

Stock code: 000488 200488

Stock abbreviation: Chenming Paper Chenming B

Announcement No.: 2019-088

2019 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.

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

II. BASIC INFORMATION ABOUT THE COMPANY

1. Company profile

Stock abbreviation	晨鸣纸业	Stock code	000488
	晨鸣B		200488
	晨鸣优01		140003
	晨鸣优02		140004
	晨鸣优03		140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	晨鸣纸业	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	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 accounting 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)	13,348,648,113.70	15,551,334,039.89	-14.16%
Net profit attributable to shareholders of the Company (RMB)	509,795,572.29	1,784,631,025.31	-71.43%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	303,144,996.21	1,537,896,765.44	-80.29%
Net cash flows from operating activities (RMB)	2,699,770,891.69	4,745,037,920.91	-43.10%
Basic earnings per share (RMB per share)	0.013	0.36	-96.39%
Diluted earnings per share (RMB per share)	0.013	0.36	-96.39%
Rate of return on net assets on weighted average basis	0.21%	5.77%	-5.56%
	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
Total assets (RMB)	106,558,750,961.42	105,318,734,827.82	1.18%
Net assets attributable to shareholders of the Company (RMB)	24,468,978,032.01	25,048,731,454.79	-2.31%

Data specification for basic earnings per share, diluted earnings per share, and rate of return on weighted average net assets:

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 2019 to 30 June 2019 of RMB96,202,739.73 and the dividend on preference shares paid and declared to be paid in 2019 of RMB377,169,767.52 are deducted.

3. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	130,823, of which 110,298 were holders of A shares, 20,157 were holders of B shares and 368 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 (see Note 8)			0	
Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders								
Name of shareholders	Nature of shareholders	Percent age of shareholding	Number of ordinary shares held at the end of the reporting period	Changes (increase or decrease) during the Reporting Period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Share pledged or locked-up	
							Status of shares	Number

				ng period				
CHENMING HOLDINGS COMPANY LIMITED	State-owne d legal person	15.33%	445,396,128	1250000	0	445,396,128	Ple dge d	333,499,836
HKSCC NOMINEES LIMITED	Overseas legal person	12.84%	373,067,625	-220250	0	373,067,625		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	364,131,563	0	0	364,131,563		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owne d legal person	2.07%	60,206,850	0	0	60,206,850		
AGRICULTURAL BANK OF CHINA LIMITED - CHINA CSI 500 ETF	Others	0.55%	15,982,750	1,816,300	0	15,982,750		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	12,912,357	0	0	12,912,357		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.39%	11,351,620	354,212	0	11,351,620		
Chen Hongguo	Domestic nature person	0.38%	11,080,044	935,600	0	2,770,011		
Chen Suiqiang	Domestic nature person	0.37%	10,800,200	899,050	0	10,800,200		
Jin Xing	Domestic nature person	0.37%	10,610,329	-1,114,421	0	10,610,329		
Related party relationship or acting in concert 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, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. A shareholder, Chen Hongguo, is the legal representative, chairman and general manager of Chenming Holdings Company Limited. 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.							
Shareholdings of the top ten shareholders of non-restricted ordinary shares								
Name of shareholders	Number of non-restricted ordinary shares held as at the end of the reporting period	Class of shares						
		Class of shares	Number					
CHENMING HOLDINGS COMPANY LIMITED	445,396,128	RMB ordinary shares	445,396,128					
HKSCC NOMINEES LIMITED	373,067,625	Overseas listed foreign shares	373,067,625					
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Domestic listed foreign shares	210,717,563					
		Overseas listed foreign shares	153,414,000					
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	60,206,850	RMB ordinary shares	60,206,850					
Agricultural Bank of China Limited - CSI500 Index Open-ended Fund	15,982,750	RMB ordinary shares	15,982,750					
VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,912,357	Domestic listed foreign shares	12,912,357					

VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	11,351,620	Domestic listed foreign shares	11,351,620
Chen Suiqiang	10,800,200	RMB ordinary shares	10,800,200
Jin Xing	10,610,329	Domestic listed foreign shares	10,610,329
LSV EMERGING MARKETS EQUITY FUND, L.P.	9,154,200	Domestic listed foreign shares	9,154,200
Related party relationship or acting in concert among the top ten ordinary shareholders of non-restricted ordinary shares, and between the top ten shareholders of non-restricted ordinary shares and the top ten ordinary shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.		
Securities margin trading of top 10 ordinary shareholders	Chenming Holdings Company Limited held 445,396,128 RMB ordinary shares, of which 402,196,128 shares were held through ordinary account and 43,200,000 shares were held through credit guarantee security account.		

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 holders of preference shares and the shareholdings of 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			
Holders holdings more than 5% of the preference shares of the Company or top ten holders of preference shares						
Name of shareholders	Nature of shareholders	Preference shareholding	Number of preference shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	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	0	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000	0		
BANK OF COMMUNICATIONS MINTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000	0		
QILU BANK CO., LTD. - QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT	Others	13.33%	6,000,000	0		

SERIES						
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000	0		
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	6.67%	3,000,000	0		
NCF - MINSHENG BANK – CHINA FORTUNE INTERNATIONAL TRUST – CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000	0		
Related party relationship or acting in concert among the top ten holders of preference shares, and between the top ten holders of preference shares and the top ten holders of ordinary shares	The aforesaid holders of preference shares, “BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – UILI 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 the remaining holders of preference shares are persons acting in concert. It is also not aware that the top ten holders of preference shares and the top ten holders of ordinary shares are related to each other.					

