

Stock code: 000488, 200488

Stock abbreviation: Chenming Paper, Chenming B

Announcement No.: 2018-120

2018 Interim Report Summary of Shandong Chenming Paper Holdings Limited

I. IMPORTANT NOTICE

This interim report summary is extracted from the text of the interim report. For the full understanding of the operating results, financial position and plan for further development, investors should carefully read the text of the interim report published on the media as designated by the CSRC and the website of The Stock Exchange of Hong Kong Limited.

Non-standard auditor's opinion

Applicable Not applicable

Plans for profit distribution on ordinary shares or conversion of capital reserves into share capital proposed to the Board during the reporting period

Applicable Not applicable

The Company does not propose distribution of cash dividends or bonus shares, and there will be no increase of share capital from reserves.

Plans for profit distribution on preference shares for the reporting period approved by the Board

Applicable Not applicable

Date of Distribution	Dividend Ratio	Distributed amount (tax inclusive)	Whether it is in compliance with the conditions and the relevant procedures of distribution	Way of dividend payment	Whether it was an accumulated dividend	Whether it participates in distribution of remaining profit
19 March 2018	4.36%	98,100,000.00	Yes	Cash	No	Yes

II. BASIC INFORMATION ABOUT THE COMPANY

1. Company profile

Stock abbreviation	晨鸣纸业, 晨鸣 B	Stock code	000488, 200488
Stock abbreviation	晨鸣优 01, 晨鸣优 02 and 晨鸣优 03	Stock code	140003, 140004, 140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山东晨鸣纸业集团股份有限公司		
Legal short name in Chinese of the Company (if any)	晨鸣纸业		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

2. Major financial data and financial indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company

Yes No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	15,551,334,039.89	13,749,235,007.24	13.11%
Net profit attributable to shareholders of the Company (RMB)	1,784,631,025.31	1,745,514,838.23	2.24%
Net profit after extraordinary gains or losses attributable to shareholders of the	1,537,896,765.44	1,623,294,558.21	-5.26%

Company (RMB)			
Net cash flows from operating activities (RMB)	4,745,037,920.91	-4,112,941,768.39	215.37%
Basic earnings per share (RMB per share)	0.36	0.50	-28.00%
Diluted earnings per share (RMB per share)	0.36	0.50	-28.00%
Rate of return on net assets on weighted average basis	5.77%	7.24%	-1.47%
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Total assets (RMB)	107,076,479,252.92	105,625,096,076.92	1.37%
Net assets attributable to shareholders of the Company (RMB)	27,677,164,106.02	27,778,529,074.90	-0.36%

Explanation:

① Net profit attributable to shareholders of the Company does not exclude the effect of interest of perpetual bonds and the dividends of preference shares paid and declared to be paid. When calculating financial indicators such as earnings per share and the rate of return on net assets on weighted average basis, the interest for perpetual bonds from 1 January 2018 to 30 June 2018 of RMB172,143,397.26 and the dividend on preference shares paid and declared to be paid in 2018 of RMB562,816,006.80 are deducted.

② Pursuant to the profit distribution plan of the Company for 2017 approved at the 2017 annual general meeting, based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares was distributed to ordinary shareholders and a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held. The share capital of the Company increased by 968,202,733 shares. Corresponding adjustments were also made to the earnings per share for the same period last year.

3. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	111,039, of which 91,323 were holders of A shares, 19,346 were holders of B shares and 370 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period (if any)	0			
Shareholdings of top ten shareholders						
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held	Number of restricted shares held	Share pledged or locked-up	
					Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	Pledged	225,717,161
HKSCC NOMINEES LIMITED	Overseas legal person	12.84%	248,678,750	0		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	242,754,375	0		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0		
CHINA UNIVERSAL FUND - CHINA CONSTRUCTION BANK - CHINA LIFE INSURANCE - CHINA LIFE INSURANCE'S EQUITY PORTFOLIO ENTRUSTED TO CHINA UNIVERSAL FUND	Others	0.47%	9,134,240	0		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0		
JIN Xing	Domestic nature person	0.44%	8,510,117	0		
AGRICULTURAL BANK OF CHINA LIMITED - ESSENCE COMPARATIVE ADVANTAGE FLEXIBLE ALLOCATION OF HYBRID SECURITIES INVESTMENT FUND	Others	0.39%	7,646,407	0		
INDUSTRIAL AND COMMERCIAL BANK OF CHINA - CHINA UNIVERSAL FOCUSED GROWTH FUND	Others	0.39%	7,500,009	0		
CHINA CONSTRUCTION BANK CORPORATION - CHINA UNIVERSAL ENVIRONMENT PROTECTION INDUSTRY FUND	Others	0.36%	7,000,026	0		
Connected relationship or connected party relationship among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each other.					

