairman of our Board appointed on 29 January 2018. He was appointed as a Director on 20 July 2017 and re-designated as our executive Director and the chairman of our Board on 29 January 2018. He is in charge of the overall management, strategic planning and development of our Group. He first joined our Group in 1994 as a senior management of SHBP and was appointed as the general manager and chairman of SHBP in 1995. He is also a director of all subsidiaries and the general manager of certain subsidiaries of our Group. Mr. Cheng is currently a shareholder holding 87.7% interest in, and a director of, Lead Forward, a substantial Shareholder.

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

Mr. Cheng was a director, legal representative or manager (as applicable) of the companies below at the time of their respective dissolution or business licence revocation. As confirmed by Mr. Cheng, (i) the companies were solvent at the time of their dissolution or their business licence being revoked; (ii) to his best knowledge, the dissolution or business licence revocation of these companies was not due to his own fault or involved any integrity issue of himself; and (iii) for the two companies the business licences of which were revoked in 2000 and 2001, respectively, as these companies did not have substantial operations and were prepared to cease their business at that time, the designated staff (i.e. the accounting manager) had omitted the requirement of annual inspection which resulted in revocation of their business

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

licences. As further confirmed by Mr. Cheng, the dissolution or business licence revocation has not resulted in any punishment imposed on him by any administration bureaus for industry and commerce, nor any liability or obligation being imposed against him:

Name of the company	Place of incorporation	Nature of business	Status	Reason for dissolution or/ revocation of business licence	Date of dissolution/ cancellation of business registration
YTBP	PRC	Manufacturing	Deregistered	Cessation of business	18 June 2013
HFBP	PRC	Manufacturing	Deregistered	Cessation of business	13 March 2014
KSBP	PRC	Manufacturing	Deregistered	Cessation of business	9 February 2017
Shanghai An Jie Paper Co., Ltd.* (上海安潔紙品有限公司)	PRC	Manufacturing	Business licence being revoked but not deregistered	Failure to conduct annual inspection	12 December 2001
Shanghai Lian Ji Paper Co., Ltd.* (上海聯濟紙品有限公司)	PRC	Manufacturing	Business licence being revoked but not deregistered	Failure to conduct annual inspection	29 December 2000
Safe Venture Investment Limited (安盟投資有限公司)	Hong Kong	Investment	Deregistered	Cessation of business	13 September 2002

* For identification purpose only

In the three years preceding the Latest Practicable Date, Mr. Cheng had not held any directorship in any listed company.

Mr. Cheng is a member of the remuneration committee and the chairman of the nomination committee of our Board.

Non-executive Director

Mr. Chow Tien-Li is our non-executive Director appointed on 29 January 2018 and has served as a director of PMPG (HK) since January 2013.

He first joined our Group in 2008 and served as a director and general manager of PMPC and KSBP 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.

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 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.

In the three years preceding the Latest Practicable Date, Mr. Chow had not held any directorship in any listed company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chow is also a shareholder of Lead Forward which holds 5% interest of our Company and a member of the audit committee of our Board.

Independent non-executive Directors

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

Mr. Wang is an executive director and the general manager of Fu Shou Yuan International Group Limited whose shares are listed on the Stock Exchange (stock code: 1448). Mr. Wang has been the managing director of Shanghai FSY Industry Development Co., Ltd. since 1996, and he is also serving as a senior management in various subsidiaries of Fu Shou Yuan International Group Limited. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr. Wang had not held any directorship in any listed company. Mr. Wang is a member of the audit committee and the nomination committee, and the chairman of the remuneration committee of our Board.

Mr. Wang was a director, legal representative, supervisor or manager (as applicable) of the companies below prior to their respective dissolution. As confirmed by Mr. Wang the companies were solvent at the time of their dissolution or their business licence being revoked; and to his best knowledge, the dissolution or business licence revocation of these companies was not due to his own fault or involved any integrity issue of himself; and has not result in any punishment imposed on him by any administration bureaus for industry and commerce, nor any liability or obligation being imposed against him:

Name of the company	Place of incorporation	Nature of business	Reason for dissolution	Means of dissolution	Date of dissolution
Shanghai Diruike Auto Repair Co., Ltd.* (上海狄瑞克汽車修理有限公司)	PRC	Auto Repair Service	Cessation of business	Deregistration	8 March 2005
Shanghai Meilifeng International Trade Development Co., Ltd.* (上海美利豐國際貿易發展有限公司)	PRC	Trading	Cessation of business	Deregistration	25 June 2008
Shanghai Pudong Zhongfu Economic Development Company* (上海浦東中福經濟發展公司)	PRC	Trading	Cessation of business	Business licence being revoked and deregistration	26 July 2011, 5 February 2013

* For identification purpose only

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

In the three years preceding the Latest Practicable Date, Mr. Kiang had not held any directorship in any listed company. Mr. Kiang is a member of the nomination committee and the chairman of the audit committee of our Company.

Mr. Kiang was a director of the companies below at the time of its dissolution. As confirmed by Mr. Kiang, the companies were solvent at the time of its dissolution and to his best knowledge, the dissolution of this company has not result in any liability or obligation being imposed against him:

Name of the Company	Place of incorporation	Nature of business immediately prior to dissolution	Reason for dissolution	Means of dissolution	Date of dissolution
Green Top Company Limited (翠恒有限公司)	Hong Kong	Holding company of a golf membership	Cessation of business	Striking off	20 December 2002
e-Machines Limited (“e-Machines”)	Hong Kong	Research and development	Cessation of business	Creditors’ voluntary winding-up ^(note)	9 March 2003

Note: Under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if a company is put into liquidation by its shareholders by reason of insolvency (i.e. the company is unable to pay all its debts or its liabilities is more than its assets), the company is dissolved by way of creditors’ voluntary winding-up. Despite e-Machines was dissolved by way of creditors’ voluntary winding-up, it was indeed solvent at the time of its dissolution according to the statement of account prepared by the liquidator for e-Machines.

* For identification purpose only

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Dr. Su was a director, legal representative, supervisor or manager (as applicable) of the companies below prior to their respective dissolution or business licence revocation. As confirmed by Dr. Su, the companies were solvent at the time of their dissolution or their business licences being revoked; and to his best knowledge, the dissolution or business licence revocation of these companies was not due to his own fault or involved any integrity issue of himself; and has not result in any punishment imposed on him by any administration bureaus for industry and commerce, nor any liability or obligation being imposed against him:

Name of the company	Place of Incorporation	Nature of business	Status	Reason for dissolution/ revocation of business license	Date of dissolution/ revocation of business registration
Dongguan Hong'an Paper Co., Ltd.* (東莞宏安紙業有限公司)	PRC	Manufacturing	Business licence being revoked but not deregistered	Failure to conduct annual inspection	8 February 2006
Dongguan Zhujiang Packaging Co., Ltd.* (東莞珠江包裝有限公司)	PRC	Manufacturing	Business licence being revoked but not deregistered	Failure to conduct annual inspection	8 February 2006
Anhui Antai Forestry Co., Ltd.* (安徽安泰林業有限公司)	PRC	Planting	Deregistered	Cessation of business	In or about 2006

* For identification purpose only

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

In the three years preceding the Latest Practicable Date, Dr. Su had not held any directorship in any listed company. Dr. Su is a member of the audit committee and the remuneration committee of our Board.

Based on the aforesaid, our Directors are of the view that the revocation of business licences/dissolution of certain companies did not involve any dishonesty on the part of Mr. Cheng, Mr. Wang, Mr. Kiang or Dr. Su, which would otherwise cast doubt on their respective integrity and competency as well as their suitability to act as a director under Rules 3.08 and 3.09 of the Listing Rules. Our PRC Legal Advisers also confirm that, the abovementioned dissolution or business licence revocation matters in respect of Mr. Cheng, Mr. Wang and Dr. Su do not impact their current capacity to act as other company's director, supervisor or senior management under the applicable PRC laws and regulations.

Save as disclosed above, each of our Directors confirms with respect to him that: (i) there is no other information that should be disclosed for him pursuant to Rule 13.51(2) of the Listing Rules; and (ii) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. Long Yanping is our corporate controller appointed on 29 January 2018. She joined our Group in 1994 and has been mainly responsible for accounting and financial control. She is currently the corporate controller of our Company and is responsible for the accounting and financial control function of our Group. She is also a director of all existing operating subsidiaries of our Group in the PRC. She graduated from China University of Mining and Technology (中國礦業大學) (formerly known as Institute for Coal Mining Management of Beijing (北京煤炭管理幹部學院)), the PRC majoring in financial management and accounting of coal in July 1988. In the three years preceding the Latest Practicable Date, Ms. Long had not held any directorship in any listed company.

Mr. Jiang Xiaogang is our corporate human resources & administration director appointed on 29 January 2018. He joined our Group in 2007, and he mainly oversees our Group's human resource and administration matters. In addition, he has been a project director of our Group since 2015, responsible for the establishment of new production plants. He is also a director of all existing operating subsidiaries of our Group in the PRC and the company secretary of PMPG (HK).

Mr. Jiang graduated from Macau University of Science and Technology in 2004 with a Master degree in Business Administration. He possesses over 20 years of experience in the printing industry. Prior to joining our Group, he had worked for Dalian Shengdao Group Limited, a company engaged in printing in the PRC, and he served as the director for Dalian Shengdao Group Limited during the period from 1998 to 2006. In the three years preceding the Latest Practicable Date, Mr. Jiang had not held any directorship in any listed company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lan Tsung Hsien is our corporate technical director appointed on 29 January 2018 and also the supervisor of all subsidiaries of our Group in the PRC. He joined our Group in 1996 as the production manager of certain production plants of our Group. He graduated from the National Cheng Kung University (國立成功大學), Taiwan majoring in Mechanical Engineering in June 1977. As the corporate technical director, Mr. Lan is responsible for our Group's equipment and facilities management, including supervising the installation project of equipment in new production plans and conducting maintenance and safety check of the current equipment. Mr. Lan is a shareholder of Lead Forward holding 7.3% interest. In the three years preceding the Latest Practicable Date, Mr. Lan had not held any directorship in any listed company.

COMPANY SECRETARY

Mr. Cheung Kai Cheong Willie (張啟昌), is a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), mainly responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, he served as the company secretary and finance manager of CMMB Vision Holdings Limited (a company listed on the Stock Exchange with stock code 471) during the period from August 2008 to June 2014 and assistant financial controller of Ocean Concept Holdings Limited during the period from December 2014 to February 2016. He has more than 19 years of professional experiences in company secretarial, accounting and finance matters. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He obtained a Bachelor Degree of Arts (Honors) in Accounting and Finance at the University of Glamorgan in the United Kingdom in June 1996.

COMPLIANCE ADVISER

Our Company has appointed SPDBI Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, including advising our Board on compliance with the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the Listing Rules is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The material terms of the compliance adviser agreement are as follows:

- (a) the compliance adviser shall provide our Company with services, including guidance and advice as to compliance with the requirements under the Listing Rules;
- (b) The compliance adviser may terminate its appointment by serving a written notice on our Company not less than ten days in advance.

Pursuant to Rule 3A.29 of the Listing Rules, we and our compliance adviser will immediately notify the Stock Exchange of the termination or resignation of the compliance adviser, in each case, stating the reason for termination or resignation, as applicable; and our Company will notify the Stock Exchange of the new compliance adviser's appointment.

Except for the compliance adviser agreement entered into between our Company and SPDBI Capital dated 30 January 2018, and SPDBI Capital acting as our Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager and Underwriters in respect of the Global Offering, SPDBI Capital does not have any other contractual arrangement with our Group.

AUDIT COMMITTEE

We have established an audit committee on 30 November 2018 with its written terms of reference in compliance with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to our Board on the appointment and removal of external auditor, review and supervise the financial reporting process and internal control procedure of our Company. Our audit committee consists of four members, being Mr. Kiang, Mr. Chow, Mr. Wang and Dr. Su. Mr. Kiang currently serves as the chairman of our audit committee.

REMUNERATION COMMITTEE

We have established a remuneration committee on 30 November 2018 with its written terms of reference in compliance with the CG Code. 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 our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. Our remuneration committee consists of three members, being Mr. Wang, Mr. Cheng and Dr. Su. Mr. Wang currently serves as the chairman of our remuneration committee.

NOMINATION COMMITTEE

We have established a nomination committee on 30 November 2018 with its 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 our Board and make recommendations to our Board on any proposed changes to our Board to complement our Company's corporate strategy, to identify individuals suitably qualified to become members of our Board and select or make recommendations to our 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 our Board on the appointment or re-appointment of Directors and succession planning for Directors. Our

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

nomination committee consists of three members, being Mr. Cheng, Mr. Wang and Mr. Kiang. Mr. Cheng currently serves as the chairman of our nomination committee.

Besides, it is also the duty of our nomination committee to review our board diversity policy (the “**Board Diversity Policy**”), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that the members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group’s business strategy. Pursuant to the Board Diversity Policy, we seek 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, after Listing, will review the Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of the Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

CORPORATE GOVERNANCE

Except for deviation from provision A.2.1 of the CG Code, we have no material deviation from the CG Code as set forth in Appendix 14 to the Listing Rules as at the Latest Practicable Date.

Under code provision A.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 is our only executive Director, who performs similar function to that of a chief executive officer, and he also performs as the chairman of our Board. As Mr. Cheng has considerable experience in the corrugated packaging industry and has been assuming day-to-day responsibilities of managing and leading our Group since 1995, our Board believes that Mr. Cheng, being the executive Director and the chairman of our Board has the benefit of ensuring consistent leadership within our Group and enabling more effective and efficient overall strategic planning of our Group which is the best interest of our Group.

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

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Our Directors are aware that upon Listing, we are expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. Save as disclosed above, we will comply with the code provisions set out in the CG Code after Listing.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As at the Latest Practicable Date, we had 1,703 full-time employees. The following table sets forth a geographical breakdown of the employees by function:

Line function

	Number of employees by function
Human resources & administration	65
Accounting and finance	42
Production	1,037
Central scheduling	245
Quality control	22
Sales and marketing	120
Management	88
Sub-total	1,619

Corporate function

	Number of employees by function
Senior management	4
Procurement	17
Sales and marketing	19
Research and development	4
Accounting and finance	7
Central scheduling	1
Technical	6
Project	2
Human resources & administration	8
Management information system	7
Others	9
Sub-total	84
Total	1,703

As at the Latest Practicable Date, we had four employees from the PRC who also perform the management function in Hong Kong.

OUR GROUP'S RELATIONSHIP WITH EMPLOYEES

We believe that we maintain a good working relationship with our employees and we have not experienced any difficulty in recruiting staff for our operations. Our employees are not represented by any collective bargaining agreements or labour unions.

REMUNERATION OF DIRECTORS AND STAFF

Our executive Director has entered into a service contract with us for an initial fixed term of three years from their respective dates of appointment, which will continue thereafter until terminated by not less than three months' written notice or payment in lieu to the other party.

Our executive Director will receive a fee which is subject to an annual adjustment at a rate to be determined at the discretion of our Board. The fee, salaries, housing allowances, other allowances and benefits in kind was paid by our Group to our Directors (regardless of their date of appointment) for each of the three years ended 31 December 2017 and six months ended 30 June 2018 were approximately RMB996,000, RMB996,000, RMB1,015,000 and RMB474,000 respectively.

The aggregate amount of contributions to retirement benefits scheme paid by us to our Directors for each of the three years ended 31 December 2017 and six months ended 30 June 2018 was nil, nil, RMB26,000 and RMB15,000, respectively.

No other payments have been made or are payable by us to our Directors, in respect of the Track Record Period. Our Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors will be approximately RMB1.0 million for the year ending 31 December 2018.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to our Group. Details of the terms of the service contracts are set out in the section headed "C. Disclosure of interests – 1. Directors – (c) Particulars of service agreements and appointment letters " in Appendix IV to this prospectus.

We have not adopted any incentive scheme for its staff during the Track Record Period. Staff are offered basic salaries commensurate with market levels.

The aggregate amount of remuneration paid by us to our five highest paid individuals (including fees, performance bonuses, discretionary bonuses, housing and other allowances and other benefits in kind) for each of the three years ended 31 December 2017 and six months ended 30 June 2018 were approximately RMB3.4 million, RMB3.4 million, RMB3.9 million and RMB2.2 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period and none of our Directors waived or agreed to waive any emoluments during the Track Record Period.

RETIREMENT BENEFIT SCHEME

Our Group has employees in Hong Kong and the PRC. As required by the employment laws in Hong Kong, our Group participates in the mandatory provident fund scheme to provide retirement benefits for such Hong Kong employees. As required by the PRC regulations on social insurance, our Group participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance (as applicable).

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. At present, Mr. Cheng is our sole executive Director and he is not an ordinarily resident in Hong Kong or based in Hong Kong. As such, we have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) two authorised representatives were appointed pursuant to Rule 3.05 of the Listing Rules, one of whom is ordinarily resident in Hong Kong, and they will act as our Company's principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. The two authorised representatives appointed are Mr. Cheng and Mr. Cheung Kai Cheong, Willie. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) the Stock Exchange shall be promptly informed if there is any change to the authorised representatives;
- (c) all the authorised representatives have means to contact all members of our Board (including the non-executive Director and the independent non-executive Directors) or of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (a) each Director will provide his mobile phone numbers, residential phone numbers, office phone numbers, facsimile numbers (if applicable) and email addresses (if applicable) to the authorised representatives; (b) in event that each Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation to the authorised representatives; and (c) each Director and authorised representatives of our Company will provide his mobile phone number, office phone number, facsimile number (if applicable) and email addresses (if applicable) to the Stock Exchange;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (d) if circumstance require, meetings of our Board can be convened and held in such manner as permitted under the Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (e) our executive Directors has confirmed that he possesses a Hong Kong Identify Card which allows him to travel freely to Hong Kong and will be able to come to Hong Kong and meet the Stock Exchange upon reasonable short notice, when required; and
- (f) SPDBI Capital has been appointed by us as a compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, who will also act at all times, in addition to the two authorised representatives of our Company, as the principal channel of communication between our Company and the Stock Exchange, from the Listing Date to the date when our Company published our annual report for the first full financial year immediately after our Listing Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

A detailed description of our future plans is set forth in the section headed “Business – Business strategies” in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$4.37 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$3.98 to HK\$4.76 and the Over-allotment Option is not exercised) are approximately HK\$291.2 million.

