

Stock Code: 200986

Stock Name: Huaxin Packaging-B

Announcement No. 2020-040

FOSHAN HUAXIN PACKAGING CO., LTD.

INTERIM REPORT 2020 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 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”).

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.	0756-8666629	0756-8666978
E-mail address	dingggq@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 2020	H1 2019	Change (%)
Operating revenue (RMB)	1,849,582,374.70	1,733,126,237.68	6.72%
Net profit attributable to the listed company's shareholders (RMB)	47,569,827.49	10,489,265.80	353.51%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	42,274,052.09	8,813,571.35	379.65%
Net cash generated from/used in operating activities (RMB)	547,232,009.55	-349,160,799.79	-
Basic earnings per share (RMB/share)	0.0941	0.0208	352.40%
Diluted earnings per share (RMB/share)	0.0941	0.0208	352.40%
Weighted average return on equity (%)	2.35%	0.53%	Up by 1.82 percentage points
	30 June 2020	31 December 2019	Change (%)
Total assets (RMB)	5,817,684,697.84	5,591,643,310.38	4.04%
Equity attributable to the listed company's shareholders (RMB)	2,046,639,944.00	2,006,651,491.51	1.99%

3. Shareholders and Their Holdings as at the End of the Reporting Period

Unit: share

Number of ordinary shareholders		12,553		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	Private shares	Shares in pledge or frozen		
					Status	Shares	
FOSHAN HUAXIN DEVELOPMENT CO., LTD.	State-owned legal person	65.20%	329,512,030	329,512,030			
WU HAOYUAN	Foreign natural person	0.62%	3,127,291				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.43%	2,156,804				
ZHAI YUZHEN	Domestic natural person	0.41%	2,066,800				
CAI YUJIU	Domestic natural person	0.38%	1,940,400				
MIU JUN	Domestic natural person	0.30%	1,512,900				
NORGES BANK	Foreign legal person	0.27%	1,352,720				

ESSENCE INTERNATIONAL SECURITIES (HONG KONG) CO., LTD.	Foreign legal person	0.24%	1,205,252			
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			
Related or acting-in-concert parties among the shareholders above	It is unknown whether there is among the above shareholders any related or acting-in-concert party as defined in the Administrative Measures for the Acquisition of Listed Companies					
Shareholders involved in securities 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 industry-specific disclosure requirements?

No.

(I) Market Environment

In the first half of 2020, the sudden outbreak of COVID-19 and the complex external economic environment brought various uncertainties and challenges to the Company's business divisions. Sinarmas Paper (China) Investment Co., Ltd. (hereinafter,

“Sinamas Paper”) passed the anti-trust review unconditionally on its acquisition of 100% of Shandong Bohui Group Co., Ltd. (hereinafter, “Bohui Group”), marking substantial progress on the acquisition. The ivory board industry sees faster integration, more concentration, improving trends and expectedly higher market prices. The increasingly strict policies of environmental protection and plastic bag restriction across the world provide a boost to demand for ivory board. However, the spreading of the pandemic overseas has produced a great impact on ivory board exports both directly and indirectly. But market demand for color printing, which goes with the ivory board industry, is in gradual recovery as the pandemic is under control domestically.

(II) Operating Results of the Reporting Period

In the first half of 2020, the Company followed the leadership of the governing party, promoted deep integration of party committee building and business operations, promoted high-quality development through high-quality party committee building, gave play to the “controlling directions, managing the overall situation and ensuring implementation” roles of the party committee and the role of party organizations of all levels as fighting bastions, proactively responded to the uncertainties and challenges brought by the pandemic, and ensured stable production and operation. Meanwhile, it actively expanded external markets, deepened organizational reform, increased investment in R&D and innovation, improved internal management and strengthened risk control. As a result, the Company achieved significant improvement in internal management and a significant year-on-year improvement in operating performance.

For the Reporting Period, the Company recorded operating revenue of RMB1,849,582,374.70, a gross profit of RMB93,959,067.49, and a net profit attributable to the listed company’s shareholders of RMB47,569,827.49. As at the end of the Reporting Period, the total assets of the Company amounted to RMB5,817,684,697.84, with a debt/asset ratio of 37.81%.

(III) Management Measures in the Reporting Period

1. Persisting in the guidance of Party building and strengthening the integration of Party building and operation

In the first half year of 2020, the Company persisted in the guidelines of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and conscientiously implemented the decisions and arrangements of the Party Central Committee. With “three integrations with internationalization” and “double integrations” as the focus, the Company integrated Party building with production, operation, corporate culture, team building, and the work of different societies and associations, and gave full play to the role of its Party committee in “controlling directions, managing the overall situation and ensuring implementation”. During the epidemic, the Company conducted the education themed “Enforcing Strict Discipline over the Party and Strengthening the Awareness for Political Responsibilities”, so as to convert the unique political advantages of the Party into strengths in fighting against the epidemic, resuming work and production, and managing production and operation, promote production and operation towards continuous improvements, and achieve growth in all business segments in all respects.

2. Reinforcing the internal mechanism reform and enhancing operation efficiency

In the first half of 2020, the Company continued to improve its organizational structure and at the same time stepped up effort in the recruitment of marketized mature talents, and introduced professionals to inject new impetus into the Company for its development. Furthermore, the Company promoted the new appraisal model focusing on the maximization of “efficiency and profits” to boost the morale of employees. It carried out a reform on its existing remuneration system based on the principle of linking performance with salary, which “values performance, rewards the diligent, punishes the lazy, encourages creation, and increases profits”. The Company established promotion channels comprising five hierarchies to conduct annual comprehensive review of technical, skilled and

management talents at each hierarchy in a specific proportion, thus satisfying the development needs of both itself and its employees, improving the core competitiveness of both, and guiding employees to focus on improving their skills and abilities.

3. Increasing spending on R&D and innovation and improving the incentive mechanism

In 2020, the Company continued to improve R&D spending and pursued “differentiation” in the increasingly homogeneous market. Its newly founded New Material Development and Industrial Technology Research Institute integrates paper manufacturing, chemical engineering, printing and packaging technologies of the paper-making industrial chain, extends research into the “new materials+” in emerging industries, and engages in the R&D of new products, new processes, new technologies and new raw and auxiliary materials in businesses. In addition, the Research Institute undertakes the product R&D and technical services to external companies in paper manufacturing and chemical industry, and engages in the scientific research projects on new materials in national and provincial strategic emerging industries. New Material Development and Industrial Technology Research Institute has set up a flexible and market-oriented new incentive mechanism to inspire the technological innovation ability of scientific and technological personnel, and fully exert and mobilize their creativity and activity.

4. Advancing the marketing system reform and promoting synergy in the internal management system

The Company has established a market-oriented system in its marketing department to optimize “value marketing”. It appraises sales performance by measuring the growth of sales volume, forming a competitive remuneration and incentive mechanism. Moreover, based on its product characteristics and the market status quo, the Company has continued to improve its marketing structure towards better allocation and use of marketing resources. It has made improvement to various supply chain links to enhance its overall business capacity.

2. Matters Related to Financial Reporting

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

Applicable Not applicable

No such cases.

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

Applicable Not applicable

No such cases.

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

Applicable Not applicable

No such cases.