4. Change of controlling shareholders or beneficial controllers

The change of controlling shareholders during the reporting period

Applicable Not applicable

There was no change of controlling shareholders of the Company during the reporting period.

Change of beneficial owner during the reporting period

Applicable Not applicable

There was no change of beneficial owner of the Company during the reporting period.

5. Total number of shareholders of preference shares and the top ten holders of preference shares

Applicable Not applicable

Unit: share

Total number of shareholders of preference shares as at the end of the reporting period						7
Top ten holders of preference shares						
Name of shareholders	Nature of shareholders	Preference shareholding	Number of preference shares held	Share pledged or locked-up		
				Status of shares	Number	
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.78%	12,500,000	Pledged	12,500,000	
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000			
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000			
QILU BANK CO., LTD. - QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	6,000,000			
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000			
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	Domestic non-state-owned legal person	6.67%	3,000,000			
NCF - MINSHENG BANK - CHINA FORTUNE INTERNATIONAL TRUST - CHINA FORTUNE TRUST □ MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000			
Connected relationship or connected party relationship among the above shareholders	The aforesaid holders of preference shares, "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST" and "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST", are persons acting in concert. Save for the above, it is not aware that whether there is any connected relationship or connected party relationship among the remaining holders of preference shares, and between the top ten holders of preference shares and the top ten holders of ordinary shares.					

6. Corporate Bonds

Are there any corporate bonds offered to the public and listed on stock exchanges which do not become due as at the date of approval of interim report or overdue but not fully settled?

Yes

(1) Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (tranche I)	17 Chenming Bond 01	112570	21 August 2022	120,000	6.50%
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (tranche I)	18 Chenming Bond 01	112641	29 March 2023	90,000	7.28%

(2) Major financial indicators of the Company as at the end of the reporting period

Item	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Current ratio	86.70%	86.32%	0.38%
Gearing ratio	72.95%	71.34%	1.61%
Quick ratio	75.88%	75.80%	0.08%
	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year

EBITDA interest coverage ratio	2.98	4.04	-26.24%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

III. Discussion and Analysis of Operations

1. Operation during the reporting period

Whether the Company needs to comply with the disclosure requirements of specific industries

No

During the reporting period, the Company established and implemented new management concept by adhering to the main theme of “achieving growth amid stability” and committed itself to “team building, management enhancement, outstanding business performance and good results”. It has completed various works on maintaining stable operation, promoting growth, adjusting structure, preventing risk exposures and formulating favourable policies for employees.

In the first half of 2018, the Company completed the production of machine-made paper of 2.4051 million tonnes with sales of 2.2738 million tonnes and achieved revenue of RMB15,551 million, a year-on-year increase of 13.11%. The Company recorded operating costs of RMB10,260 million, a year-on-year increase of 11.87%. Total profit and net profit attributable to equity holders of the Company were RMB2,217 million and RMB1,785 million respectively, up by 6.65% and 2.24% from the prior year. The Company’s total assets amounted to RMB107,076 million. The Company experienced stable development across businesses with ever improving management systems, which were shown in the following aspects:

(I) Sales management

Facing the complex and ever-changing market conditions, the sales system persistently executed the decision and planning made by the management of the Company, abided by the working theme of “solid foundation, new talents, guaranteed implementation and strict evaluation” and broke new grounds in terms of price elevation, market construction and new product development. Through increased business knowledge training and outward bound training, optimization and adjustment to the appraisal and incentive schemes and market-based personnel integration, the Company enhanced team building and elevated team cohesiveness and strength. By way of developing direct-sale customers, perfecting the channel building and holding annual customer signing conferences, the Company steadily enhanced market construction. The Company enhanced management over accounts receivable, heightened prepayment operations, standardised its customer credit management and improved its prevention against market risks.

(II) Product management

The Company plugged up management loopholes by improving the safety management system, enhancing safety education training, identifying potential hazards and elevating process safety control; and ensured up-to-standard emission by optimizing operation technique, enhancing the identification of potential environmental hazards, real-time supervision of pollutant emission and clarifying on the control targets and standards. The machines were under stable and efficient operation during the year through strengthened management, control and appraisal. The Company also conducted production capacity enhancement in its own pulp production, adjusted product structure, focused on the development of products with high efficiency, optimised techniques and promoted the application of new technologies and raw materials to improve efficiency.