Our Directors intend to apply the net proceeds (assuming the mid-point of the indicative Offer Price range is determined and the Over-allotment Option is not exercised) from the Global Offering for the following purposes:

- approximately HK\$214.5 million, representing approximately 73.6% of the net proceeds from the Global Offering, will be used to expand our production plants network in the eastern and southern regions of the PRC, of which:
 - approximately HK\$107.2 million, representing approximately 36.8% of the net proceeds from the Global Offering will be used to set up the manufacturing facilities for our new production base in Haiyan, Zhejiang Province, the PRC; and
 - approximately HK\$107.2 million, representing approximately 36.8% of the net proceeds from the Global Offering will be used to set up the manufacturing facilities for our new production base in Zhongshan, Guangdong Province, the PRC.

Our Group intends to set up our new production plants above by way of long-term lease with an expected term of not less than 15 years with Independent Third Parties.

FUTURE PLANS AND USE OF PROCEEDS

We intend to apply our net proceeds from the Global Offering to expand our production plants network as follows:

Type of capital expenditure	For the six months ending 31	For the year ending		Total	Aggregate % of net
	December	31 December			proceeds
	2018	2019	2020		
	RMB'000	RMB'000	RMB'000		RMB'000
New production plant in					
Haiyan, Zhejiang Province					
Construction/alteration	4,765	10,600	180	15,545	6.0
Production machinery and equipment	13,919	64,111	480	78,510	30.3
Laboratory equipment, office equipment and management information system	800	500	–	1,300	0.5
New production plant in					
Zhongshan, Guangdong Province					
Construction/alteration	–	15,365	180	15,545	6.0
Production machinery and equipment	–	73,267	5,243	78,510	30.3
Laboratory equipment, office equipment and management information system	–	1,300	–	1,300	0.5
Total	19,484	165,143	6,083	190,710	73.6

FUTURE PLANS AND USE OF PROCEEDS

For further details, please refer to the section headed “Business – Business strategies” in this prospectus.

- approximately HK\$49.1 million, representing approximately 16.9% of the net proceeds from the Global Offering, will be used to upgrade our production facilities and purchase new machinery and equipment for our existing production plants in the following manner:

Machinery and equipment	For the year ending 31 December 2019 <i>RMB'000</i>	For the year ending 31 December 2020 <i>RMB'000</i>	Total <i>RMB'000</i>	Aggregate % of net proceeds %
Flexo folder gluer in-line system	28,000	–	28,000	10.8
Logistic system in later production process	3,300	–	3,300	1.3
Others	5,100	7,300	12,400	4.8
Total	36,400	7,300	43,700	16.9

We estimate that the expected increase in production capacities as a result of such upgrade and purchase of new machinery and equipment will be 9.7 million sq.m. of corrugated packaging products per annum.

The additional depreciation expected to be incurred by our Group will be RMB3.4 million.

- approximately HK\$27.6 million, representing approximately 9.5% of the net proceeds from the Global Offering, will be used towards working capital and other general corporate purposes.

We estimate that the additional net proceeds we will receive if the Over-allotment Option is exercised in full will be approximately HK\$49.3 million (assuming an Offer Price of HK\$4.37 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$3.98 to HK\$4.76). Our Directors intend to apply the additional net proceeds from the exercise of the Over-allotment Option for the above uses on a pro rata basis.

If the Offer Price is fixed at HK\$4.76, being the high end of the indicative Offer Price range, our net proceeds will be (i) increased by approximately HK\$28.4 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$32.8 million, assuming the Over-allotment Option is exercised in full. Our Directors intend to use the additional net proceeds for the above uses on a pro rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$3.98, being the low end of the indicative Offer Price range, our net proceeds will be (i) decreased by approximately HK\$28.4 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$32.8 million, assuming the Over-allotment Option is exercised in full. Our Directors intend to adjust our allocation of the net proceeds for the above uses on a pro rata basis.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

Sole Global Coordinator

SPDB International Capital Limited

Joint Bookrunners and Joint Lead Managers

SPDB International Capital Limited

Mason Securities Limited

China Industrial Securities International Capital Limited

Crosby Securities Limited

Shenwan Hongyuan Capital (H.K.) Limited

China Tonghai Securities Limited

Dongxing Securities (Hong Kong) Company Limited

Yicko Securities Limited

Blackwell Global Securities Limited

Fulbright Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters and the International Offer is expected to be fully underwritten by the International Underwriters, both on several bases and subject to agreement on pricing of the Offer Shares being entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. In connection with the International Offer, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into, and the respective Underwriting Agreements are expected to be inter-conditional.

Subject to, among other conditions, the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are not taken up under the Public Offer.

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we have agreed to offer the Hong Kong Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

UNDERWRITING

Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, among other conditions, the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus (subject only to allotment and/or despatch of share certificates for the Offer Shares and such other usual conditions for transaction of this nature) and certain other conditions including the Offer Price being determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the entering into of the International Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed to subscribe for, or procure subscribers to subscribe for, the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offer on the terms and conditions of the Hong Kong Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is entitled to, in its sole and absolute discretion, by notice in writing to our Company, terminate the Hong Kong Underwriting Agreements if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement, reasonably considered by the Sole Global Coordinator to be material, contained in any of the Hong Kong Public Offer Documents (as defined therein) in relation to the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by Sole Global Coordinator to be material to the Global Offering; or
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters, the Sole Sponsor or Sole Global Coordinator); or
 - (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or our Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties and/or pursuant to the indemnities given by our Company, our Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change or development involving a prospective adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole; or

UNDERWRITING

- (vi) any breach by our Company, our executive Director or the warranting Shareholders, reasonably considered by the Sole Global Coordinator to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (vii) that our Company withdraws this prospectus; or
 - (viii) that approval by the Listing Department of the listing of, and permission to deal in, the Shares in issue and to be issued under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (ix) that our Reporting Accountants, our legal advisers as to Cayman Laws, our PRC Legal Advisers or Frost & Sullivan, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuation in the trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the major stock exchanges in China, a material fluctuation in the exchange rate of HK\$ against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
 - (iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any Group company (the “**Specific Jurisdictions**”); or

UNDERWRITING

- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on Hong Kong or of the Specific Jurisdiction; or
- (v) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (vi) any change or development involving a prospective change, or an actual occurrence of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (vii) save for those disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity, which is reasonably considered by the Sole Global Coordinator to be material; or
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions,

which in the sole opinion of Sole Global Coordinator (for itself and on behalf of Hong Kong Underwriters):

- (1) is or will have or could be expected to have a material adverse effect on the business, financial or other conditions or prospects of our Group as a whole; or
- (2) has or will have or could reasonably be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Offer; or
- (3) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

UNDERWRITING

Undertakings

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such an issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed by Rule 10.08(1) to (5) of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) during the First Lock-up Period (as defined in this sub-section below), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or our securities in respect of which they are shown by this prospectus to be the beneficial owners; or
- (b) at any time during the Second Lock-up Period (as defined in this sub-section below), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be our controlling shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders ceased to be, or regarded as, a group of controlling shareholder (as defined in the Listing Rules) of our Company.

In accordance with Note (3) of Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to us and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is the 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when he/it receives indications, either verbal or written, from any pledgee or charge that any of the pledged or charged securities of our Company will be disposed of, immediately inform us of such indications.

UNDERWRITING

Under Note (3) to Rule 10.07(2) of the Listing Rules, we are required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (1) or (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by Our Company

Under the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Global Coordinator and the Hong Kong Underwriters that, and each of the Controlling Shareholders and the executive Director of our Company has jointly and severally undertaken to the Sole Global Coordinator and the Hong Kong Underwriters to procure (so far as he/it is able to do so) except pursuant to the Global Offering (including the issue of new Shares pursuant to the exercise of the Over-allotment Option) or with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, our Company will not, and will procure that our subsidiaries not, to:

- (a) allot or issue, or agree to allot or issue any shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities); or
- (b) grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company; or
- (c) buy-back Shares or other securities of our Company (except in compliance with the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs); or
- (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares; or
- (e) offer to or agree to do any of the foregoing or announce any intention to do so,

within six months from the Listing Date (the “**First Lock-up Period**”) (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the First Lock-up Period (the “**Second Lock-up Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

(B) Undertakings by our Controlling Shareholders

Under the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to us and the Hong Kong Underwriters and each of them that without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) he or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement or the exercise of the Over-allotment Option) and shall procure that the relevant registered holder(s):

- (a) in the First Lock-up Period, shall not
 - (i) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or Encumbrances (as defined in the Hong Kong Underwriting Agreement) (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
 - (ii) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs(i) and (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.
- (b) within the Second Lock-up Period, shall not take any action as referred to in paragraphs (a) (i)-(iv) above, if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the The Hong Kong Code on Takeovers and Mergers issued by SFC as being the level for triggering a mandatory general offer); and
- (c) in the event of any disposal of Shares or any such interests referred to in paragraph (a) above after expiry of the First Lock-up Period, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

UNDERWRITING

International Underwriting Agreement

In connection with the International Offer, it is expected that our Company, our executive Director and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or around the Price Determination Date. It is expected that under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe or procure subscribers to subscribe for the International Offer Shares to be initially being offered under the International Offer (subject to reallocation) on and subject to the terms of the International Underwriting Agreement. The International Underwriting Agreement is expected to contain force majeure provisions as that contained in the Hong Kong Underwriting Agreement as mentioned above. In the event that the International Underwriting Agreement is not entered into on or before the Price Determination Date, or does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed and will lapse.

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to allot and issue up to an aggregate of 11,273,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover overallocations in the International Offer.

Commissions and expenses

Pursuant to the terms of the Hong Kong Underwriting Agreement, our Company has agreed to pay to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and, in the case of the International Underwriting Agreement, our Company will agree to pay to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), an underwriting commission of 3.1% of the aggregate final Offer Price payable for the Offer Shares (including the Over-allotment Shares), out of which they will (as the case may be) pay any sub-underwriting commissions. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$4.37 (being the mid-point of the Offer Price range of HK\$3.98 per Offer Share and HK\$4.76 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Global Offering are estimated to be about HK\$37.2 million in total which have been paid or are payable by our Company.

UNDERWRITING

THE SOLE SPONSOR AND THE UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above and the appointment of the Sole Sponsor as compliance adviser of our Company, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises the International Offer and the Hong Kong Public Offer. A total of 75,158,000 Shares will initially be made available under the Global Offering, of which 67,642,000 Shares, representing approximately 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the International Offer. The remaining 7,516,000 Shares, representing approximately 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the Hong Kong Public Offer. The number of Shares offered for subscription under the International Offer and the Hong Kong Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the International Offer will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

PRICING

The Offer Price will be not more than HK\$4.76 per Offer Share and is expected to be not less than HK\$3.98 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

DETERMINING THE OFFER PRICE

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Offer. Prospective investors will be required to specify the number of International Offer Shares under the International Offer they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or around the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 14 December 2018 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree.

The Offer Price shall be fixed on the Price Determination Date by agreement among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) in Hong Kong dollars after the market demand for the Offer Shares has been determined. The Offer Price range disclosed in this prospectus and the Application Forms is indicative only and the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, based on the level of indications of interest expressed by prospective investors during the bookbuilding process and after consultation with our Company and with the written consent of our Company, reduce the indicative Offer Price range below that disclosed in this prospectus and the Application Forms at any time not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If the Offer Price range is reduced, the Sole Sponsor shall assist our Company in arranging for, and our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in accordance with the Listing Rules a notice of reduction of the Offer Price range or to be announced in such manner as permitted under the Listing Rules and agreed between our Company, the Sole Sponsor and the Sole Global Coordinator. Upon issue of these

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us will be fixed within this revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offer. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. Applicants under the Hong Kong Public Offer should note that if an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer have been submitted, applicants will not be allowed to subsequently withdraw their application. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse immediately.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$4.76 per Offer Share and is expected to be not less than HK\$3.98 per Offer Share. Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$4.76 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$4,807.97 per board lot of 1,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$4.76 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional upon the satisfaction of all of the following conditions:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on or about the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator for itself and on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Offer and the Hong Kong Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on our Company's website at www.pmpgc.com and the website of the Stock Exchange at www.hkexnews.hk on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the paragraph headed "How to apply for the Hong Kong Offer Shares – 13. Refund of application monies" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licenced under the Banking Ordinance.

We expect to despatch share certificates for the Offer Shares on or before Thursday, 20 December 2018. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 21 December 2018 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised.

THE INTERNATIONAL OFFER

Our Company is initially offering, at the Offer Price, 67,642,000 Shares (subject to re-allocation as mentioned in the sub-section headed "Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Offer" in this section below), representing approximately 90% of the total number of Shares being initially offered under the Global Offering (before any exercise of the Over-Allotment Option), for subscription by way of International Offer. The International Offer will be managed by the Sole Global Coordinator and is expected to be fully underwritten by the International Underwriters. Pursuant to the International Offer, it is expected that the International Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the International Offer Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the International Underwriting Agreement will be executed on or around the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation of the International Offer Shares to professional, institutional and private investors pursuant to the International Offer will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the International Offer Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom International Offer Shares are offered are required to undertake not to apply for the Hong Kong Offer Shares under the Hong Kong Public Offer. The International Offer is subject to the conditions stated in the sub-section headed "Conditions of the Global Offering" in this section above.

OVER-ALLOTMENT OPTION

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to allot and issue up to an aggregate of 11,273,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover overallocations in the International Offer. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the International Offer and/or to satisfy the Sole Global Coordinator's obligation to return Shares borrowed under the Stock Borrowing Agreement. The Sole Global Coordinator may also cover any over-allocations under the International Offer through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent about approximately 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made.

Based on an Offer Price of HK\$4.37 per Offer Share (being the mid-point of the Offer Price range between HK\$3.98 per Offer Share and HK\$4.76 per Offer Share), the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be approximately HK\$291.2 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$49.3 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option.

The Hong Kong Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The International Offer involves selective marketing of the International Offer Shares by the International Underwriters to professional, institutional and private investors. Investors may either apply for the Shares under the Hong Kong Public Offer or indicate an interest for the Shares under the International Offer, and may only receive an allocation of Shares under the Hong Kong

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Public Offer or the International Offer. The Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors, chief executive of our Company or any of its subsidiaries or their respective close associates, or any other core connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become core connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Global Offering.

THE HONG KONG PUBLIC OFFER

Our Company is initially offering, at the Offer Price, 7,516,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Offer” below), representing approximately 10% of the total number of Shares being initially offered under the Global Offering, for subscription under the Hong Kong Public Offer (before any exercise of the Over-allotment Option). The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. Applicants for the Hong Kong Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Hong Kong Offer Shares will be required to give an undertaking and confirmation in the relevant Application Forms submitted by him/her that he/she has not applied for nor taken up any International Offer Shares nor participated in the International Offer. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Hong Kong Public Offer is to be divided into two pools of 3,758,000 Hong Kong Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications within either pool or between pools and any application made for more than 100% of the Hong Kong Offer Shares initially available under either pool A or pool B will be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer, both in relation to pool A or pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Applications under the Hong Kong Public Offer from investors receiving the International Offer Shares under the International Offer will be identified and rejected and investors receiving the Hong Kong Offer Shares under the Hong Kong Public Offer will not be offered the International Offer Shares under the International Offer. Multiple applications or suspected multiple applications or applications for more than 100% of the Hong Kong Offer Shares initially available in either pool A or pool B for public subscription under the Hong Kong Public Offer (i.e. to apply for more than 3,758,000 Hong Kong Offer Shares) are liable to be rejected.

The Hong Kong Public Offer is subject to the conditions as stated in the sub-section headed “Conditions of the Global Offering” in this section above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFER AND THE INTERNATIONAL OFFER

The allocation of Offer Shares between the Hong Kong Public Offer and the International Offer is subject to adjustment on the following basis:

- (a) if both the Hong Kong Offer Shares and the International Offer Shares are undersubscribed, the Global Offering shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;
- (b) if the Hong Kong Offer Shares are undersubscribed and the International Offer Shares are fully subscribed or oversubscribed, the Sole Global Coordinator will have the discretion to reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offer to the International Offer;
- (c) if the International Offer Shares are fully subscribed or oversubscribed, and:
 - (i) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offer from the International Offer will increase so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 22,548,000 Shares, representing approximately 30% of the total number of the Offer Shares available under the Global Offering;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offer from the International Offer will increase so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 30,064,000 Shares, representing approximately 40% of total number of the Offer Shares available under the Global Offering; and
- (iii) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offer from the International Offer will increase so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 37,579,000 Shares, representing 50% of the total number of the Offer Shares available under the Global Offering,

in each case the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offer will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

- (d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18:
 - (i) if the International Offer Shares are undersubscribed under the International Offer and if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the number of times of the initial number of the Hong Kong Offer Shares validly applied for under the Hong Kong Public Offer in such circumstances); or
 - (ii) if the International Offer Shares are fully subscribed or oversubscribed, and if the Hong Kong Offer Shares are fully subscribed or oversubscribed but the number of Shares validly applied for under the Hong Kong Public Offer represents less than 15 times of the initial number of the Hong Kong Offer Shares,

then, provided that the Offer Price is fixed at the low-end of the indicative Offer Price range, i.e., HK\$3.98 per Offer Share, in accordance with the Stock Exchange's Guidance Letter HKEX-GL91-18, up to 7,516,000 Offer Shares may be reallocated to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offer from the International Offer, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offer will increase up to 15,032,000 Shares, being not more than double the initial number of Hong Kong Offer Shares, and such limit represents 20% of the number of the Offer Shares initially available under the Global Offering.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offer and the International Offer will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, 20 December 2018.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as stabilising manager, or any person acting for it, (for itself and on behalf of the Underwriters and not as agent for our Company) may over-allocate Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Sole Global Coordinator to conduct any such stabilisation action which, if commenced, may be discontinued at any time at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 11,273,000 Shares, which is approximately 15% of the Shares initially available under the Global Offering.

Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offer (the “**Stabilisation Period**”). The Stabilisation Period is expected to expire on Wednesday, 19 December 2018 and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price, could fall.