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	Issue date	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate	Payment method
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	17 August 2017	21 August 2022	120,000	6.50%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
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 2018	02 April 2023	90,000	7.28%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
Stock exchange on which corporate bonds are listed or transferred	Shenzhen Stock Exchange						
Investor eligibility arrangement	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of corporate bonds during the reporting period	There was no interest payment during the reporting period.						
Performance of relevant terms during the reporting period, for special terms such as issuer or investor	Both 17 Chenming Bond 01 and 18 Chenming Bond 01 attach with options for the issuer to adjust the coupon rate and for investors to resell. The issuer has the right to determine the adjustment to the coupon rate for the following 3 years at						

option and interchangeable for corporate bonds (if any)	the end of the second year and the adjustment to the coupon rate for the following year as the end of the fourth year. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.
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(2) Financial indicators as at the end of the reporting period

Unit: RMB'0,000

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
Gearing ratio	76.25%	75.43%	0.82%
Current ratio	77.56%	78.10%	-0.54%
Quick ratio	70.30%	69.54%	0.76%
Item	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	1.64	2.70	-39.26%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

Major reason for more than 30% in year-on-year change for the above accounting data and financial indicators:

✓ Applicable ☐ Not Applicable

EBITDA interest coverage ratio recorded a decrease of 39.26%, which was mainly due to the year-on-year decrease of profit during the reporting period.

III. Discussion and Analysis of Operations**1. Principal operations of the Company during the Reporting Period**

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

No

(I) Principal activities of the Company during the reporting period

The Company is a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, mining, forestry, logistics and construction materials. The Company is the only listed company with A shares, B shares and H shares in China. It is among the top 100 listed companies in China and the top 10 star enterprises in China, and is rated as one of the 50 most competitive blue chip companies in China. It has been honoured over 200 titles above the provincial level including the China May 1st Labour Prize, the Top 10 Best Light Industry Enterprises in China, Outstanding Contribution Prize in Business Administration in China and the National Spiritual Civilisation Advanced Unit. Its key indicators in respect of business and economic efficiency have been in a leading position in the industry in China for over 20 consecutive years. The machine-made paper business is the principal activity and the major source of revenue and profit of the Company. During the reporting period, there was no significant change in the principal activity of the Company.

Recently, the Company has committed itself to implementing the “forestry, pulp and paper integration” strategy. It currently has three major pulp mills in Zhanjiang, Huanggang and Shouguang. It has the largest wood pulp production capacity in China with annual production capacity of more than 4.2 million tonnes. It is the first integrated pulp and paper enterprise in China to be able to produce wood pulp to meet its paper making demand and its pulp production capacity and paper production capacity complement each other perfectly. Leveraging the integrated forestry, pulp and paper project, the Company is the enterprise that offers the widest product range in the paper making industry, and its products include culture paper, white paper board, coated paper, household paper, electrostatic copy paper and thermal paper, with each major product ranking among the best in China in terms of market share.

The Company has scientific research institutions including the national enterprise technology centre, the postdoctoral working station as well as state certified CNAS pulp and paper testing centre and has obtained over 150

national patents including 17 patents for invention, with 7 products selected as national new products and 35 products filling the gap in China. The Company has obtained 21 Science and Technology Progress Awards above the provincial level and undertaken five national science and technology projects and 26 provincial technological innovation projects. The Company has obtained the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification, leading among its industry peers.

(I I) Management situation for the reporting period

During the reporting period, although the general operation of the Company is in good condition, the Company experienced huge challenges as other paper making enterprises did in the complex and changing domestic and international economic situation. Affected by various factors such as economic downturn, reduced market demand, tight supply and rising prices of raw materials, the paper making industry experienced a decline in economic efficiency, increased difficulties in production and operation, and falling paper prices. Accordingly, the Company achieved net profit of only RMB38.22 million in the first quarter, representing a decrease of 95.12% as compared to the corresponding period of prior year.

Since the second quarter, the market improved significantly. The prices of the major paper types had been on the rise, and the benefits of the paper price rise were obvious. The Shouguang Meilun 510,000 tonne high-ended cultural paper project, the Shouguang Headquarters cultural paper transformation project, the Shouguang Meilun 1,000,000 tonne chemical pulp project, the Huanggang Chenming chemical pulp project and others invested and constructed by the Company were successively put into operation with smooth operation in the second quarter, and gradually began to play their role. The profitability of the Company improved significantly in the second quarter with a quarter-on-quarter increase of 1,157.95%.

In the first half of 2019, the Company completed the production of machine-made paper of 2.15 million tonnes with sales of 2.39 million tonnes and achieved revenue of RMB13,349 million, a year-on-year decrease of 14.16%. The Company recorded operating costs of RMB9,754 million, a year-on-year decrease of 4.93%. Total profit and net profit attributable to equity holders of the Company were RMB662 million and RMB510 million respectively, down by 70.12% and 71.43% from the prior year. The Company's total assets amounted to RMB106,559 million.

At present, the four major pulp and paper projects of the Company have been completed and commenced operation. There is no major project expenditure in the future; and the financial leasing company continued to reduce its business scale, and finance expenses will be effectively controlled. In the second half year, as the four major pulp and paper projects will operate at full capacity and fully realised their benefits, the Company will achieve a balance between the pulp production capacity and paper production capacity. The advantages of its pulp and paper integration will be obvious with significantly higher gross profit margin, thereby effectively enhancing the overall profitability and risk aversion ability of the Company.

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 year

☐ Applicable ☒ Not applicable

There was no change in accounting policies, accounting estimates and accounting methods of the Company during the reporting period.

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

☐ Applicable ☒ Not applicable

No retrospective restatement was made to correct major accounting errors during the reporting period.

(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

During the reporting period, the scope of consolidation increased and one new subsidiary was established, which was Shanghai Chenming Pulp & Paper Sales Co., Ltd.