(III) Finance and capital management

The Company constructed a financial business system with a more reasonable structure through active business expansion and strict risk control. The Company ensured efficient liquidity of the Company’s capital through enhancing the planned management of revenue and expenditure as well as dispatching and compiled analysis on the capital; increased the application of new types of direct financing instruments, which boosted bank financing and lowered interest cost; maintained normal operation of the Company by way of, among others, offshore financing against domestic guarantee and bill of exchange to conduct foreign exchange financing under low interest rate; promoted the implementation of preferential policies; and stepped up efforts in cooperation with banks by entering into development financial cooperation agreement with the China Development Bank and a bank-enterprise strategic cooperation framework agreement with Guangdong Nanyue Bank, obtaining additional credit facilities of over RMB40.0 billion.

(IV) Project construction

The phase I of the magnesite mining project of Haiming Mining commenced operation in January 2018, principally engaged in the production of high-purity magnesia. Weifang Sime Darby West Port and the newly constructed port in Huanggang have officially commenced operation, which consistently lowers the logistics and transportation costs of raw materials and finished products. The 400,000-tonne chemical pulp project and 510,000 tonne high-end culture paper project of Shouguang Meilun and the 300,000 tonne wood pulp project of Huanggang Chenming progressed smoothly according to the schedule, which is scheduled to commence operation before the end of 2018. Viscose fibre and ancillary production facilities project of Huanggang Chenming and the cogeneration project are still in nascent stages. The commencement of operation and implementation of the above projects will play a very important role in the transformation and upgrading during the structural adjustment of the Company in elevating the vertical extension capacity of the Company, promoting sustainable development and achieving the strategic objectives of the Company.

(V) Corporate management

The Company actively carried out process and information construction, enhanced working efficiency and promoted management reform and system upgrade. The Company consistently strengthened its supervision and inspection as well as system improvement, enhanced the management system and hierarchical management and further standardized internal management. Multiple sessions of special training were organized to learn new concepts and new methods, elevating the management quality and business skills of the staff. The Company made active efforts to improve its performance appraisal, remuneration incentive and the promotion systems, introduced outstanding talents and inspired the enthusiasm and creativeness of the staff.

Year-on-year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/decrease	Reason for the change
Revenue	15,551,334,039.89	13,749,235,007.24	13.11%	Mainly due to the year-on-year increase in the prices of machine-made paper of the Company.
Operating costs	10,259,884,918.86	9,171,066,988.49	11.87%	
Selling and distribution expenses	605,463,325.71	641,498,275.35	-5.62%	
Administrative expenses	972,856,522.65	856,354,999.17	13.60%	
Finance expenses	1,498,828,444.69	1,055,396,506.36	42.02%	Mainly due to the year-on-year increase in the financing costs of the Company.

Income tax expenses	434,202,112.50	331,253,327.08	31.08%	Mainly due to the year-on-year increase in the provision for income tax expenses as some companies turned around from losses to profits.
Investments in research and development	478,014,854.10	446,835,957.44	6.98%	
Net cash flows from operating activities	4,745,037,920.91	-4,112,941,768.39	215.37%	Mainly due to the net returns of the financial leasing business of the Company.
Net cash flows from investing activities	-470,806,697.24	-363,428,930.29	-29.55%	Mainly due to the year-on-year increase in investment in construction in progress.
Net cash flows from financing activities	-3,577,622,905.43	5,025,392,453.07	-171.19%	Mainly due to the increase in restricted bank deposits.
Net increase in cash and cash equivalents	726,576,915.27	441,630,376.91	64.52%	

2. Events relating to the financial report

(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior accounting period

Applicable Not applicable

During the reporting period, no changes were made to accounting policies, accounting estimates and accounting methods.

(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

Applicable Not applicable

During the reporting period, no major accounting errors needed to be corrected through retrospective restatement.

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior accounting period

Applicable Not applicable

① Newly established subsidiary

Unit: RMB'0,000

Name of companies	Date of establishment	Operating scope	Registered capital	Percentage of shareholding
Beijing Chenming Financial Leasing Co., Ltd.	17 May 2018	Financial leasing business; operating leasing business; purchase of leased property in domestic and foreign market; disposal of and maintenance of residual value of leased property; leasing transaction consultation; engagement in commercial factoring business related to its principal operations. (For projects subject to approval as required by the law, their operating activities can only commence upon approval by the relevant authorities)	100,000.00	100%

② Disposal of subsidiary

Unit: RMB

Name of subsidiary	Consideration of equity disposal	Shareholding of equity disposal	Method of equity disposal	Time of loss of control	Basis for determination of time of loss of control	Difference between disposal consideration and share of net assets of the relevant subsidiary as per the consolidated financial statements
Xuchang Chenming Paper Co. Ltd.	30,000,000.00	30%	Transfer	January 2018	Equity Transfer Agreement	13,717,571.88

The Board of Directors of Shandong Chenming Paper Holdings Limited

27 August 2018