During the Stabilisation Period, the Sole Global Coordinator as stabilising manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Sole Global Coordinator as stabilising manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Sole Global Coordinator may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Sole Global Coordinator will maintain such a position during the Stabilisation Period, are at the sole discretion of the Sole Global Coordinator and is uncertain. In the event that the Sole Global Coordinator liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In order to facilitate the settlement of over-allocations, the Sole Global Coordinator, as the stabilising manager, or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

In this connection, the Sole Global Coordinator will enter into the Stock Borrowing Agreement with a controlling shareholder whereby the Sole Global Coordinator may borrow up to 11,273,000 Shares from a controlling shareholder, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements under Rule 10.07(3) of the Listing Rules are complied with:

- the Stock Borrowing Agreement will only be effected by the Sole Global Coordinator as stabilising manager for covering any short position arising from over-allocations under the International Offer prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from a controlling shareholder will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to a controlling shareholder or its nominees on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, and (ii) the day on which the Overallotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to a controlling shareholder in relation to the Stock Borrowing Agreement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 21 December 2018 it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 21 December 2018. The Shares will be traded in board lots of 1,000 Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offer.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 10 December 2018 until 12:00 noon on Thursday, 13 December 2018 from:

(i) the following office of the Underwriters:

SPDB International Capital Limited	Suites 3207-3212, One Pacific Place, 88 Queensway, Hong Kong
Mason Securities Limited	19th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong
China Industrial Securities International Capital Limited	7th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
Crosby Securities Limited	5th Floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong
Shenwan Hongyuan Capital (H.K.) Limited	Level 19, 28 Hennessy Road, Hong Kong
China Tonghai Securities Limited	18th -19th Floor, China Building, 29 Queen's Road Central, Hong Kong
Dongxing Securities (Hong Kong) Company Limited	Suites 6805-6806A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Yicko Securities Limited	19th Floor, Tung Ning Building, 125-127 Connaught Road Central, Hong Kong
Blackwell Global Securities Limited	26th Floor, Overseas Trust Bank Building, 160 Gloucester Road, Wanchai, Hong Kong
Fulbright Securities Limited	33rd Floor, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) any of the following branches of the Industrial and Commercial Bank of China (Asia) Limited, the receiving bank:

District	Branch Name	Address
Hong Kong Island	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Telford Branch	Shop Units P19-P20, Telford Plaza, Kowloon Bay, Kowloon
New Territories	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories
	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 10 December 2018 until 12:00 noon on Thursday, 13 December 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Pacific Millennium Packaging Group Corporation Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Monday, 10 December 2018 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 11 December 2018 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 12 December 2018 — 9:00 a.m. to 5:00 p.m.
- Thursday, 13 December 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Thursday, 13 December 2018 to 12:00 noon on Thursday, 13 December 2018, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person whom you act as, or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offer nor participated in the International Offer;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the sub-section headed “2. Who can apply” in this section of this prospectus may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 10 December, 2018 until 11:30 a.m. on Thursday, 13 December, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 13 December, 2018 or such later time under the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents,

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that we will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions^(Note 1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, 10 December 2018 — 9:00 a.m. to 8:30 p.m.
- Tuesday, 11 December 2018 — 8:00 a.m. to 8:30 p.m.
- Wednesday, 12 December 2018 — 8:00 a.m. to 8:30 p.m.
- Thursday, 13 December 2018 — 8:00 a.m. to 12:00 noon.

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 10 December 2018 until 12:00 noon on Thursday, 13 December 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 13 December 2018, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO Service** will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 13 December 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** Service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares that may be applied for.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** Service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 13 December 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 13 December 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offer, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 20 December 2018 on our website at www.pmpgc.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on website at www.pmpgc.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 20 December 2018;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 20 December 2018 to 12:00 midnight on Wednesday, 26 December 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 20 December 2018 to Sunday, 23 December 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 20 December 2018 to Saturday, 22 December 2018 at all the receiving bank’s designated branches and sub-branches at the addresses set out in the sub-section headed “Where to collect the Application Forms” in this section.

If we accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.76 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure and conditions of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 20 December 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 20 December 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 21 December 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 20 December 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 20 December 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 20 December 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 20 December 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 20 December 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 20 December, 2018 or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 20 December, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 20 December 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Thursday, 20 December 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 20 December 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 20 December 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 20 December 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION AND SPDB INTERNATIONAL CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Pacific Millennium Packaging Group Corporation (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages I-4 to I-62, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and 30 June 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 10 December 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2017 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS
PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 34 to the Historical Financial Information which contains information about the dividend paid by the Company in respect of the Track Record Period.

BDO Limited

Certified Public Accountants

Li Pak Ki

Practising Certificate Number P01330

Hong Kong

10 December 2018

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**Underlying Financial Statements**”). The Underlying Financial Statements were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all amounts are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	7	1,075,227	1,186,794	1,664,102	713,035	905,960
Cost of sales		(840,222)	(943,010)	(1,315,308)	(552,645)	(729,362)
Gross profit		235,005	243,784	348,794	160,390	176,598
Other income and other gains and losses, net	8	4,458	25,093	3,225	2,497	1,447
Selling and distribution expenses		(69,208)	(69,987)	(77,760)	(34,568)	(42,590)
Administrative expenses		(102,524)	(112,377)	(136,712)	(47,348)	(60,874)
Impairment (loss)/gain on trade receivables	10	(3,967)	(529)	104	(745)	(517)
Finance costs	9	(12,177)	(15,139)	(17,410)	(7,985)	(12,514)
Profit before income tax	10	51,587	70,845	120,241	72,241	61,550
Income tax expense	13	(21,404)	(17,700)	(34,347)	(18,881)	(18,399)
Profit for the year/period		30,183	53,145	85,894	53,360	43,151
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax						
Exchange differences on translation of foreign operations		(337)	2,816	(128)	(1,437)	(1,558)
Total comprehensive income for the year/period		29,846	55,961	85,766	51,923	41,593
Earnings per share	14	0.13	0.24	0.38	0.24	0.19

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
	Notes	2015	2016	2017	30 June
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	306,852	331,568	365,303	446,915
Prepaid lease payments for land	16	10,958	10,674	10,390	10,248
Prepayments for purchase of property, plant and equipment		2,320	2,579	40,098	21,824
Deferred tax assets	17	6,362	7,688	5,078	5,951
		<u>326,492</u>	<u>352,509</u>	<u>420,869</u>	<u>484,938</u>
Current assets					
Inventories	18	66,722	88,956	118,140	153,637
Trade receivables, bills receivables, other receivables, deposits and prepayments	19	310,736	389,750	484,383	515,830
Prepaid lease payments for land	16	284	284	284	284
Pledged deposits	20	31,440	20,985	12,180	118,194
Bank balances and cash	21	74,501	183,408	73,767	140,044
		<u>483,683</u>	<u>683,383</u>	<u>688,754</u>	<u>927,989</u>
Current liabilities					
Trade and other payables	22	216,507	264,559	328,078	426,350
Contract liabilities	23	1,991	2,681	3,058	3,102
Dividend payable		–	–	41,065	–
Bank and other borrowings	24	165,200	307,911	259,000	434,977
Amount due to immediate holding company	25	29,943	–	13,393	–
Amount due to a related company	26	9,208	–	–	–
Tax payable		4,261	7,198	6,903	11,632
Obligations under finance leases	27	20,712	23,847	27,838	35,446
		<u>447,822</u>	<u>606,196</u>	<u>679,335</u>	<u>911,507</u>
Net current assets		<u>35,861</u>	<u>77,187</u>	<u>9,419</u>	<u>16,482</u>
Total assets less current liabilities		<u>362,353</u>	<u>429,696</u>	<u>430,288</u>	<u>501,420</u>

		As at 31 December			As at 30 June
	Notes	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Bank and other borrowings	24	–	16,207	31,078	50,105
Obligations under finance leases	27	20,333	17,705	32,256	42,768
Deferred tax liabilities	17	4,473	2,276	–	–
		<u>24,806</u>	<u>36,188</u>	<u>63,334</u>	<u>92,873</u>
Net assets		<u>337,547</u>	<u>393,508</u>	<u>366,954</u>	<u>408,547</u>
Equity					
Share capital	28	1,785	1,785	1,785	1,785
Reserves	29	<u>335,762</u>	<u>391,723</u>	<u>365,169</u>	<u>406,762</u>
Total equity		<u>337,547</u>	<u>393,508</u>	<u>366,954</u>	<u>408,547</u>

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
	Notes	2015	2016	2017	30 June
		RMB'000	RMB'000	RMB'000	2018
					RMB'000
Non-current asset					
Investments in subsidiaries	37	<u>168,626</u>	<u>168,626</u>	<u>168,626</u>	<u>168,626</u>
Current assets					
Amounts due from subsidiaries	25	–	1,367	121,470	123,003
Amount due from immediate holding company	25	1,303	–	–	–
Bank balances and cash	21	15	11	51	9,029
Prepayments		<u>–</u>	<u>–</u>	<u>–</u>	<u>4,700</u>
		<u>1,318</u>	<u>1,378</u>	<u>121,521</u>	<u>136,732</u>
Current liabilities					
Other payables		–	–	1,603	6,471
Dividend payable		–	–	41,065	–
Amounts due to subsidiaries	25	<u>11</u>	<u>–</u>	<u>71,699</u>	<u>129,304</u>
		<u>11</u>	<u>–</u>	<u>114,367</u>	<u>135,775</u>
Net current assets		<u>1,307</u>	<u>1,378</u>	<u>7,154</u>	<u>957</u>
Total assets less current liabilities		<u>169,933</u>	<u>170,004</u>	<u>175,780</u>	<u>169,583</u>
Equity					
Share capital	28	1,785	1,785	1,785	1,785
Reserves	29	<u>168,148</u>	<u>168,219</u>	<u>173,995</u>	<u>167,798</u>
Total equity		<u>169,933</u>	<u>170,004</u>	<u>175,780</u>	<u>169,583</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29)	Put option reserve RMB'000 (Note (a))	Merger reserve RMB'000 (Note (b))	Translation reserve RMB'000 (Note (c))	Surplus reserve RMB'000 (Note (d))	Retained profits RMB'000	Total RMB'000
At 1 January 2015	<u>2,081</u>	<u>249,165</u>	<u>(99,464)</u>	<u>16,844</u>	<u>(475)</u>	<u>33,939</u>	<u>104,339</u>	<u>306,429</u>
Profit for the year	-	-	-	-	-	-	30,183	30,183
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(337)</u>	<u>-</u>	<u>-</u>	<u>(337)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(337)</u>	<u>-</u>	<u>30,183</u>	<u>29,846</u>
Transfer to surplus reserve	-	-	-	-	-	7,932	(7,932)	-
Repurchase of shares (Note 28)	(296)	(97,896)	-	-	-	-	-	(98,192)
Derecognition of put option liabilities	<u>-</u>	<u>-</u>	<u>99,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,464</u>
At 31 December 2015 and 1 January 2016	<u>1,785</u>	<u>151,269</u>	<u>-</u>	<u>16,844</u>	<u>(812)</u>	<u>41,871</u>	<u>126,590</u>	<u>337,547</u>
Profit for the year	-	-	-	-	-	-	53,145	53,145
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,816</u>	<u>-</u>	<u>-</u>	<u>2,816</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,816</u>	<u>-</u>	<u>53,145</u>	<u>55,961</u>
Transfer to surplus reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,902</u>	<u>(7,902)</u>	<u>-</u>
At 31 December 2016	<u>1,785</u>	<u>151,269</u>	<u>-</u>	<u>16,844</u>	<u>2,004</u>	<u>49,773</u>	<u>171,833</u>	<u>393,508</u>

	Share capital <i>RMB'000</i> <i>(Note 28)</i>	Share premium <i>RMB'000</i> <i>(Note 29)</i>	Put option reserve <i>RMB'000</i> <i>(Note (a))</i>	Merger reserve <i>RMB'000</i> <i>(Note (b))</i>	Translation reserve <i>RMB'000</i> <i>(Note (c))</i>	Surplus reserve <i>RMB'000</i> <i>(Note (d))</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2016 and 1 January 2017	<u>1,785</u>	<u>151,269</u>	<u>–</u>	<u>16,844</u>	<u>2,004</u>	<u>49,773</u>	<u>171,833</u>	<u>393,508</u>
Profit for the year	–	–	–	–	–	–	85,894	85,894
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(128)</u>	<u>–</u>	<u>–</u>	<u>(128)</u>
Total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(128)</u>	<u>–</u>	<u>85,894</u>	<u>85,766</u>
Dividend declared <i>(Note 34)</i>	–	–	–	–	–	–	(112,320)	(112,320)
Transfer to surplus reserve	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,923</u>	<u>(12,923)</u>	<u>–</u>
At 31 December 2017	<u>1,785</u>	<u>151,269</u>	<u>–</u>	<u>16,844</u>	<u>1,876</u>	<u>62,696</u>	<u>132,484</u>	<u>366,954</u>
(Unaudited)								
At 1 January 2017	<u>1,785</u>	<u>151,269</u>	<u>–</u>	<u>16,844</u>	<u>2,004</u>	<u>49,773</u>	<u>171,833</u>	<u>393,508</u>
Profit for the period	–	–	–	–	–	–	53,360	53,360
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operations	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,437)</u>	<u>–</u>	<u>–</u>	<u>(1,437)</u>
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,437)</u>	<u>–</u>	<u>53,360</u>	<u>51,923</u>
Dividend declared <i>(Note 34)</i>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(112,320)</u>	<u>(112,320)</u>
At 30 June 2017	<u>1,785</u>	<u>151,269</u>	<u>–</u>	<u>16,844</u>	<u>567</u>	<u>49,773</u>	<u>112,873</u>	<u>333,111</u>

	Share capital <i>RMB'000</i> <i>(Note 28)</i>	Share premium <i>RMB'000</i> <i>(Note 29)</i>	Put option reserve <i>RMB'000</i> <i>(Note (a))</i>	Merger reserve <i>RMB'000</i> <i>(Note (b))</i>	Translation reserve <i>RMB'000</i> <i>(Note (c))</i>	Surplus reserve <i>RMB'000</i> <i>(Note (d))</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	1,785	151,269	–	16,844	1,876	62,696	132,484	366,954
Profit for the period	–	–	–	–	–	–	43,151	43,151
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operations	–	–	–	–	(1,558)	–	–	(1,558)
Total comprehensive income for the period	–	–	–	–	(1,558)	–	43,151	41,593
At 30 June 2018	1,785	151,269	–	16,844	318	62,696	175,635	408,547

Notes:

(a) Put option reserve

This reserve represented the contingent settlement provision arising from the put option granted by the Company to several shareholders in 2014 which was derecognised due to the repurchase of shares during the year ended 31 December 2015 as set out in Note 28 to the Historical Financial Information. The corresponding entry to put option reserve is put option liability which is accounted for as a financial liability in accordance with accounting policy in Note 4(f)(iii) to the Historical Financial Information upon initial recognition in 2014 and derecognition in 2015.

(b) 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.

(c) Translation reserve

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

(d) 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 STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating activities					
Profit before income tax	51,587	70,845	120,241	72,241	61,550
Adjustments for:					
Amortisation of prepaid lease payments for land	284	284	284	142	142
Depreciation of property, plant and equipment	38,941	44,502	47,745	23,677	25,683
Finance costs	12,177	15,139	17,410	7,985	12,514
Interest income	(1,230)	(1,156)	(1,471)	(716)	(950)
Impairment loss on inventories	1,007	555	1,200	959	993
Impairment loss on trade receivables	3,967	1,230	1,099	1,667	784
Reversal of impairment loss on inventories	(142)	(908)	(561)	(513)	(899)
Reversal of impairment loss on trade receivables	–	(701)	(1,203)	(922)	(267)
Loss/(gain) on disposal of property, plant and equipment	540	87	993	(74)	116
Cash flows before working capital changes	107,131	129,877	185,737	104,446	99,666
Increase in inventories	(4,931)	(21,881)	(29,823)	(48,733)	(35,591)
Decrease/(increase) in trade receivables, bills receivables, other receivables, deposits and prepayments	19,466	(75,408)	(95,397)	(58,439)	(30,347)
Increase in trade and other payables	9,776	48,010	63,648	48,157	94,857
Increase/(decrease) in contract liabilities	556	690	377	(749)	44
Cash generated from operations	131,998	81,288	124,542	44,682	128,629
Income tax paid	(23,519)	(18,286)	(34,308)	(14,394)	(14,543)
Net cash generated from operating activities	108,479	63,002	90,234	30,288	114,086
Investing activities					
Purchase of property, plant and equipment	(52,115)	(40,286)	(47,421)	(22,209)	(38,480)
Proceeds from disposal of property, plant and equipment	8,402	3,252	5,948	3,785	2,030
Prepayments made for purchase of property, plant and equipment	(2,320)	(2,579)	(18,867)	(4,991)	(14,759)
Decrease/(increase) in pledged deposits	32,846	10,455	8,805	8,845	(106,014)
Increase in amount due from immediate holding company	–	–	–	(61,223)	–
Interest received	1,230	1,156	1,471	716	950
Net cash used in investing activities	(11,957)	(28,002)	(50,064)	(75,077)	(156,273)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Financing activities					
Dividend paid	–	–	(69,823)	–	(39,793)
Interest paid on bank loans	(8,454)	(10,221)	(13,081)	(6,010)	(8,005)
Interest paid on finance leases	(2,849)	(4,511)	(3,193)	(1,449)	(2,432)
Interest paid on sale and leaseback arrangements	–	(832)	(1,907)	(624)	(2,837)
Interest paid on amounts due to related companies	(1,234)	(50)	–	–	–
Repurchase of ordinary shares of the Company	(98,192)	–	–	–	–
Decrease in amount due to a related company	(14,090)	(9,208)	–	–	–
Increase/(decrease) in amount due to immediate holding company	14,653	(31,693)	13,900	–	(13,393)
Repayment of obligations under finance leases	(15,263)	(28,969)	(40,339)	(25,742)	(19,048)
Proceeds from bank and other borrowings	165,200	382,287	421,725	152,595	263,135
Repayment of bank and other borrowings	(180,400)	(223,369)	(455,765)	(151,801)	(69,544)
Net cash (used in)/generated from financing activities	<u>(140,629)</u>	<u>73,434</u>	<u>(148,483)</u>	<u>(33,031)</u>	<u>108,083</u>
Net (decrease)/increase in cash and cash equivalents	<u>(44,107)</u>	<u>108,434</u>	<u>(108,313)</u>	<u>(77,820)</u>	<u>65,896</u>
Cash and cash equivalents at beginning of the year/period	118,124	74,501	183,408	183,408	73,767
Effect of exchange rate changes on cash and cash equivalents	<u>484</u>	<u>473</u>	<u>(1,328)</u>	<u>(1,052)</u>	<u>381</u>
Cash and cash equivalents at end of the year/period	<u>74,501</u>	<u>183,408</u>	<u>73,767</u>	<u>104,536</u>	<u>140,044</u>
Analysis of cash and cash equivalents:					
Bank balances and cash	<u>74,501</u>	<u>183,408</u>	<u>73,767</u>	<u>104,536</u>	<u>140,044</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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

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 37 to the Historical Financial Information.

