

Stock Code: 200986

Stock Name: Huaxin Packaging-B

Announcement No. 2018-052

FOSHAN HUAXIN PACKAGING CO., LTD.

INTERIM REPORT 2018 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 2018 Interim Report of Foshan Huaxin Packaging Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial condition and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Objections raised by any of the directors, supervisors or senior management against any contents in this Report or its summary:

Name	Office title	Objection and explanation of why
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Statement of objection:

Except for the following directors, all the other directors attended in person the Board meeting for the review of this Report and its summary.

Name	Office title	Reason for not attending meeting in person	Proxy
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Independent auditor’s modified opinion:

Applicable Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

Applicable Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

Applicable Not applicable

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

Part II Key Corporate Information

1. Stock Profile

Stock name	Huaxin Packaging-B	Stock code	200986
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	

Name	Ding Guoqiang	Shi Hui
Office address	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China	2/F, Block 7, 3 Keyang Road, Luoge Park, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan, Guangdong Province, P.R.China
Tel.	0756-8666976	0756-8666978
E-mail address	dinggq@htrh-paper.com	shih@htrh-paper.com

2. Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

	H1 2018	H1 2017	Change (%)
Operating revenue (RMB)	1,747,156,340.92	1,567,199,202.22	11.48%
Net profit attributable to the listed company's shareholders (RMB)	-15,299,762.79	12,487,648.99	-222.52%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	-19,203,743.87	10,079,841.69	-290.52%
Net cash generated from/used in operating activities (RMB)	68,792,986.11	-607,133,297.57	111.33%
Basic earnings per share (RMB/share)	-0.0303	0.0247	-222.67%
Diluted earnings per share (RMB/share)	-0.0303	0.0247	-222.67%
Weighted average return on equity (%)	-0.78%	0.63%	-1.41%
	30 June 2018	31 December 2017	Change (%)
Total assets (RMB)	5,545,611,825.09	5,426,368,352.69	2.20%
Equity attributable to the listed company's shareholders (RMB)	1,945,505,839.28	1,982,859,436.21	-1.88%

3. Shareholders and Their Holdings at Period-End

Unit: share

Number of ordinary shareholders		13,665		Number of preferred shareholders with resumed voting rights (if any)		0	
Top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Non-tradable shares	Pledged or frozen shares		
					Status	Shares	
FOSHAN HUAXIN DEVELOPMENT CO., LTD.	State-owned legal person	65.20%	329,512,030	329,512,030			
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	Foreign legal person	0.62%	3,157,453	0			
WU HAOYUAN	Domestic natural person	0.51%	2,561,991	0			
CAI YUJIU	Domestic natural person	0.33%	1,675,799	0			
MIAO JUN	Domestic	0.30%	1,522,200	0			

	natural person					
NORGES BANK	Foreign legal person	0.27%	1,352,720	0		
ESSENCE INTERNATIONAL SECURITIES (HONG KONG) CO., LTD.	Foreign legal person	0.24%	1,205,252	0		
KGI ASIA LIMITED	Foreign legal person	0.23%	1,161,959	0		
FOSHAN CHAN BEN DE ASSET MANAGEMENT CO., LTD	State-owned legal person	0.23%	1,139,420	1,139,420		
ZHANG LI	Domestic natural person	0.20%	1,011,300	0		
Connected or acting-in-concert parties among shareholders above	It is unknown whether there is among the above shareholders any connected parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.					
Shareholders conducting margin trading (if any)	N/A					

4. Change of Controlling Shareholder or Actual Controller in Reporting Period

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

Applicable Not applicable

The actual controller remained the same in the Reporting Period.

5. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

No preferred shareholders in the Reporting Period.

6. Corporate bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full?

No.

Part III Operating Performance Discussion and Analysis

1. Business Overview of Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Operating Results of Reporting Period

In the first half of 2018, according to the management direction of “Improve Efficiency through Reform and Increase Earnings through Cost Reduction”, the Company made great efforts to “Reduce Inventories, Receivables and Expenditure, Improve Efficiency and Control Costs”. It firmly pushed forward reform on its operational structure to break down barriers inside the Company and improve its operational efficiency. Meanwhile, it has rebuilt its marketing system towards value creation through bold reforms. In addition, it spent great effort on reforming its R&D department to strengthen the driving force of technology for the Company’s continuous growth. However, high price levels of wood pulp and other materials across the globe, as well as the depreciation of the Chinese yuan caused great pressure on the Company’s cost control.

For the Reporting Period, the Company recorded operating revenue of RMB1,747.1563 million, profit before taxation of RMB-29.9999 million and net profit attributable to the listed company’s shareholders of RMB-15.2998 million. As at the end of the Reporting Period, the Company’s total assets stood at RMB5,545.6118 million, with a gearing ratio of 36.03%.

(2) Management Measures during the Reporting Period

A. Implemented the reform of organizational structure and optimized the internal assessment mechanism

In the first half of the year, the Company carried out its organizational restructuring with the goal of “layer reduction, functional conclusion, and management flattening”, improved the efficiency of the Company’s operation and management, and adjusted the internal assessment system to improve the work enthusiasm of all employees.

B. Conducted the marketing mechanism reform to stimulate the potential

In accordance with the overall reform thought of New Era and New Marketing, the Company carried out a comprehensive reform of the marketing system, optimized and highlighted the core function of marketing. The management mode was changed from the product-based horizontal cross-regional management to the regional-oriented management with the product line playing its supporting role.

The marketing appraisal system was also optimized and reformed, and a new performance appraisal mechanism was implemented to stimulate the development of new orders. At the same time, the Company established the marketing mechanism to implement the lowliest place elimination, reward the diligent and punish the lazy and carry out the flexible promotion system.

C. Finished product logistics business was outsourced to save the logistics fees

In the first half of the year, the Company focused on “Four New” concept -- New Reform Measures, New Management Methods, New Management Thoughts, and New Activation Mechanism and actively reduced inventories, receivables and expenditure, improved efficiency and controlled costs. Meanwhile, the finished goods logistics business was also outsourced, which largely reduced the (per ton) cost of the Company’s paper in the first half of the year.

D. Enhanced the technology’s leading role and improved the performance of R&D

The Company reorganized the organizational structure of the technology center, independently operated the new product R&D functions and the daily process maintenance functions, and highlighted various core functions of the technology research and development. At present, more than ten kinds of new products are being researched, and breakthrough has been made in some products.

(3) Management methods for the second half of the year

In the second half of the year, the Company will still focus on reducing inventories, receivables and expenditure, improving efficiency and controlling costs, proceed from stimulating the potential, improving the data effectiveness and further determining the subject of responsibility, and vigorously promote PMO in order to internally improve the efficiency and reduce costs, and externally expand the market (core task) and continuously enhance the management level.

2. Matters Related to Financial Reporting

(1) Changes in Accounting Policies, Accounting Estimates or Measurement Methods Compared to Last Accounting Period

Applicable Not applicable

No such changes.

(2) Retrospective Restatements due to Correction of Material Accounting Errors in Reporting Period

Applicable Not applicable

No such cases.

(3) Changes in Scope of Consolidated Financial Statements Compared to Last Accounting Period

Applicable Not applicable

No such changes.