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.

2. BASIS OF PREPARATION

(a) Statement of compliance

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), amendments and interpretations (hereinafter collectively referred to as the "IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the annual periods beginning on 1 January 2018. The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 to the Historical Financial Information which conform with all applicable IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers are effective for the annual periods beginning on or after 1 January, 2018 and earlier application is permitted. The Group has applied IFRS 9 and IFRS 15 consistently throughout the Track Record Period. It is considered that the adoption of IFRS 9 and IFRS 15 did not have significant impact on the financial position and performance of the Group during the Track Record Period.

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis.

(c) Functional and presentation currency

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company's subsidiaries incorporated in 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\$").

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

At the date of this report, the IASB has issued the following new or revised IFRSs, but are not yet effective and have not been early adopted by the Group.

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Employee Benefit ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRS 9	Prepayment features with negative compensation ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle ¹
IFRIC 23	Uncertainty over Income Tax Treatments ¹

- ¹ Effective for annual periods beginning on or after 1 January 2019
² Effective for annual periods beginning on or after 1 January 2021
³ No mandatory effective date yet determined but is available for early adoption

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

IFRS 16 – Leases

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

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

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

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB132,253,000 as disclosed in Note 30 to the Historical Financial Information. These arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for short-term leases upon the application of IFRS 16. In the consolidated statements of comprehensive income, depreciation will be recognised on the related right-of-use asset and interest expenses will be recognised on the lease liability instead of rental expense. Interest expenses on the lease liability will be presented separately from depreciation under finance costs.

The Group expected that the recognition of right-of-use asset and the lease liability on operating lease commitments upon adoption of IFRS16 would result in significant increase in non-current assets and total liabilities respectively. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis. However, it is not expected that there will be a significant impact on the Group's results.

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

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under IFRIC 23, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty. The Group does not expect the adoption of IFRIC 23 on 1 January 2019 will result in a significant impact on the Group’s results and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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 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.

(c) Property, plant and equipment

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

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

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

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

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

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

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

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable.

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

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

(e) Leasing

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

The Group as lessee

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

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

(f) Financial instruments*(i) Financial assets***Classification**

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

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

Measurement

At 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).

Derecognition

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

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

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

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

(ii) *Impairment loss on financial assets*

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

- Trade receivables
- Financial assets included in other receivables and deposits

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

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

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

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 Track Record Period was limited to 12-month ECLs. The 12-month ECLs of these balances during the Track Record Period is close to zero.

Measurement of ECLs

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group)

Credit-impaired financial assets

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

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

- 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 ECL in the consolidated statements of financial position

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

Write-off

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

(iii) *Financial liabilities*

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

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

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

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

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record 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.

(g) Cash and cash equivalents

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

(h) Inventories

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

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

(i) Contract liabilities

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

A contract liability is recorded when the payment is made or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer control of the goods to a customer for which the Group has

received consideration or an amount of consideration is due from the customer. The unsatisfied performance obligations as at 31 December 2015, 2016, 2017 and 30 June 2018 are disclosed in Note 23 to the Historical Financial Information.

(j) 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.

(i) Sale 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 is generally 30 days to 120 days for customers 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.

(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.

(k) Government grants/subsidies

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

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

(l) Income taxes

Income taxes for the Track Record Period comprise current tax and deferred tax.

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

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

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

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

(m) Foreign currency

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

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

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

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

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

(n) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plans

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

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

(iii) Termination benefits

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

(o) Impairment of other assets

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

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

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

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

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

(p) Borrowing costs

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

(q) Provisions and contingent liabilities

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

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

(r) Related parties

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

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

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(s) Dividends

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Useful lives of property, plant and equipment

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

(ii) Provision for obsolete inventories

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

(iii) Impairment of financial assets measured at amortised cost

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

(iv) Income taxes and deferred tax

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

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

6. SEGMENT REPORTING

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

(a) Reportable segments

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

(b) Geographical information

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

(c) Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Track Record Period, no segment information about major customers is presented in accordance with IFRS 8 Operating Segment.

(d) 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 Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (unaudited)	2018 RMB'000
Revenue by industry					
Food and beverage	323,797	358,435	413,117	169,664	220,984
Paper and packaging	173,883	189,675	244,306	103,032	124,237
Non-food-and-beverage- consumables (Note (i))	94,471	121,146	177,662	73,670	79,758
Supplier chain solution	75,084	69,988	110,715	49,251	65,519
E-commerce	16,545	30,329	81,819	37,367	36,468
Home electronics	33,482	43,203	79,673	39,539	49,379
Others (Note (ii))	357,965	374,018	556,810	240,512	329,615
	<u>1,075,227</u>	<u>1,186,794</u>	<u>1,664,102</u>	<u>713,035</u>	<u>905,960</u>

Notes:

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

7. REVENUE

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

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (unaudited)	2018 RMB'000
Corrugated packaging products	935,577	1,044,037	1,516,253	638,058	826,461
Corrugated sheet board	139,650	142,757	147,849	74,977	79,499
	<u>1,075,227</u>	<u>1,186,794</u>	<u>1,664,102</u>	<u>713,035</u>	<u>905,960</u>

8. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (unaudited)	2018 RMB'000
Sales of other materials and consumables	368	1,434	1,856	1,300	187
Consultancy fee income	127	1,286	–	–	–
Interest income	1,230	1,156	1,471	716	950
Government grants (<i>Note (i)</i>)	3,070	399	627	182	82
Relocation compensation of enterprise income tax paid (<i>Note (ii)</i>)	–	20,407	–	–	–
Sundry income	203	498	264	225	344
(Loss)/gain on disposal of property, plant and equipment	(540)	(87)	(993)	74	(116)
	<u>4,458</u>	<u>25,093</u>	<u>3,225</u>	<u>2,497</u>	<u>1,447</u>

Notes:

- (i) The amount represented subsidies for replacement of environmentally friendly equipment and other government incentives received during the Track Record Period. There were no unfulfilled conditions to these grants by the relevant PRC local government.
- (ii) The amount represented a reimbursement received from the People's Government of Nanxiang Town, Jiading District, Shanghai City (the "Nanxiang Government") relating to the enterprise income tax paid in 2014 on the relocation compensation for the expropriation of a parcel of land owned by the Group by the Nanxiang Government.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (unaudited)	2018 RMB'000
Interest on finance leases	2,849	4,511	3,193	1,449	2,432
Less: amounts capitalised in property, plant and equipment	(360)	(475)	(771)	(98)	(760)
	<u>2,489</u>	<u>4,036</u>	<u>2,422</u>	<u>1,351</u>	<u>1,672</u>
Interest on bank loans	8,454	10,221	13,081	6,010	8,005
Interest on sale and leaseback arrangements	–	832	1,907	624	2,837
Interest on amounts due to related companies	1,234	50	–	–	–
	<u>12,177</u>	<u>15,139</u>	<u>17,410</u>	<u>7,985</u>	<u>12,514</u>

10. PROFIT BEFORE INCOME TAX

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

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (unaudited)	2018 RMB'000
Cost of inventories sold*	840,222	943,010	1,315,308	552,645	729,362
Depreciation of property, plant and equipment	38,941	44,502	47,745	23,677	25,683
Listing expenses	3,015	–	7,243	–	6,056
Auditors' remuneration	629	867	952	284	731
Amortisation of prepaid lease payments for land	284	284	284	142	142
Lease payments under operating leases	4,683	4,493	6,592	3,041	4,005
Impairment loss on inventories	1,007	555	1,200	959	993
Reversal of impairment loss on inventories	(142)	(908)	(561)	(513)	(899)
Impairment loss on trade receivables	3,967	1,230	1,099	1,667	784
Reversal of impairment loss on trade receivables	–	(701)	(1,203)	(922)	(267)
Impairment loss/(gain) on trade receivables	3,967	529	(104)	745	517
Exchange loss, net	1,886	109	686	385	199
Employee benefits expenses (including directors' remuneration):					
– Wages, salaries and benefits	117,380	127,981	149,651	58,567	63,420
– Retirement benefit costs	17,878	18,663	20,799	9,361	10,437

* Cost of inventories sold for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018 includes RMB103,693,000, RMB112,213,000, RMB123,101,000, RMB57,474,000 and RMB63,066,000 respectively, relating to employee benefit expenses and depreciation of property, plant and equipment for which the amounts are also included in the respective total amounts disclosed separately above.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of emoluments of directors of the Company during the Track Record Period are as follows:

Year ended 31 December 2015

	Fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors				
Tan Richard Li Pin (resigned on 20 July 2017)	–	–	–	–
Cheng Hsien-Chun	–	996	–	996
Non-executive director				
Chow Tien-Li	–	–	–	–
Independent non-executive directors				
Wang Jisheng	–	–	–	–
Kiang Tien Sik	–	–	–	–
Su Morley Chung Wu	–	–	–	–
	<u>–</u>	<u>996</u>	<u>–</u>	<u>996</u>

Year ended 31 December 2016

	Fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors				
Tan Richard Li Pin (resigned on 20 July 2017)	–	–	–	–
Cheng Hsien-Chun	–	996	–	996
Non-executive director				
Chow Tien-Li	–	–	–	–
Independent non-executive directors				
Wang Jisheng	–	–	–	–
Kiang Tien Sik	–	–	–	–
Su Morley Chung Wu	–	–	–	–
	<u>–</u>	<u>996</u>	<u>–</u>	<u>996</u>

Year ended 31 December 2017

	Fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors				
Tan Richard Li Pin (resigned on 20 July 2017)	–	–	–	–
Cheng Hsien-Chun	–	1,015	26	1,041
Non-executive director				
Chow Tien-Li	–	–	–	–
Independent non-executive directors				
Wang Jisheng	–	–	–	–
Kiang Tien Sik	–	–	–	–
Su Morley Chung Wu	–	–	–	–
	<u>–</u>	<u>1,015</u>	<u>26</u>	<u>1,041</u>

Six months ended 30 June 2017 (unaudited)

	Fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors				
Tan Richard Li Pin (resigned on 20 July 2017)	–	–	–	–
Cheng Hsien-Chun	–	514	13	527
Non-executive director				
Chow Tien-Li	–	–	–	–
Independent non-executive directors				
Wang Jisheng	–	–	–	–
Kiang Tien Sik	–	–	–	–
Su Morley Chung Wu	–	–	–	–
	<u>–</u>	<u>514</u>	<u>13</u>	<u>527</u>

Six months ended 30 June 2018

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Contributions to retirement benefits scheme <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors				
Tan Richard Li Pin (resigned on 20 July 2017)	–	–	–	–
Cheng Hsien-Chun	–	474	15	489
Non-executive director				
Chow Tien-Li	–	–	–	–
Independent non-executive directors				
Wang Jisheng	–	–	–	–
Kiang Tien Sik	–	–	–	–
Su Morley Chung Wu	–	–	–	–
	<u>–</u>	<u>474</u>	<u>15</u>	<u>489</u>

Mr. Tan Richard Li Pin was the sole director of the Company until his resignation on 20 July 2017. Mr. Cheng Hsien-Chun was a director of all subsidiaries of the Company and the general manager of certain subsidiaries of the Company during the two years ended 31 December 2016 prior to his appointment as director of the Company on 20 July 2017 and re-designation as executive director of the Company on 29 January 2018. Mr. Chow Tien Li was appointed as non-executive director on 29 January 2018. Messrs. Wang Jisheng, Kiang Tien Sik and Su Morley Chung Wu were appointed as independent non-executive directors on 30 November 2018.

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

12. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals (including one director of the Company whose emoluments are included in Note 11 above) during the Track Record Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Salaries and other benefits	3,293	3,289	3,721	1,832	2,131
Social insurance and housing fund	141	138	198	95	96
	<u>3,434</u>	<u>3,427</u>	<u>3,919</u>	<u>1,927</u>	<u>2,227</u>

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

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> (unaudited)	<i>Number of individuals</i>
Nil to HK\$1,000,000	4	4	4	5	5
HK\$1,000,001 to HK\$1,500,000	1	1	1	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13. INCOME TAX EXPENSE

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

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Current tax					
– Provision for PRC enterprise income tax for the year/period	18,308	18,680	31,737	16,694	19,272
– Withholding tax on dividend	1,552	–	–	–	–
	<u>19,860</u>	<u>18,680</u>	<u>31,737</u>	<u>16,694</u>	<u>19,272</u>
Deferred tax (<i>Note 17</i>)					
– Origination and reversal of temporary differences	1,544	(980)	2,610	2,187	(873)
	<u>1,544</u>	<u>(980)</u>	<u>2,610</u>	<u>2,187</u>	<u>(873)</u>
Income tax expense	<u>21,404</u>	<u>17,700</u>	<u>34,347</u>	<u>18,881</u>	<u>18,399</u>

No provision of Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the Track Record Period.

Provision for PRC enterprise income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC during the Track Record Period.

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.

- (b) The income tax expense for the Track Record Period can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Profit before income tax	51,587	70,845	120,241	72,241	61,550
Tax on profit before income tax, calculated at PRC enterprise income tax rate of 25%	12,897	17,711	30,060	18,060	15,388
Effect of different tax rate of subsidiary operating in Hong Kong	452	251	524	396	282
Tax effect of expenses not deductible for tax purposes	1,477	1,267	2,910	116	2,376
Tax effect of income not taxable for tax purposes	(300)	(1,183)	(348)	(129)	(89)
Utilisation of tax losses previously not recognised	(264)	(692)	–	–	–
Tax effect of tax losses not recognised	1,117	–	1,201	438	442
Tax effect of withholding tax on dividend	1,552	–	–	–	–
Withholding tax on earnings expected to be remitted (Note 17)	4,473	346	–	–	–
Income tax expense	21,404	17,700	34,347	18,881	18,399

14. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the year/period and the weighted average number of ordinary shares during the Track Record Period as follows:

	Year ended 31 December			Six months ended	
	2015	2016	2017	2017	2018
	(unaudited)				
Profit for the year/period (RMB'000)	30,183	53,145	85,894	53,360	43,151
Weighted average number of ordinary shares in issue (in thousand)	233,904	225,474	225,474	225,474	225,474
Basic earnings per share (RMB)	0.13	0.24	0.38	0.24	0.19

No diluted earnings per share is presented as the Group has no dilutive potential shares during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold	Plant and	Furniture	Motor	Construction	Total
	<i>RMB'000</i>	<i>improvement</i>	<i>machinery</i>	<i>and</i>	<i>vehicles</i>	<i>in progress</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>fixtures</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:							
At 1 January 2015	124,816	4,405	247,217	25,175	2,806	2,887	407,306
Additions	136	25,720	59,037	6,094	13	–	91,000
Disposals	–	–	(16,643)	(4,108)	(737)	–	(21,488)
Transfer from construction in progress	2,887	–	–	–	–	(2,887)	–
At 31 December 2015 and 1 January 2016	127,839	30,125	289,611	27,161	2,082	–	476,818
Additions	–	5,719	59,956	5,072	–	1,810	72,557
Disposals	(4)	–	(5,213)	(1,010)	(731)	–	(6,958)
At 31 December 2016 and 1 January 2017	127,835	35,844	344,354	31,223	1,351	1,810	542,417
Additions	–	2,458	80,272	4,705	213	773	88,421
Disposals	(264)	–	(19,115)	(1,606)	(56)	–	(21,041)
Transfer from construction in progress	–	–	1,808	2	–	(1,810)	–
At 31 December 2017 and 1 January 2018	127,571	38,302	407,319	34,324	1,508	773	609,797
Additions	–	14,633	6,910	12,491	684	74,723	109,441
Disposals	(30)	–	(6,359)	(14)	(623)	–	(7,026)
Transfer from construction in progress	–	–	302	189	–	(491)	–
At 30 June 2018	127,541	52,935	408,172	46,990	1,569	75,005	712,212

	Buildings	Leasehold	Plant and	Furniture	Motor	Construction	Total
	<i>RMB'000</i>	<i>improvement</i>	<i>machinery</i>	<i>and</i>	<i>vehicles</i>	<i>in progress</i>	<i>RMB'000</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>fixtures</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated depreciation:							
At 1 January 2015	38,259	256	86,922	15,692	2,442	–	143,571
Charge for the year	6,473	1,619	27,137	3,658	54	–	38,941
Eliminated on disposals	–	–	(8,277)	(3,604)	(665)	–	(12,546)
At 31 December 2015 and 1 January 2016	44,732	1,875	105,782	15,746	1,831	–	169,966
Charge for the year	6,551	2,738	31,198	3,972	43	–	44,502
Eliminated on disposals	(1)	–	(2,157)	(806)	(655)	–	(3,619)
At 31 December 2016 and 1 January 2017	51,282	4,613	134,823	18,912	1,219	–	210,849
Charge for the year	6,248	2,718	34,772	3,984	23	–	47,745
Eliminated on disposals	(76)	–	(12,554)	(1,424)	(46)	–	(14,100)
At 31 December 2017 and 1 January 2018	57,454	7,331	157,041	21,472	1,196	–	244,494
Charge for the period	2,785	1,619	18,980	2,263	36	–	25,683
Eliminated on disposals	(16)	–	(4,288)	(10)	(566)	–	(4,880)
At 30 June 2018	<u>60,223</u>	<u>8,950</u>	<u>171,733</u>	<u>23,725</u>	<u>666</u>	<u>–</u>	<u>265,297</u>
Net carrying amount:							
At 31 December 2015	<u>83,107</u>	<u>28,250</u>	<u>183,829</u>	<u>11,415</u>	<u>251</u>	<u>–</u>	<u>306,852</u>
At 31 December 2016	<u>76,553</u>	<u>31,231</u>	<u>209,531</u>	<u>12,311</u>	<u>132</u>	<u>1,810</u>	<u>331,568</u>
At 31 December 2017	<u>70,117</u>	<u>30,971</u>	<u>250,278</u>	<u>12,852</u>	<u>312</u>	<u>773</u>	<u>365,303</u>
At 30 June 2018	<u>67,318</u>	<u>43,985</u>	<u>236,439</u>	<u>23,265</u>	<u>903</u>	<u>75,005</u>	<u>446,915</u>

- (a) As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group's buildings were situated in the PRC and were used by the Group.
- (b) The Group's buildings were pledged to secure bills payable and the banking facilities granted to the Group (Note 20 to the Historical Financial Information).
- (c) As at 31 December 2015, 2016 and 2017 and 30 June 2018, the net carrying amounts of the Group's property, plant and equipment held under finance leases were RMB56,580,000, RMB75,447,000 and RMB67,191,000 and RMB111,119,000 respectively.
- (d) As at 31 December 2015, 2016 and 2017 and 30 June 2018, the net carrying amounts of the Group's plant and equipment pledged under sales and leaseback arrangements (Note 24(b) to the Historical Financial Information) were nil, RMB26,688,000 and RMB47,633,000 and RMB84,249,000 respectively.

16. PREPAID LEASE PAYMENTS FOR LAND

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	11,526	11,242	10,958	10,674
Charged to profit or loss during the year/period (Note 10)	(284)	(284)	(284)	(142)
Carrying amount at end of year/period	11,242	10,958	10,674	10,532
Less: Amounts classified as current assets	(284)	(284)	(284)	(284)
	<u>10,958</u>	<u>10,674</u>	<u>10,390</u>	<u>10,248</u>

The Group has pledged prepaid lease payments for land with aggregate carrying amount as at 31 December 2015, 2016 and 2017 and 30 June 2018 of RMB11,242,000, RMB10,958,000, RMB10,674,000 and RMB10,532,000, respectively to secure bills payable and the banking facilities granted to the Group (Note 20 to the Historical Financial Information).

17. DEFERRED TAX

Details of the deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and movements during the Track Record Period are as follows:

	Impairment and provision RMB'000	Tax losses RMB'000	Withholding tax on distributable profit from subsidiaries RMB'000	Total RMB'000
At 1 January 2015	376	3,057	–	3,433
Credited/(charged) to profit or loss	<u>998</u>	<u>1,931</u>	<u>(4,473)</u>	<u>(1,544)</u>
At 31 December 2015 and 1 January 2016	1,374	4,988	(4,473)	1,889
Credited/(charged) to profit or loss	127	1,199	(346)	980
Withholding tax paid in relation to the remittance of dividends	<u>–</u>	<u>–</u>	<u>2,543</u>	<u>2,543</u>
At 31 December 2016 and 1 January 2017	1,501	6,187	(2,276)	5,412
Credited/(charged) to profit or loss	132	(2,742)	–	(2,610)
Withholding tax paid in relation to the remittance of dividends	<u>–</u>	<u>–</u>	<u>2,276</u>	<u>2,276</u>
At 31 December 2017 and 1 January 2018	1,633	3,445	–	5,078
Credited to profit or loss	<u>150</u>	<u>723</u>	<u>–</u>	<u>873</u>
As 30 June 2018	<u>1,783</u>	<u>4,168</u>	<u>–</u>	<u>5,951</u>

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group had unused tax losses of approximately RMB22,721,000, RMB24,752,000, RMB18,585,000 and RMB23,147,000, respectively available for offset against future profits.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, deferred tax asset has been recognised in respect of such tax losses of approximately RMB19,955,000, RMB24,752,000, RMB13,783,000 and RMB16,673,000, respectively, while no deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB2,766,000, nil, RMB4,802,000 and RMB6,474,000, respectively 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 2015, 2016 and 2017 and 30 June 2018, the Group recognised deferred tax liabilities on retained earnings anticipated to be remitted by the PRC subsidiaries in the foreseeable future of approximately RMB89,465,000, RMB45,522,000, nil and nil respectively while no deferred tax liabilities had been provided for retained earnings of approximately RMB3,055,000, RMB42,075,000, RMB118,233,000 and RMB169,173,000 respectively as the Group expected these earnings would be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future.

18. INVENTORIES

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Raw materials	52,965	71,310	94,001	130,278
Work in progress	1,517	1,648	1,925	3,197
Finished goods	6,125	7,896	15,410	11,949
Consumables	6,115	8,102	6,804	8,213
	<u>66,722</u>	<u>88,956</u>	<u>118,140</u>	<u>153,637</u>

As at 31 December 2015, 2016 and 2017 and 30 June 2018, accumulated impairment loss on inventories amounted to RMB1,005,000, RMB652,000, RMB1,291,000 and RMB1,385,000 respectively.

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018, reversal of impairment loss on inventories of RMB142,000, RMB908,000, RMB561,000, RMB513,000 and RMB899,000 respectively were recognised in profit or loss as the Group subsequently sold these inventories above their carrying amounts.

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

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Trade receivables	276,230	336,156	435,540	459,553
Bills receivables	20,343	33,943	26,146	25,398
Less: allowance for impairment losses	<u>(5,182)</u>	<u>(5,602)</u>	<u>(5,284)</u>	<u>(5,801)</u>
	291,391	364,497	456,402	479,150
Other receivables	399	1,195	804	1,108
Deposits	9,115	9,179	14,774	15,000
Prepayments	<u>9,831</u>	<u>14,879</u>	<u>12,403</u>	<u>20,572</u>
	<u>310,736</u>	<u>389,750</u>	<u>484,383</u>	<u>515,830</u>

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

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

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	136,210	192,848	236,315	291,997
Over 1 month but within 3 months	135,311	148,674	203,000	163,802
Over 3 months	19,870	22,975	17,087	23,351
	<u>291,391</u>	<u>364,497</u>	<u>456,402</u>	<u>479,150</u>

The average credit period on sales of goods is 30–120 days from the invoice date. 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 36(a) to the Historical Financial Information.

20. PLEDGE OF ASSETS

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

		As at 31 December			As at 30 June
	Notes	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	15	83,107	103,241	117,750	151,567
Prepaid lease payments for land	16	11,242	10,958	10,674	10,532
Pledged deposits		<u>31,440</u>	<u>20,985</u>	<u>12,180</u>	<u>118,194</u>
		<u>125,789</u>	<u>135,184</u>	<u>140,604</u>	<u>280,293</u>

21. BANK BALANCES AND CASH

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

The Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash were denominated in the following currencies:				
US\$	7,603	2,029	10,754	11,229
RMB	66,817	134,453	62,778	128,246
Hong Kong dollars ("HK\$")	<u>81</u>	<u>46,926</u>	<u>235</u>	<u>569</u>
	<u>74,501</u>	<u>183,408</u>	<u>73,767</u>	<u>140,044</u>

The Company

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Bank balances and cash were denominated in the following currencies:				
US\$	8	3	9	8,972
HK\$	7	8	42	57
	<u>15</u>	<u>11</u>	<u>51</u>	<u>9,029</u>

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

22. TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Trade and bills payables	176,315	217,094	244,158	366,199
Accruals and other payables	<u>40,192</u>	<u>47,465</u>	<u>83,920</u>	<u>60,151</u>
	<u>216,507</u>	<u>264,559</u>	<u>328,078</u>	<u>426,350</u>

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

Details of the assets pledged for the Group's bills payable are set out in Note 20 to the Historical Financial Information.

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

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Within 1 month	76,201	118,045	154,922	194,738
Over 1 month but within 3 months	97,849	84,607	77,856	167,048
Over 3 months	<u>2,265</u>	<u>14,442</u>	<u>11,380</u>	<u>4,413</u>
	<u>176,315</u>	<u>217,094</u>	<u>244,158</u>	<u>366,199</u>

23. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2015, 2016 and 2017 and 30 June 2018 and will be expected to be recognised within one year:

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Sales of goods	1,991	2,681	3,058	3,102

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

There were no contract assets as at 31 December 2015, 2016 and 2017 and 30 June 2018 recognised on the consolidated statements of financial position.

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

	Year ended 31 December			Six months ended	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period					
Sales of goods	1,435	1,991	2,681	2,681	3,058

24. BANK AND OTHER BORROWINGS

	Notes	As at 31 December			As at
		2015	2016	2017	30 June
		RMB'000	RMB'000	RMB'000	2018
					RMB'000
Bank loans, secured	(a)	165,200	299,030	243,260	405,707
Other borrowings, secured	(b)	—	25,088	46,818	79,375
		165,200	324,118	290,078	485,082
Categorised as:					
Current liabilities		165,200	307,911	259,000	434,977
Non-current liabilities		—	16,207	31,078	50,105
		165,200	324,118	290,078	485,082

Notes:

- (a) The average effective interest rates of the Group's bank loans range from 4.57% to 5.62% per annum, 3.92% to 4.57% per annum and 4.35% to 4.57% per annum and 3.04% to 6.53% per annum during the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, respectively.

Details of the assets pledged for the Group's banking facilities in connection with the bank loans are set out in Note 20 to the Historical Financial Information.

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

As at 31 December 2015 and 2016, bank loans of nil and RMB128,030,000 were secured by pledged deposits of nil and RMB154,924,000 provided by Pacific Millennium Investment Corporation, a related company which is a subsidiary of one of the controlling shareholders of the Company. The bank loans were fully repaid in 2017 and, accordingly, the pledged deposits provided by Pacific Millennium Investment Corporation were released.

As at 31 December 2017 and 30 June 2018, bank loans of RMB73,260,000 and RMB86,660,000 respectively were secured by pledged deposits of RMB83,131,000 and RMB103,134,000 provided by the immediate holding company. The pledged deposits were released on 14 September 2018.

- (b) As at 31 December 2015, 2016, 2017 and 30 June 2018, other borrowings represent nil, two, three and six sale and leaseback arrangements, respectively, 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. The transactions are classified as secured loan financing and the carrying amounts of the corresponding plant and equipment pledged under the sale and leaseback arrangements were nil, RMB26,688,000, RMB47,633,000 and RMB84,249,000 as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

As at 31 December 2016, future lease payments are due as follows:

	Minimum lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
Not later than 1 year	10,737	1,856	8,881
Later than 1 year and not later than 2 years	10,737	1,042	9,695
Later than 2 years and not later than 5 years	6,734	222	6,512
	<u>28,208</u>	<u>3,120</u>	<u>25,088</u>

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

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

As at 30 June 2018, future lease payments are due as follows:

	Minimum lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
Not later than 1 year	35,340	6,070	29,270
Later than 1 year and not later than 2 years	35,340	3,336	32,004
Later than 2 years and not later than 5 years	18,873	772	18,101
	<u>89,553</u>	<u>10,178</u>	<u>79,375</u>

25. AMOUNTS DUE FROM/(TO) IMMEDIATE HOLDING COMPANY/SUBSIDIARIES

The Group

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

The Company

The amount due from immediate holding company and amounts due from/(to) subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO A RELATED COMPANY

During the year ended 31 December 2015, the Group repaid an aggregate amount due to a related company, Stone Tan China Holding Corporation, of US\$3,600,000 (equivalent to approximately RMB22,028,000) which was unsecured, interest bearing at 6% per annum and was repayable within one year. One of the controlling shareholders of the Company has significant influence over Stone Tan China Holding Corporation.

As at 31 December 2015, amount due to a related company represented loan with principal amount of RMB9,000,000 from Chongqing Stone Tan Equity Investment Fund Management Co., Limited which was unsecured, interest bearing at 5.9% per annum and was repayable within one year. One of the controlling shareholders of the Company has significant influence over Chongqing Stone Tan Equity Investment Fund Management Co., Limited. The remaining balance of RMB208,000 represented interest payable incurred during the year ended 31 December 2015. The loan and related interest payable were fully repaid during the year ended 31 December 2016.

27. OBLIGATIONS UNDER FINANCE LEASES

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group acquired certain of its plant and machinery under finance leases with Chongqing Stone Tan Financial Leasing Limited, a related company, as lessors.

As at 31 December 2015, future lease payments are due as follows:

	Minimum lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
Not later than 1 year	23,639	2,927	20,712
Later than 1 year and not later than 2 years	15,497	1,293	14,204
Later than 2 years and not later than 5 years	6,299	170	6,129
	<u>45,435</u>	<u>4,390</u>	<u>41,045</u>

As at 31 December 2016, future lease payments are due as follows:

	Minimum lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
Not later than 1 year	26,703	2,856	23,847
Later than 1 year and not later than 2 years	16,870	809	16,061
Later than 2 years and not later than 5 years	1,690	46	1,644
	<u>45,263</u>	<u>3,711</u>	<u>41,552</u>

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

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

As at 30 June 2018, future lease payments are due as follows:

	Minimum lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
Not later than 1 year	40,935	5,489	35,446
Later than 1 year and not later than 2 years	35,116	2,515	32,601
Later than 2 years and not later than 5 years	10,493	326	10,167
	<u>86,544</u>	<u>8,330</u>	<u>78,214</u>

28. SHARE CAPITAL**Authorised and issued share capital**

	Number of ordinary shares	Par value HK\$	
Authorised			
As at 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018 (Par value of HK\$0.01 each)	300,000,000	3,000,000	
Issued and fully paid	<i>Number</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 1 January 2015	262,770,000	2,627	2,081
Repurchase of shares (<i>Note</i>)	(37,296,000)	(373)	(296)
As at 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	225,474,000	2,254	1,785

Note: On 28 October 2014, 29 October 2014 and 31 October 2014, the Company entered into subscription agreements (the “**Subscription Agreements**”) with six investors (the “**Investors**”) respectively, pursuant to which the Investors agreed to subscribe for 37,770,000 shares in the Company at an aggregate subscription price of RMB99,464,000 as set out in the Subscription Agreements. During the year ended 31 December 2015, the Investors and the Company agreed to terminate the Subscription Agreements due to commercial reason and 37,296,000 shares were repurchased by the Company at a consideration of RMB98,192,000 and 474,000 shares were acquired by the immediate holding company at a consideration of RMB1,272,000.

29. RESERVES**The Group**

The amount of the Group's reserves and movements during the Track Record Period are presented in the consolidated statements of changes in equity on pages I-9 to I-11.

The Company

	Share premium RMB'000	Put option reserve RMB'000	Translation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2015	249,165	(99,464)	16,408	108	166,217
Loss for the year	–	–	–	(147)	(147)
Other comprehensive income for the year:					
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	–	–	510	–	510
Total comprehensive income for the year	–	–	510	(147)	363
Repurchase of shares (Note 28)	(97,896)	–	–	–	(97,896)
Derecognition of put option liabilities	–	99,464	–	–	99,464
At 31 December 2015 and 1 January 2016	151,269	–	16,918	(39)	168,148
Loss for the year	–	–	–	(18)	(18)
Other comprehensive income for the year:					
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	–	–	89	–	89
Total comprehensive income for the year	–	–	89	(18)	71
At 31 December 2016 and 1 January 2017	151,269	–	17,007	(57)	168,219
At 31 December 2016 and 1 January 2017	151,269	–	17,007	(57)	168,219
Profit for the year	–	–	–	118,622	118,622
Other comprehensive income for the year:					
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	–	–	(526)	–	(526)
Total comprehensive income for the year	–	–	(526)	118,622	118,096
Dividend declared (Note 34)	–	–	–	(112,320)	(112,320)
At 31 December 2017 and 1 January 2018	151,269	–	16,481	6,245	173,995
Loss for the period	–	–	–	(6,017)	(6,017)
Other comprehensive income for the period:					
Exchange differences on the translation of financial statements of the Company to the presentation currency of the Group	–	–	(180)	–	(180)
Total comprehensive income for the period	–	–	(180)	(6,017)	(6,197)
At 30 June 2018	151,269	–	16,301	228	167,798

The Group as lessee

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

	As at 31 December			As at 30 June 2018
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year	10,066	13,022	15,147	16,848
Later than 1 year and not later than 2 years	8,731	11,391	10,808	14,047
Later than 2 years and not later than 5 years	19,919	25,191	23,647	31,884
Later than 5 years	19,701	45,442	43,831	69,474
	<u>58,417</u>	<u>95,046</u>	<u>93,433</u>	<u>132,253</u>

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group entered into the following significant transactions with related companies:

Name of related parties	Related party relationship	Type of transaction	Transaction amount				
			Year ended 31 December			Six months ended 30 June	
			2015	2016	2017	2017	2018
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)	
Pacific Millennium Holdings Corporation	Immediate holding company	Consultancy fee received <i>(Note (i))</i>	–	210	–	–	–
Pacific Millennium Holdings Corporation	Immediate holding company	Use of trademarks <i>(Note (iv))</i>	–	–	–	–	–
Pacific Millennium Investment Corporation	The entity is a subsidiary of one of the controlling shareholders of the Company	Consultancy fee received <i>(Note (i))</i>	127	752	–	–	–
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	System development and maintenance service charges <i>(Note (i))</i>	–	1,038	–	–	–
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 <i>(Note (i))</i>	113	104	104	104	104

Name of related parties	Related party relationship	Type of transaction	Transaction amount			Six months ended	
			Year ended 31 December			30 June	
			2015	2016	2017	2017	2018
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)	
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Interest expenses on obligations under finance leases (Note (ii))	2,849	4,511	3,192	1,448	2,433
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))	–	832	1,907	624	2,836
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Handling fee in relation to finance leases (Note (ii))	228	245	589	200	372
Chongqing Stone Tan Financial Leasing Limited* 重慶談石融資租賃有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Handling fee in relation to sale and leaseback arrangements (Note (ii))	–	283	506	199	419
Chongqing Stone Tan Equity Investment Fund Management Co., Limited* 重慶談石股權投資基金管理有限公司	One of the controlling shareholders of the Company has significant influence over the entity	Interest expenses on amount due to a related company (Note (iii))	208	50	–	–	–
Stone Tan China Holding Corporation	One of the controlling shareholders of the Company has significant influence over the entity	Interest expenses on amount due to a related company (Note (iii))	1,026	–	–	–	–

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

Notes:

- (i) Consultancy fee income, system development and maintenance service charges and domain hosting and support charges were determined with reference to the terms mutually agreed between the Group and the counterparties.
- (ii) Details of sale and leaseback and finance lease arrangements as at 31 December 2015, 2016 and 2017 and 30 June 2018 are set out in Notes 24(b) and 27 respectively to the Historical Financial Information.
- (iii) Details of interest on amounts due to related companies are set out in Note 26 to the Historical Financial Information.
- (iv) 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.

Except for the domain hosting and support charges to Shanghai Pacific Millennium Asia Corp. Communications Inc. Limited, the free use of trademarks owned by the immediate holding company as set out in Notes (i) and (iv) respectively above and the sale and leaseback and finance lease arrangements as set out in Notes 24 and 27 respectively to the Historical Financial Information, the above related party transactions are expected to be terminated after the listing of the shares of the Company (“**Listing**”). The domain hosting and support charges to Shanghai Pacific Millennium Asia Corp. Communications Inc. Limited and the free use of trademarks owned by the immediate holding company by the Group will constitute fully exempt connected transaction and fully exempt continuing connected transaction respectively after the Listing. The sale and leaseback and finance lease arrangements with Chongqing Stone Tan Financial Leasing Limited will constitute non-exempt continuing connected transactions after the Listing. Further details of the connected transactions are set out in the section headed “Connected transactions” in the Prospectus.

Members of key management personnel of the Group during the Track Record Period comprised executive director and senior management as set out in the section headed “Directors, senior management and employees” in the Prospectus.

The emoluments of key management personnel during the Track Record Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Short-term benefits	2,424	2,424	2,871	1,413	1,615
Post-employment benefits	96	104	138	71	53
	<u>2,520</u>	<u>2,528</u>	<u>3,009</u>	<u>1,484</u>	<u>1,668</u>

32. CAPITAL COMMITMENTS

The following are the details of capital expenditure contracted for but not provided for in the Historical Financial Information.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Commitment for the acquisition of property, plant and equipment	<u>1,209</u>	<u>2,546</u>	<u>5,011</u>	<u>8,133</u>

33. NOTES SUPPORTING CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018, the Group entered into finance lease arrangements in respect of property, plant and equipment including prepayments for purchase of property, plant and equipment with total capital value at the inception of the leases of RMB38,239,000, RMB29,476,000, RMB58,881,000, RMB20,044,000 and RMB37,168,000 respectively.

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018, prepayments for purchase of property, plant and equipment of RMB286,000, RMB2,320,000, RMB2,579,000, RMB1,536,000 and RMB34,813,000 respectively were transferred to property, plant and equipment.

(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 24) RMB'000	Obligations under finance leases (Note 27) RMB'000	Amount due to a related company (Note 26) RMB'000	Amount due to immediate holding company (Note 25) RMB'000	Total RMB'000
At 1 January 2015	180,400	18,069	23,298	13,892	235,659
Changes from cash flows:					
Interest paid on bank loans	(8,454)	–	–	–	(8,454)
Interest paid on finance leases	–	(2,849)	–	–	(2,849)
Interest paid on amount due to a related company	–	–	(1,234)	–	(1,234)
Decrease in amount due to a related company	–	–	(14,090)	–	(14,090)
Increase in amount due to immediate holding company	–	–	–	14,653	14,653
Repayment of obligations under finance leases	–	(15,263)	–	–	(15,263)
Proceeds from bank loans	165,200	–	–	–	165,200
Repayment of bank loans	(180,400)	–	–	–	(180,400)
Total changes from financing cash flows:	(23,654)	(18,112)	(15,324)	14,653	(42,437)
Exchange adjustments:	–	–	–	1,398	1,398
Other changes:					
Interest expenses	8,454	–	1,234	–	9,688
Capitalised borrowing costs	–	360	–	–	360
New finance leases	–	38,239	–	–	38,239
Finance charges on obligations under finance leases	–	2,489	–	–	2,489
Total other changes	8,454	41,088	1,234	–	50,776
At 31 December 2015	165,200	41,045	9,208	29,943	245,396

	Bank and other borrowings <i>(Note 24)</i> <i>RMB'000</i>	Obligations under finance leases <i>(Note 27)</i> <i>RMB'000</i>	Amount due to a related company <i>(Note 26)</i> <i>RMB'000</i>	Amount due to immediate holding company <i>(Note 25)</i> <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	165,200	41,045	9,208	29,943	245,396
Changes from cash flows:					
Interest paid on bank loans	(10,221)	–	–	–	(10,221)
Interest paid on sale and leaseback arrangements	(832)	–	–	–	(832)
Interest paid on finance leases	–	(4,511)	–	–	(4,511)
Interest paid on amount due to a related company	–	–	(50)	–	(50)
Decrease in amount due to a related company	–	–	(9,208)	–	(9,208)
Decrease in amount due to immediate holding company	–	–	–	(31,693)	(31,693)
Repayment of obligations under finance leases	–	(28,969)	–	–	(28,969)
Proceeds from bank loans	354,030	–	–	–	354,030
Repayment of bank loans	(220,200)	–	–	–	(220,200)
Proceeds from sale and leaseback arrangements	28,257	–	–	–	28,257
Repayment under sale and leaseback arrangements	(3,169)	–	–	–	(3,169)
Total changes from financing cash flows:	<u>147,865</u>	<u>(33,480)</u>	<u>(9,258)</u>	<u>(31,693)</u>	<u>73,434</u>
Exchange adjustments:	–	–	–	1,750	1,750
Other changes:					
Interest expenses	10,221	–	50	–	10,271
Capitalised borrowing costs	–	475	–	–	475
New finance leases	–	29,476	–	–	29,476
Finance charges on sale and leaseback arrangements	832	–	–	–	832
Finance charges on obligations under finance leases	–	4,036	–	–	4,036
Total other changes	<u>11,053</u>	<u>33,987</u>	<u>50</u>	<u>–</u>	<u>45,090</u>
At 31 December 2016	<u><u>324,118</u></u>	<u><u>41,552</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>365,670</u></u>

	Bank and other borrowings (Note 24) RMB'000	Obligations under finance leases (Note 27) RMB'000	Amount due to immediate holding company (Note 25) RMB'000	Total RMB'000
At 1 January 2017	324,118	41,552	–	365,670
Changes from cash flows:				
Interest paid on bank loans	(13,081)	–	–	(13,081)
Interest paid on sale and leaseback arrangements	(1,907)	–	–	(1,907)
Interest paid on finance leases	–	(3,193)	–	(3,193)
Increase in amount due to immediate holding company	–	–	13,900	13,900
Repayment of obligations under finance leases	–	(40,339)	–	(40,339)
Proceeds from bank loans	371,130	–	–	371,130
Repayment of bank loans	(426,900)	–	–	(426,900)
Proceeds from sale and leaseback arrangements	50,595	–	–	50,595
Repayment under sale and leaseback arrangements	(28,865)	–	–	(28,865)
Total changes from financing cash flows:	(49,028)	(43,532)	13,900	(78,660)
Exchange adjustments:	–	–	(507)	(507)
Other changes:				
Interest expenses	13,081	–	–	13,081
Capitalised borrowing costs	–	771	–	771
New finance leases	–	58,881	–	58,881
Finance charges on sale and leaseback arrangements	1,907	–	–	1,907
Finance charges on obligations under finance leases	–	2,422	–	2,422
Total other changes	14,988	62,074	–	77,062
At 31 December 2017	<u>290,078</u>	<u>60,094</u>	<u>13,393</u>	<u>363,565</u>

	Bank and other borrowings (Note 24) RMB'000	Obligations under finance leases (Note 27) RMB'000	Amount due to immediate holding company (Note 25) RMB'000	Total RMB'000
At 1 January 2018	290,078	60,094	13,393	363,565
Changes from cash flows:				
Interest paid on bank loans	(8,005)	–	–	(8,005)
Interest paid on sale and leaseback arrangements	(2,837)	–	–	(2,837)
Interest paid on finance leases	–	(2,432)	–	(2,432)
Decrease in amount due to immediate holding company	–	–	(13,393)	(13,393)
Repayment of obligations under finance leases	–	(19,048)	–	(19,048)
Proceeds from bank loans	221,434	–	–	221,434
Repayment of bank loans	(60,400)	–	–	(60,400)
Proceeds from sale and leaseback arrangements	41,701	–	–	41,701
Repayment under sale and leaseback arrangements	(9,144)	–	–	(9,144)
Total changes from financing cash flows:	182,749	(21,480)	(13,393)	147,876
Exchange adjustments:	1,413	–	–	1,413
Other changes:				
Interest expenses	8,005	–	–	8,005
Capitalised borrowing costs	–	760	–	760
New finance leases	–	37,168	–	37,168
Finance charges on sale and leaseback arrangements	2,837	–	–	2,837
Finance charges on obligations under finance leases	–	1,672	–	1,672
Total other changes	10,842	39,600	–	50,442
At 30 June 2018	485,082	78,214	–	563,296

34. DIVIDEND

	<i>US\$'000</i> (audited)	<i>RMB'000</i> (audited)
Year ended 31 December 2017		
– Interim dividend of US\$0.07 per share	16,580	112,320

There was no dividend paid or proposed during the years ended 31 December 2015 and 2016 and the six months ended 30 June 2018.

35. CAPITAL MANAGEMENT

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

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

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

	As at 31 December			As at
	2015	2016	2017	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Debts	245,396	365,670	363,565	563,296
Less: Bank and cash balances (including pledged deposits)	(105,941)	(204,393)	(85,947)	(258,238)
Net debts	<u>139,455</u>	<u>161,277</u>	<u>277,618</u>	<u>305,058</u>
Total equity	<u>337,547</u>	<u>393,508</u>	<u>366,954</u>	<u>408,547</u>
Net debt-to-equity ratio	<u>41%</u>	<u>41%</u>	<u>76%</u>	<u>75%</u>

36. FINANCIAL RISK MANAGEMENT

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

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

a) Credit risk

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

At the end of each reporting period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset on 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.

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 31 December 2015, 2016 and 2017 and 30 June 2018, the Group has no concentration of credit risk. 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 2015, 2016, 2017 and 30 June 2018:

As at 31 December 2015	Weighted average lifetime ECL rate	Gross carrying amount <i>RMB'000</i>	Lifetime ECL <i>RMB'000</i>	Net carrying amount <i>RMB'000</i>	Credit impaired
Collective assessment					
Not past due	0.001%	250,377	(3)	250,374	No
Past due					
1-90 days	0.01%	19,713	(2)	19,711	No
91-180 days	20.0%	968	(194)	774	Yes
181-270 days	50.0%	378	(189)	189	Yes
		<u>271,436</u>	<u>(388)</u>	<u>271,048</u>	
Individual assessment	100%	4,794	(4,794)	–	Yes
Total		<u>276,230</u>	<u>(5,182)</u>	<u>271,048</u>	
As at 31 December 2016	Weighted average lifetime ECL rate	Gross carrying amount <i>RMB'000</i>	Lifetime ECL <i>RMB'000</i>	Net carrying amount <i>RMB'000</i>	Credit impaired
Collective assessment					
Not past due	0.001%	311,783	(3)	311,780	No
Past due					
1-90 days	2.59%	19,098	(495)	18,603	No
91-180 days	20.0%	163	(32)	131	Yes
181-270 days	50.0%	79	(39)	40	Yes
		<u>331,123</u>	<u>(569)</u>	<u>330,554</u>	
Individual assessment	100%	5,033	(5,033)	–	Yes
Total		<u>336,156</u>	<u>(5,602)</u>	<u>330,554</u>	

As at 31 December 2017	Weighted average lifetime ECL rate	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit impaired
Collective assessment					
Not past due	0.001%	409,270	(4)	409,266	No
Past due					
1-90 days	0.63%	20,889	(132)	20,757	No
91-180 days	20%	194	(38)	156	Yes
181-270 days	50%	155	(78)	77	Yes
		<u>430,508</u>	<u>(252)</u>	<u>430,256</u>	
Individual assessment	100%	<u>5,032</u>	<u>(5,032)</u>	<u>–</u>	Yes
Total		<u>435,540</u>	<u>(5,284)</u>	<u>430,256</u>	

As at 30 June 2018	Weighted average lifetime ECL rate	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit impaired
Collective assessment					
Not past due	0.001%	433,353	(4)	433,349	No
Past due					
1-90 days	0.01%	19,056	(2)	19,054	No
91-180 days	22%	1,179	(260)	919	Yes
181-270 days	50%	862	(432)	430	Yes
		<u>454,450</u>	<u>(698)</u>	<u>453,752</u>	
Individual assessment	100%	<u>5,103</u>	<u>(5,103)</u>	<u>–</u>	Yes
Total		<u>459,553</u>	<u>(5,801)</u>	<u>453,752</u>	

Save for the increase in ECL rate for trade receivables aged past due 91-180 days as at 30 June 2018, there is no change in the ECL rates for trade receivables aged past due between 91-180 days and 181-270 days during the Track Record Period mainly due to no significant change in the historical default rates of trade receivables based on which the ECL rates are determined.

The following table reconciled the movement in allowance for impairment losses of trade receivables during the Track Record Period:

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,253	5,182	5,602	5,284
Impairment loss recognised	3,967	1,230	1,099	784
Reversal of impairment loss previously recognised	–	(701)	(1,203)	(267)
Written off	<u>(38)</u>	<u>(109)</u>	<u>(214)</u>	<u>–</u>
At end of year/period	<u>5,182</u>	<u>5,602</u>	<u>5,284</u>	<u>5,801</u>

There was no significant change in the impairment loss allowance on trade receivables during the Track Record Period except for the impairment loss allowance on an individual basis of RMB3,579,000 in respect of trade receivables from certain customers which were mainly corrugated packaging manufacturers for the sales of corrugated sheet boards against which the Group instituted legal proceedings for debt recovery in 2015.

b) **Liquidity risk**

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

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

	Carrying amount	Total contractual undiscounted cash flows	On demand or within 1year	More than 1 year but less than 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2015				
Trade and other payables	216,507	216,507	216,507	–
Bank and other borrowings	165,200	170,787	170,787	–
Obligations under finance leases	41,045	45,435	23,639	21,796
Amount due to immediate holding company	29,943	29,943	29,943	–
Amount due to a related company	9,208	9,326	9,326	–
	<u>461,903</u>	<u>471,998</u>	<u>450,202</u>	<u>21,796</u>
As at 31 December 2016				
Trade and other payables	264,559	264,559	264,559	–
Bank and other borrowings	324,118	333,644	316,173	17,471
Obligations under finance leases	41,552	45,263	26,703	18,560
	<u>630,229</u>	<u>643,466</u>	<u>607,435</u>	<u>36,031</u>
As at 31 December 2017				
Trade and other payables	328,078	328,078	328,078	–
Bank and other borrowings	290,078	302,715	268,713	34,002
Obligations under finance leases	60,094	65,997	31,426	34,571
Dividend payable	41,065	41,065	41,065	–
Amount due to immediate holding company	13,393	13,393	13,393	–
	<u>732,708</u>	<u>751,248</u>	<u>682,675</u>	<u>68,573</u>
As at 30 June 2018				
Trade and other payables	426,350	426,350	426,350	–
Bank and other borrowings	485,082	500,155	445,942	54,213
Obligations under finance leases	78,214	86,544	40,935	45,609
	<u>989,646</u>	<u>1,013,049</u>	<u>913,227</u>	<u>99,822</u>

c) **Interest rate risk**

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

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

	2015		As at 31 December 2016		2017		As at 30 June 2018	
	<i>Effective interest rate</i>	<i>RMB'000</i>	<i>Effective interest rate</i>	<i>RMB'000</i>	<i>Effective interest rate</i>	<i>RMB'000</i>	<i>Effective interest rate</i>	<i>RMB'000</i>
Fixed rate borrowings:								
Amount due to a related company	5.90%	9,208	N/A	–	N/A	–	N/A	–
Bank loans, secured	5.14%	165,200	4.26%	299,030	4.50%	243,260	4.63%	405,707
Other borrowings, secured	N/A	–	8.80%	25,088	9.01%	46,818	9.01%	79,375
Obligations under finance leases	9.32%	41,045	9.30%	41,552	9.23%	60,094	9.23%	78,214
		<u>215,453</u>		<u>365,670</u>		<u>350,172</u>		<u>563,296</u>

Details of the Group's borrowings are disclosed in Notes 24, 26 and 27 to the Historical Financial Information.

d) **Currency risk**

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

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

	As at 31 December			As at 30 June 2018
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets or liabilities denominated in HK\$				
Bank balances and cash	81	46,926	235	569
Amount due to immediate holding company	(17)	–	–	–
Trade receivables, bills receivables, other receivables, deposits and prepayments	–	463	516	4,904
Trade and other payables	–	–	(1,143)	(3,248)
Bank loans	–	–	–	(84,277)
	<u>64</u>	<u>47,389</u>	<u>(392)</u>	<u>(82,052)</u>

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets or liabilities denominated in US\$				
Bank balances and cash	7,603	2,029	10,753	11,229
Trade receivables, bills receivables, other receivables, deposits and prepayments	2,989	9,012	6,792	4,936
Trade and other payables	(759)	(979)	(856)	(5,242)
Dividend payable	–	–	(41,065)	–
Amount due to immediate holding company	(29,926)	–	(13,393)	–
	<u>(20,093)</u>	<u>10,062</u>	<u>(37,769)</u>	<u>10,923</u>
Overall net exposure	<u>(20,029)</u>	<u>57,451</u>	<u>(38,161)</u>	<u>(71,129)</u>

The following table indicates the approximate change in the Group's profit for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 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.

	Year ended 31 December						Six months ended 30 June
	2015		2016		2017		2018
	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	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 period and retained profits RMB'000
HK\$	5%	3	5%	2,369	5%	(20)	5%
	(5%)	(3)	(5%)	(2,369)	(5%)	20	(5%)
US\$	5%	(1,005)	5%	503	5%	(1,888)	5%
	(5%)	1,005	(5%)	(503)	(5%)	1,888	(5%)

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 Track Record Period until the next annual reporting date.

37. PARTICULARS OF SUBSIDIARIES

As at the date of the report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital ⁽⁴⁾	Proportion of effective equity interest held by the Group			At 30 June 2018	At the date of this report	Principal activities, place of operation	Notes
			At 31 December 2015	2016	2017				
Pacific Millennium Packaging Holdings Limited ⁽¹⁾ 國際濟豐包裝控股有限公司	12 August 2014, the British Virgin Islands	US\$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong	(a)
Pacific Millennium Paper Group Limited	21 November 2001, Hong Kong	US\$1,500	100%	100%	100%	100%	100%	Investment holding, Hong Kong	(b)
上海濟豐包裝紙業有限公司 Shanghai Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	29 March 1994, the PRC	RMB100,000,000	100%	100%	100%	100%	100%	Sale of packaging materials, the PRC	(c)
青島濟豐包裝紙業有限公司 Qingdao Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	21 March 1996, the PRC	US\$3,000,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
蘇州濟豐包裝紙業有限公司 Suzhou Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	23 September 2002, the PRC	US\$4,250,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
蕪湖濟豐包裝紙業有限公司 Wuhu Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	14 December 2005, the PRC	US\$1,260,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
浙江濟豐包裝紙業有限公司 ZheJiang Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	6 January 2006, the PRC	US\$5,560,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
南京濟豐包裝紙業有限公司 Nanjing Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	14 January 2006, the PRC	US\$5,000,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
濟豐包裝(上海)有限公司 Pacific Millennium Packaging Corp ⁽²⁾	10 October 2008, the PRC	US\$500,000	100%	100%	100%	100%	100%	Sale of packaging materials, the PRC	(c)
大連濟豐包裝紙業有限公司 Dalian Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	15 November 2007, the PRC	US\$3,000,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
天津濟豐包裝紙業有限公司 Tianjin Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	14 February 2007, the PRC	US\$6,000,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)

Name of subsidiary	Date and place of incorporation	Authorised/ registered capital ⁽⁴⁾	Proportion of effective equity interest held by the Group			At 30 June 2018	At the date of this report	Principal activities, place of operation	Notes
			At 31 December 2015	2016	2017				
昆山濟豐包裝有限公司 KunShan Pacific Millennium Packaging Co., Ltd ^{(2) (3)}	25 May 2010, the PRC	US\$1,500,000	100%	100%	N/A	N/A	N/A	Manufacture and sale of packaging materials, the PRC	(c)
瀋陽濟豐包裝紙業有限公司 Shenyang Pacific Millennium Packaging & Paper Ind. Co., Ltd. ⁽²⁾	5 September 2013, the PRC	US\$5,000,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
江蘇濟豐包裝紙業有限公司 Jiangsu Pacific Millennium Packaging & paper Ind. Co., Ltd. ("JSBP") ⁽²⁾	6 July 2015, the PRC	US\$10,000,000	100%	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
常熟濟豐包裝紙業有限公司 Changshu Pacific Millennium Packaging & paper Ind. Co., Ltd. ("CSBP") ⁽²⁾	17 November 2015, the PRC	US\$8,000,000	–	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
廣東濟豐包裝紙業有限公司 Guangdong Pacific Millennium Packaging & paper Ind. Co., Ltd. ("GDBP") ⁽²⁾	20 December 2016, the PRC	US\$8,000,000	–	100%	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)
太倉濟豐包裝紙業有限公司 Taicang Pacific Millennium Packaging & paper Ind. Co., Ltd. ("TCBP") ⁽²⁾	23 August 2017, the PRC	US\$15,000,000	–	–	100%	100%	100%	Manufacture and sale of packaging materials, the PRC	(c)

(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 subsidiary was deregistered on 9 February 2017.

(4) The authorised/registered capital of the respective subsidiaries listed above were fully paid as at 30 June 2018 except for the registered capital of JSBP, CSBP, GDBP and TCBP which have paid up capital of US\$4,500,000, US\$4,000,000, US\$4,000,000 and US\$8,500,000 respectively.

Notes:

(a) No statutory audited financial statements have been prepared since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.

(b) The statutory financial statements of Pacific Millennium Paper Group Limited for the years ended 31 December 2015 and 2016 were audited by Crowe Horwath (HK) CPA Limited, certified public accountants, Hong Kong and for the year ended 31 December 2017 were audited by BDO Limited, certified public accountants, Hong Kong. The statutory audited financial statements were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

(c) The statutory financial statements of these subsidiaries for the years ended 31 December 2015, 2016 and 2017 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and audited by 華普天健會計師事務所 ("HuaPu Certified Public Accountants"), certified public accountants registered in the PRC.

38. 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 2015, 2016 and 2017 and 30 June 2018 are categorised as follows:

	As at 31 December			As at
	2015	2016	2017	30 June
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Financial assets				
Financial assets at amortised cost				
Trade receivables, bills receivables, other receivables and deposits	300,905	374,871	471,980	495,258
Pledged deposits	31,440	20,985	12,180	118,194
Bank balances and cash	74,501	183,408	73,767	140,044
	<u>406,846</u>	<u>579,264</u>	<u>557,927</u>	<u>753,496</u>
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	216,507	264,559	328,078	426,350
Dividend payable	–	–	41,065	–
Bank and other borrowings	165,200	324,118	290,078	485,082
Amount due to immediate holding company	29,943	–	13,393	–
Amount due to a related company	9,208	–	–	–
Obligations under finance leases	41,045	41,552	60,094	78,214
	<u>461,903</u>	<u>630,229</u>	<u>732,708</u>	<u>989,646</u>

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

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

The fair values of the non-current portion of bank and other borrowings and obligations under finance leases have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings and obligations under finance leases as at 31 December 2015, 2016 and 2017 and 30 June 2018 was assessed to be insignificant. The carrying values of the non-current portion of bank and other borrowings and obligations under finance leases also approximate their fair values as at 31 December 2015, 2016 and 2017 and 30 June 2018.

III. SUBSEQUENT EVENTS

On 30 November 2018, the authorised share capital of the Company was increased from HK\$3,000,000 to HK\$6,000,000 by the creation of 300,000,000 ordinary shares of par value of HK\$0.01 each. Further details are set out in the section headed "A. Further information about our Company – 2. Changes in the Share capital of our Company" in Appendix IV to the Prospectus.

On 30 November 2018, written resolutions of the Shareholders of the Company were passed to approve the matters as set out in the section headed “A. Further Information about our Company – 4. Written resolutions of our Shareholders passed on 30 November 2018” in Appendix IV to the Prospectus.

Save as aforesaid and as set out in Note 24 to the Historical Financial Information, there was no other significant event after 30 June 2018.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF OUR GROUP

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the Reporting Accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report.

(A) UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

The unaudited pro forma statement of consolidated net tangible assets of our Group (the "Unaudited Pro Forma Financial Information") has been prepared by our Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as if the Global Offering had taken place on 30 June 2018.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of our Group as at 30 June 2018, as included in the Accountants' Report as set out in Appendix I to this prospectus, and is adjusted for the effect of the Global Offering.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of our Group immediately after the completion of the Global Offering.

	Consolidated net tangible assets of our Group as at 30 June 2018 HK\$'000 (Note 1)	Estimated net proceeds from the Global Offering HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of our Group HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (Note 3)
Based on an Offer Price of HK\$3.98 per Offer Share	459,453	284,352	743,805	2.47
Based on an Offer Price of HK\$4.76 per Offer Share	459,453	340,509	799,962	2.66

Notes:

1. The consolidated net tangible assets of our Group as at 30 June 2018 have been calculated based on the consolidated total equity as at 30 June 2018 of RMB408,547,000 extracted from the Accountants' Report set out in Appendix I to this prospectus and translated to HK\$ at the rate of RMB1 to HK\$1.125.
2. The estimated net proceeds from the Global Offering are based on 75,158,000 Shares (25% of 300,632,000 Shares expected to be in issue immediately following the completion of the Global Offering) at the Offer Price of HK\$3.98 per Offer Share (being the low-end of the Offer Price) and HK\$4.76 per Offer Share (being the high-end of the Offer Price), after deduction of the estimated underwriting fees and other estimated related expenses which have not yet been accounted for prior to 30 June 2018 and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,632,000 Shares expected to be in issue immediately following the completion of the Global Offering.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions entered into subsequent to 30 June 2018.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Reporting Accountants of our Company, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the directors of Pacific Millennium Packaging Group Corporation

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pacific Millennium Packaging Group Corporation (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Group as at 30 June 2018 and related notes as set out on page II-1 of Appendix II of the Company’s prospectus dated 10 December 2018 (the “**Prospectus**”) in connection with the proposed initial public offering of the shares of the Company (the “**Global Offering**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page II-1 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Global Offering on the Group’s consolidated financial position as at 30 June 2018 as if the Global Offering had taken place at 30 June 2018. As part of this process, information about the Group’s consolidated financial position has been extracted by the directors of the Company from the Group’s financial information for the six months ended 30 June 2018, on which an accountants’ report set out in Appendix I of the Prospectus has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

10 December 2018

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 July 2014 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum was conditionally adopted on 30 November 2018 and states, inter alia, that the liability of members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.
- (c) The Memorandum is available for inspection at the address specified in the section headed "Documents available for inspection" in Appendix V to this prospectus.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 30 November 2018 and effective on the Listing Date and include provisions to the following effect:

(a) Classes of Shares

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of adoption of the Articles is HK\$6,000,000 divided into 600,000,000 shares of HK\$0.01 each.

(b) Directors**(i) *Power to allot and issue Shares***

Subject to the provisions of the Companies Law and the Memorandum and Articles, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as our Directors shall determine.

Subject to the provisions of the Articles and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as our Directors may determine. Subject to

the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(ii) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in our Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of our Directors which would have been valid if such regulation had not been made.

(iii) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(iv) Loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(v) Disclosure of interest in contracts with our Company or any of its subsidiaries

Subject to the Companies Law and the Articles, no Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (aa) a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his Associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:
 - (i) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
 - (ii) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
 - (iii) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
 - (iv) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

- (v) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (vi) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly, whether as an officer or an executive or a member of that company, other than a company in which the Director or his associates owns 5% or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;
- (vii) any proposal or arrangement for the benefit of employees of our Company or our subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of our subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of our subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (viii) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or our subsidiaries under which the Director or his associate(s) may benefit; and
- (ix) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to these Articles.

- (bb) a company shall be deemed to be a company in which a Director and/or his associate(s) owns five per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (cc) Where a company in which a Director and/or his associate(s) holds five per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

(vi) Remuneration

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Our Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(vii) *Retirement, appointment and removal*

Our Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of our Company and shall then be eligible for re-election at that meeting.

Our Company may by ordinary resolution remove any Director (including executive Director) before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). Our Company may by ordinary resolution appoint another person in his stead. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. No person shall, unless recommended by our Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

A Director need not hold any qualification shares. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as Director and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age.

The office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing to us at its registered office or its principal office in Hong Kong;
- (bb) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

- (cc) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and our Directors resolve that his office be vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;
- (ff) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our Directors (including himself) for the time being then in office; or
- (gg) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles.

At every annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(viii) Borrowing powers

Our Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of our Directors to exercise these powers may only be varied by a special resolution.

(ix) Register of Directors and Officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Our Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles may be made except by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Alteration of Capital**

Our Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, our Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by our Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our benefit;
- (ii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by our Company in general meeting, as our Directors may determine provided always that where our Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;
- (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (iv) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

(f) Special resolution – majority required

A “special resolution” is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of

the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

In contrast, an “ordinary resolution” is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of our Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member of our Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles or as otherwise determined by our Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five members of our Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (iii) any member or members of our Company present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of our Company having the right to attend and vote at the meetings; or
- (iv) any member or members of our Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (v) if required by the Listing Rules, by any Director or Directors who, individually, or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights at such meeting.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of our Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of our Company holding the number and class of shares specified in such authorisation.

(h) Annual general meetings

Our Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of our Company and that of the next.

(i) Accounts and audit

Our Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our affairs and to show and explain its transactions and otherwise in accordance with the Companies Law. Our Board shall cause books of account to be retained for a minimum of five years from the date they are prepared.

Our Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection of members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by our Directors or by our Company in general meeting.

Our Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

Our Company shall at any annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting unless previously removed by an ordinary resolution of the members in general meeting in which case the members at that meeting may appoint auditors. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to our Directors.

(j) Notice of meetings and business to be conducted thereat

Our Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of our Company deposited at the principal office of our Company in Hong Kong or, in the event our Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one tenth of the paid up capital of our Company which carries the right of voting at general meetings of our Company.

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from us.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheets and the reports of our Directors and the auditors and other documents required to be annexed to the balance sheet;
- (cc) the election of Directors whether by rotation or in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of, or the determining of the method of fixing of, the remuneration of our Directors and of the auditors;

(ff) the granting of any mandate or authority to our Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(gg) the granting of any mandate or authority to our Directors to repurchase securities of our Company.

(k) Transfer of Shares

Any member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in such other form as our Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless our Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

Our Directors may, in their absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which our Company has a lien. Our Directors may also decline to register any transfer of any shares unless:

- (i) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of shares;
- (iii) the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- (iv) a fee of such maximum as the Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to our Company in respect thereof.

If our Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Exchange's website or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as our Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(l) Power of our Company to purchase our own Shares

Subject to the Companies Law, or any other law and subject to the rights conferred on the holders of any class of shares, our Company shall have the power to purchase or otherwise acquire all or any of its own shares subject to certain restrictions and our Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and provided always that any such purchase or other acquisition shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the SFC from time to time in force.

(m) Power of any subsidiary of our Company to own Shares

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

(n) Dividends and other methods of distributions

Subject to the Companies Law and Articles, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Directors. No dividend may be declared or payable except out of the profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Our Directors may from time to time pay to the members of our Company such interim dividends as appear to our Directors to be justified by the profits of our Company. Our Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

Our Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

No dividend shall carry interest against our Company.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of our Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by our Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by our Directors and shall revert to us.

Our Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution our Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to our Directors.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as our Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by our Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(p) Calls on Shares and forfeiture of Shares

Our Directors may from time to time make calls upon the members of our Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to us at the time and place so specified the amount called on his shares. A call may be revoked or postponed as our Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of our Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum or any instalment payable in respect of a call shall not be paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as our Directors may determine, but our Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, our Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as our Board thinks fit.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all moneys which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if our Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as our Directors may prescribe from the date of forfeiture until payment, and our Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

(q) Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles be closed at such times and for such periods as our Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as our Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as our Directors may determine for each inspection.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

Any corporation which is a member of our Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of our Company or of members of any class of shares of our Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of our Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in sub-paragraph 2(d) above.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedure on liquidation

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

(u) Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) our Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock

Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants. A subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW AND TAXATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 July 2014 under the Companies Law. As such, our operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, we must conduct our operations mainly outside of the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;

(iv) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(d) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of association, issue redeemable shares and, purchase its own shares or vary the rights attaching to any shares to provide that such shares are redeemable, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company, out of the share premium account or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. If the articles of association do not authorise the manner of purchase, the directors of a company may determine the manner or any of the terms of a redemption or purchase, if so authorised to do so in the company's articles of association or pursuant to a shareholder resolution. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption

or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed by a company shall not be treated as cancelled but shall be classified as treasury shares if a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares, b) the relevant provisions of the memorandum and articles of association (if any) are complied with and c) if the company is authorised in accordance with its memorandum and articles of association or by a resolution of directors of the company to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. The Companies Law sets out detailed provisions as to exercise of rights attached to treasury shares and treatment of any consideration received by a company for such shares.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(e) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions and shall cause all books of account to be retained for a minimum period of 5 years from the date on which they are prepared.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company is entitled to receive from the Governor-in-Cabinet of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on our income or our capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(k) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies in the Cayman Islands, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies in the Cayman Islands.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands., as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available, at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2016 Revision) of the Cayman Islands.

(o) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. The liquidator shall apply to the Court for an order that the liquidation continues under the supervision of the Court unless, within twenty-eight days of the commencement of the liquidation, the directors have signed a declaration of solvency in respect of the Company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least twenty-one days notice which shall be published in the Cayman Islands and the liquidator shall convene a general meeting of the company at the end of the first year from the commencement of the winding up and at the end of each subsequent year and such meetings shall be held within three months of each anniversary.

(p) Mergers

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorisation by (a) a special resolution of the shareholders and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorisation by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

(q) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4 GENERAL

Travers Thorp Alberga, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company and registration of our Company under Part 16 of the Companies Ordinance**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 July 2014.

We have established a principal place of business in Hong Kong at Suite 2104, 21st Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 November 2014. Mr. Cheung Kai Cheong, Willie has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Companies Law and to our constitution which comprises the Memorandum and the Articles. A summary of various provisions of our Company's constitutional documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

- (1) As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a nominal value of HK\$0.01 each. On 31 July 2014, one Share was allotted and issued to PMHC as our then sole Shareholder.
- (2) Pursuant to the written resolutions of our then sole Shareholder passed on 23 October 2014, the authorised share capital was increased from HK\$380,000 to HK\$3,000,000 comprising 300,000,000 Shares of HK\$0.01 each by the creation of 262,000,000 Shares with a nominal value of HK\$0.01 each.
- (3) On 27 October 2014, our Company allotted and issued 224,999,999 Shares to PMHC, all credited as fully paid, in consideration of PMHC transferring all the Shares held by it in PMPG to PMPHL.
- (4) On 31 October 2014, 3 November 2014 and 4 November 2014, 37,770,000 Shares in aggregate were allotted and issued to the Former Investors.
- (5) On 19 March 2015, our Company repurchased 37,296,000 Shares from former investors of our Company. Details are set out in the section headed "History, Reorganisation, and corporate structure – change of shareholding structure of our Company – Former investors" in this prospectus.
- (6) Pursuant to the written resolutions of our Shareholders passed on 30 November 2018, the authorised share capital was increased from HK\$3,000,000 to HK\$6,000,000 comprising 600,000,000 Shares of HK\$0.01 each by the creation of 300,000,000 Shares with a nominal value of HK\$0.01 each.

- (7) Our Company will offer 75,158,000 Offer Shares for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

Assuming that the Global Offering becomes unconditional (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), the issued share capital of our Company will be HK\$3,006,320.00 divided into 300,632,000 Shares.

Save as aforesaid and as mentioned, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Change in the share capital of the subsidiaries of our Company

Our subsidiaries are set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report as set out in Appendix I to this prospectus and in the section headed "History, Reorganisation and corporate structure" in this prospectus, our Company has no other subsidiaries. There has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 30 November 2018

Pursuant to the written resolutions of our Shareholders passed on 30 November 2018:

- a. Conditional upon and with effect from Listing, each of the Memorandum and the Articles was approved and adopted;
- b. the authorised share capital of our Company was increased from HK\$3,000,000 divided into 300,000,000 Shares of a par value of HK\$0.01 each to HK\$6,000,000 divided into 600,000,000 Shares of a par value of HK\$0.01 each, by the creation of an additional 300,000,000 Shares of a par value of HK\$0.01 each to rank pari passu in all respects with the existing Shares;
- c. conditional upon the fulfilment or waiver of the conditions set out in the section headed "Structure and conditions of the Global Offering" in this prospectus, the Global Offering and the Over-allotment Option were approved and that our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and the Shares to be issued upon exercise of the Over-allotment Option;
- d. a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued) (the "Issuing Mandate"), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, Shares with a total number not exceeding 20% of the number of Shares in issue immediately following the completion of the Global Offering (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option), such Issuing Mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;

- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate;
- e. a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange (the “**Repurchase Mandate**”), Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the Global Offering (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option), such Repurchase Mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such Repurchase Mandate.
- f. the Issuing Mandate was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to the Issuing Mandate of the number of Shares repurchased by our Company pursuant to and in accordance with the Repurchase Mandate.

5. Corporate reorganisation

In preparation for the Global Offering, our Group has undertaken the Reorganisation, details of which are set out in the section “History, Reorganisation and corporate structure – Reorganisation” in this prospectus.

6. Repurchase by our Company of our own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant legal and regulatory requirements*

(i) *Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Under the Listing Rules, Shares to be repurchased by us must be fully paid up.

Pursuant to a written resolutions passed by all our Shareholders on 30 November 2018, our Directors were granted the Repurchase Mandate to repurchase up to 10% of the number of Shares in issue immediately following the completion of the Global Offering on the Stock Exchange. The Repurchase Mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and applicable laws of the Cayman Islands to be held, or (iii) the Repurchase Mandate being revoked, varied or renewed by resolutions of our Shareholders in a general meeting.

(ii) Source of funds

The repurchase of our Shares listed on the Stock Exchange must be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of our Company and the applicable laws of the Cayman Islands and any other laws and regulations applicable to us. We shall not repurchase Shares on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading restrictions

We may repurchase up to 10% of the number of Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of our Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. We are also prohibited from repurchasing our own Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange.

In addition, we are prohibited from repurchasing our Shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange.

(b) *Suspension of repurchase*

No repurchase of our Company's securities are permitted during the period from the time a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding the earlier of either (i) the date of our Board meeting for the approval of our Company's results for any year and half-year period; or (ii) the deadline for an announcement of our Company's results for any year and half-year period and ending on the date of the results announcement, we may not repurchase our Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if we have breached the Listing Rules.

(c) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the trading day immediately following the date of repurchase. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of securities made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(d) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to us on the Stock Exchange.

(e) *Reasons for repurchases*

Repurchases will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net asset value and/or earnings per Share.

(f) *General*

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles of Association and any other applicable laws of the Cayman Islands. There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing positions which in the opinion of our Directors are from time to time appropriate for our Company.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares by us. Save as aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the repurchase mandate.

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates as defined by the Listing Rules, has any present intention to sell any Shares to us.

No core connected person (as defined by the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell his/her/its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Hong Kong Underwriting Agreement;
- (b) the Deed of Non-competition;
- (c) the Deed of Indemnity;
- (d) a cornerstone investment agreement dated 3 December 2018 entered into among our Company, Brilliant Goal, Nine Dragons Paper and the Sole Global Coordinator, details of which are set out in the section headed "Cornerstone investors" in this prospectus;
- (e) a cornerstone investment agreement dated 3 December 2018 entered into among our Company, Cycle Link and the Sole Global Coordinator, details of which are set out in the section headed "Cornerstone investors" in this prospectus; and
- (f) a cornerstone investment agreement dated 3 December 2018 entered into among our Company, Mega Capital, Chan Ka Kui and the Sole Global Coordinator, details of which are set out in the section headed "Cornerstone investors" in this prospectus.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had the following registered trademarks:

Registrant	Trademark	Place of registration	Class	Registration Number	Expiry date
SHBP		PRC	16	7885563	6 February 2021
SHBP		PRC	39	7885643	20 February 2021
SHBP		PRC	42	7885710	20 February 2021
PMPC	Pac'Pac	PRC	16	7460775	20 October 2020
PMPC	Pac'Wall	PRC	16	7460802	20 October 2020
PMPC		PRC	16	7270054	6 August 2020
PMPC		PRC	42	7269667	6 July 2021
PMPC	Lego'Pac	PRC	39	7460913	13 December 2020
PMPC	Lego'Pac	PRC	42	7460799	13 December 2020

(b) Patents

As at the Latest Practicable Date, our Group had the following registered patents or patents under application in the PRC:

Patent holder	Name of utility model patent	Application no./Patent no.	Date of application	Date of notification	Expiry date
PMPC	An L-shaped paper cushioning structure in packaging boxes (一種有關包裝箱內的L型緩衝紙質結構)	ZL201120128004.X	27 April 2011	9 November 2011	26 April 2021

Patent holder	Name of utility model patent	Application no./Patent no.	Date of application	Date of notification	Expiry date
PMPC	A cushioning structure in packaging boxes (一種包裝盒內的緩衝結構)	ZL201120084997.5	28 March 2011	31 August 2011	27 March 2021
PMPC	A type of corner protectors to serve as buffers for packaging materials (一種包裝緩衝護角)	ZL201020526556.1	13 September 2010	16 March 2011	12 September 2020
PMPC	A type of cushioning structure for packaging sanitary ware (一種潔具台盆的緩衝包裝結構)	ZL201020569862.3	20 October 2010	11 May 2011	19 October 2020
PMPC	A type of splittable trays (一種可拆分托盤)	ZL201120081483.4	24 March 2011	15 February 2012	23 March 2021
PMPC	A type of removable paper packaging boxes suitable for automatic packaging operation by production lines (一種可滿足生產線自動化包裝操作的可拆卸的紙質包裝箱)	ZL201220090064.1	12 March 2012	27 February 2013	11 March 2022
PMPC	A type of collapsible packaging boxes (一種可折疊結構包裝箱)	ZL201020526482.1	13 September 2010	13 April 2011	12 September 2020
PMPC	A type of modified cushioning structure commonly used for small batches of components (一種小批量零部件的通用緩衝改良結構)	ZL201020569540.9	20 October 2010	11 May 2011	19 October 2020

Patent holder	Name of utility model patent	Application no./Patent no.	Date of application	Date of notification	Expiry date
PMPC	A cushioning and supporting structure made from a single piece of material (一種一頁成型緩衝和支撐結構)	ZL201120088892.7	30 March 2011	7 September 2011	19 March 2021
PMPC	A quadrangular cushioning structure composed by thin sheets of material (一種薄片材料構成的四邊形緩衝結構)	ZL201120009107.4	13 January 2011	31 August 2011	12 January 2021
PMPC	A structure connecting packaging boxes with trays (一種包裝箱與托盤連接結構)	ZL201020526488.9	13 September 2010	11 May 2011	12 September 2020
PMPC	A type of multifunctional shoeboxes (一種多功能鞋盒)	ZL201320729066.5	15 November 2013	4 June 2014	14 November 2023
PMPC	A type of packaging material to serve as a buffer and filler (一種包裝緩衝填充物)	ZL201320728667.4	15 November 2013	21 May 2014	14 November 2023
PMPC	A type of multifunctional packaging structure for paper folding (一種有關紙質折疊的多用途包裝結構)	ZL201420580714.X	9 October 2014	8 February 2015	8 October 2024

(c) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Expiry Date
http://www.pmpgc.com	SHBP	24 October 2019
http://www.carton.com.cn	SHBP	22 November 2019
http://www.syjfbz.cn	SYBP	25 May 2019
http://www.jfsybp.com	SYBP	30 October 2019

C. DISCLOSURE OF INTERESTS**1. Directors****(a) Interests in Shares**

Immediately following the completion of the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option), the interests and short positions of each Director and chief executive of our Company in the Shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once our Shares are listed, or which will be required to be entered in the register kept by us pursuant to section 352 of the SFO, or which, once our Shares are listed, will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Director/ Chief executive	Nature of interests	Class and number of securities held (immediately following the Global Offering)	Percentage of interests in our Company concerned
Mr. Cheng	Interest in controlled corporation ^(Note 1)	45,094,800 (L) ^(Note 2)	15%

Notes:

- As at the Latest Practicable Date, Mr. Cheng owns 87.7% of the issued share capital of Lead Forward. Therefore, Mr. Cheng is deemed, or taken to be, interested in all the Shares held by Lead Forward for the purpose of the SFO.
- The letter "L" denotes the entity's long position in the Shares.

(b) Remuneration of Directors

During the three years ended 31 December 2017 and six months ended 30 June 2018, the aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group was approximately RMB996,000, RMB996,000, RMB1,015,000 and RMB474,000, respectively. None of our Directors has waived any remuneration during the Track Record Period.

Each of our Directors has been appointed for a term of one year commencing from the Listing Date. The remuneration of each of our Directors will be determined by our Board and our remuneration committee after Listing. As such, none of our Directors is expected to receive any remuneration for holding their office as a Director unless otherwise further determined by our Board and our remuneration committee after Listing.

Under the arrangements currently in force, the estimated amounts of remuneration, excluding discretionary bonuses, if any, payable to our Directors for the financial year ending 31 December 2018 will be approximately RMB1.0 million.

(c) Particulars of service agreements and appointment letters

Our executive Director has entered into a service agreement with our Company under which he has agreed to act as the executive Director for an initial term of one year commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of our non-executive Director and our independent non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as the non-executive Director or independent non-executive Director (as the case may be) for an initial term of one year commencing from the Listing Date. Either party has the right to give not less than one month's written notice to terminate the appointment.

3. Substantial Shareholders

Interests in our Company

So far as our Directors are aware, immediately following the completion of the Global Offering (but without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option), the following persons (not being a Director or chief executive of our Company) are expected to have an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group:

Name of Substantial Shareholder	Capacity and nature of interests	Number of Shares held (immediately following the completion of the Global Offering) (Note 1)	Approximate percentage of shareholding
PMHC (Note 2)	Beneficial Owner	180,379,200 (L)	60%
Golden Ford (Note 2)	Interest in a controlled corporation	180,379,200 (L)	60%
Elite Age (Note 3)	Interest in a controlled corporation	180,379,200 (L)	60%
Star Concord (Note 3)	Trustee	180,379,200 (L)	60%
Ample Bright (Note 4)	Trustee	180,379,200 (L)	60%
Fortune China (Note 4)	Interest in a controlled corporation	180,379,200 (L)	60%
Mr. Tsai (Note 5)	Interest in Trustee	180,379,200 (L)	60%
Mr. Richard Tan (Note 5)	Interest in Trustee	180,379,200 (L)	60%
Lead Forward (Note 6)	Beneficial Owner	45,094,800 (L)	15%

Notes:

1. The letter “L” denotes the entity’s long position in the Shares.
2. PMHC is wholly-owned by Golden Ford which is deemed to be interested in all the Shares held by PMHC pursuant to the SFO.
3. Star Concord holds 60% of the issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Elite Age. Therefore, each of Elite Age and Star Concord is deemed to be interested in all the Shares held by PMHC pursuant to the SFO. Star Concord is the trustee of the TCC Entrepreneur Trust.
4. Fortune China holds 40% of the issued share capital of Golden Ford through its direct wholly-owned subsidiary, namely Ample Bright. Therefore, each of Ample Bright and Fortune China is deemed to be interested in the Shares held by PMHC pursuant to the SFO. Fortune China is the trustee of the TCC Education Trust.
5. PMHC is wholly-owned by Golden Ford which is in turn owned as to 60% and 40% by Elite Age and Ample Bright respectively. Elite Age is wholly-owned by Star Concord while Ample Bright is wholly-owned by Fortune China. As Mr. Tsai is the sole shareholder of Star Concord and Mr. Richard Tan is the sole shareholder of Fortune China, each of Mr. Tsai and Mr. Richard Tan is deemed to be interested in all the Shares held by PMHC.
6. As at the Latest Practicable Date, Lead Forward is owned as to 87.7%, 7.3% and 5.0% by Mr. Cheng, Mr. Lan and Mr. Chow, respectively.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering, have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Related party transactions

Save as disclosed in this prospectus and in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the three years immediately preceding the date of this prospectus, we had not engaged in any other material connected transactions or related party transactions.

5. Agency fees and commissions received

Save as disclosed in this prospectus, no commission, discounts, brokerages or other special terms were granted within two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. OTHER INFORMATION**1. Estate duty, tax and other indemnity**

Each of the Controlling Shareholders (the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in our favour (for our Company and as trustee for each of our present subsidiaries) whereby conditional on the conditions set out in the section headed “Structure and conditions of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus having been fulfilled (the “**Effective Date**”), the Indemnifiers covenants with and undertakes to indemnify each of our Company and any of our subsidiaries in full and to keep them fully indemnified against, among other matters:

- (a) any Tax liability resulting from or by reference to (i) any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the Effective Date or any event on or before the Effective Date whether alone or in conjunction with other circumstances and whether or not such Tax is chargeable against or attributable to any other person; or (ii) any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the Effective Date;
- (b) any Tax liability which is regarded as such pursuant to the paragraph (a) above;
- (c) any Tax liability that arises after the Effective Date as a result of an act, omission or transaction by a person other than our Company or any of our subsidiaries and which liability to Tax falls upon our Company or any of our subsidiaries as a result of its having been in the same group for Tax purposes as that person at any time before the Effective Date; and
- (d) all costs and expenses (on a full indemnity basis) which are incurred by our Company and/or any of our subsidiaries in connection with any of the matters referred to above or in taking or defending or settling any action under the Deed of Indemnity (including, without prejudice to the generality of the foregoing, all legal and other professional fees and disbursements).

Save and except that the Indemnifiers shall be under no liability under the Deed of Indemnity:

- (i) to the extent that full provision has been made for such Tax liability in the audited consolidated accounts of our Company or the audited accounts of the relevant company of our Group as at 30 June 2018 (the “**Accounts**”);
- (ii) which would not have arisen but for any act or omission of, or delay by, or transaction voluntarily effected by, our Company and/or any of our subsidiaries (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets with the prior written consent or agreement of the Indemnifiers;

- (iii) to the extent that such claim arises or is incurred as a result of the imposition of Tax as a consequence or any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong, the PRC, the Cayman Islands, Samoa, the BVI or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of Tax after the date of the Deed of Indemnity with retrospective effect;
- (iv) to the extent any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or any excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that such over provision or excessive reserve applied referred to in this sub-paragraph (iv) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (v) for which our Company or any of our subsidiaries is or may become primarily liable as a result of any event occurring or deemed occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of their business after the date of the Deed of Indemnity.

2. Claims or Litigations

As at the Latest Practicable Date, we are not engaged in any litigation or arbitration of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against us.

3. The Sole Sponsor

The Sole Sponsor has confirmed that it satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee in relation to the Listing is HK\$6.6 million.

4. Preliminary expenses

Our preliminary expenses incurred or proposed to be incurred by our Company relating to the incorporation of our Company are estimated to be approximately HK\$24,566.1 and are payable by us.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
SPDB International Capital Limited	Licensed to carry on types 1 and 6 (dealing in securities and advising on corporate finance) regulated activities under the SFO, acting as Sole Sponsor of the Global Offering
King & Wood Mallesons	Legal Advisers to our Company as to PRC Law
Travers Thorp Alberga	Legal Advisers to our Company as to Cayman Islands law
BDO Limited	Certified Public Accountants
Frost & Sullivan	Industry consultant

7. Consents of experts

Each of the Sole Sponsor, King & Wood Mallesons, Travers Thorp Alberga, Frost & Sullivan and BDO Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion (as the case may be) and/or the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named in the sub-section headed “D. Other information – 6. Qualifications of experts” in this Appendix had any shareholding interests in any member of our Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors nor any of the parties whose names are listed in the sub-section headed “D. Other information – 6. Qualification of experts” in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and

- (b) none of our Directors nor any of the parties whose names are listed in the sub-section headed “D. Other information – 6. Qualification of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

10. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (b) save as disclosed in this prospectus, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) our Directors confirm that, within the two years preceding the date of this prospectus and since 30 June 2018 (being the date to which the latest audited financial statements of our Group were made up), there has been no material adverse change in the financial or trading position or prospects of our Group;
- (d) our Directors confirm that none of the Directors is interested in any business apart from our Company’s business, which competes or is likely to complete, either directly or indirectly, with our Company’s business;
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (f) the principal register of members of our Company will be maintained in the Cayman Islands by International Corporation Services Limited and a branch register of members of our Company will be maintained in Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived;
- (h) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (i) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (j) our Directors have been advised that under the Cayman Islands company law the use of a Chinese name by our Company does not contravene the Companies Law;
- (k) our Company has no outstanding convertible debt securities or debentures; and
- (l) the English text of this prospectus shall prevail over the Chinese text.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “D. Other information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Mason Ching & Associates at Room 2403, 24/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the accountants’ report from BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report from BDO Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the legal opinions issued by our PRC Legal Advisers in respect of our Group’s business operations and property interests in the PRC;
- (e) the letter of advice from Travers Thorp Alberga, our Cayman Islands legal advisors, summarising certain aspects of Cayman Companies Law referred to in Appendix III to this prospectus;
- (f) the Cayman Companies Law;
- (g) material contracts referred to in the section headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) service contracts (including letters of appointment) with each of our Directors referred to in the section headed “C. Disclosure of interests – 1. Directors – (c) Particulars of service agreements and appointment letters” in Appendix IV to this prospectus; and
- (i) the written consents referred to in the section headed “D. Other information – 7. Consents of experts” in Appendix IV to this prospectus.



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

