Stock code: 200986 Stock name: FSHXP B Announcement No.:2016-087

Foshan Huaxin Packaging Co., Ltd.
Abstract of Semi-annual Report 2016

1. Important notes

The Abstract is based on the full text of the semi-annual report. For more details, investors are suggested to read the full text disclosed at the same time with the Abstract on http://www.cninfo.com.cn, the website of the Shenzhen Stock Exchange or any other websites designated by the CSRC.

The Abstract has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Corporate profile

Stock name	FSHXP B	Stock code	200986
Stock exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Liu Hanwen		
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2. Financial highlights and shareholder changes

(1) Financial highlights

Whether the Company performs any retroactive adjustments to or restatements of its accounting data of last year due to change in accounting policies or correction of accounting errors

□ Yes √ No

	Reporting Period	Same period of last year	+/- (%)
Operating revenues (RMB)	1,492,857,427.72	1,579,935,507.49	-5.51%
Net profit attributable to shareholders of the Company (RMB)	15,497,115.93	12,564,179.69	23.34%
Net profit attributable to shareholders of the Company excluding exceptional profit and loss (RMB)	9,911,166.34	7,392,560.12	34.07%
Net cash flows from operating activities (RMB)	-338,363,468.55	303,107,243.51	-211.63%
Basic earnings per share (RMB/share)	0.0307	0.0249	23.29%
Diluted earnings per share (RMB/share)	0.0307	0.0249	23.29%
Weighted average return on equity (%)	0.80%	0.69%	0.11%
	As at the end of the Reporting Period	As at the end of last year	+/- (%)
Total assets (RMB)	6,171,939,740.05	6,059,337,427.41	1.86%
Net assets attributable to shareholders of the Company (RMB)	1,934,568,198.06	1,938,277,232.13	-0.19%

(2) Shareholdings of the top 10 ordinary shareholders

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period						14,170
Shareholdings of the top 10 ordinary shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of non-tradable shares held	Pledged or frozen shares	
					Status	Number
FOSHAN HUAXIN DEVELOPMENT CO., LTD.	State-owned corporation	65.20%	329,512,030	329,512,030		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.81%	4,084,905			
WU HAOYUAN	Foreign individual	0.42%	2,561,991			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign corporation	0.27%	1,362,902			
NORGES BANK	Foreign corporation	0.27%	1,352,720			
ESSENCE INTERNATIONAL SECURITIES (HONG KONG) CO., LTD.	Foreign corporation	0.26%	1,305,152			
BOCI SECURITIES LIMITED	Foreign corporation	0.25%	1,280,990			
WU FENQIANG	Domestic individual	0.24%	1,233,901			
FOSHAN CHAN BEN DE DEVELOPMENT CO., LTD.	State-owned corporation	0.23%	1,139,420	1,139,420		
MIAO JUN	Domestic individual	0.22%	1,119,200			
Related or act-in-concert parties among the shareholders above		It is unknown to the Company whether there exists associated relationship among the shareholders above or they are acting-in-concert entities as stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.				

(3) Shareholdings of the top 10 preference shareholders

□ Applicable √ Not applicable
No such cases in the Reporting Period.

(4) Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the Reporting Period
□ Applicable √ Not applicable
No such cases in the Reporting Period.

Change of the actual controller in the Reporting Period

□ Applicable √ Not applicable
No such cases in the Reporting Period.

3. Discussion and analysis by the management

According to the National Bureau of Statistics, China's papermakers sold 57.779 million tons of machine-made paper and paperboard in the first half of 2016, with a sales-output ratio of 97.2%, representing a year-on-year growth of 0.4%. The inventory at the end of the second quarter rose 7.7% from the beginning of the year. For January-May 2016, the papermaking industry was running steadily and generated operating revenues of RMB328.744 billion, up 5.43% from a year earlier; and total profit of RMB13.94 billion, a 14.5% increase from the same period of last year. According to the China Paper Association, in the first half of 2016, despite a growth in the operating revenues, the domestic production and sales volumes of paperboard remained low with lack of market confidence, and the prices of most products stayed at low levels. Meanwhile, segments of the papermaking industry have differentiated. Craft cardboard and corrugated board are expected to continue to see a fast growth in demand; earnings of household paper remain satisfactory; the output of coated art paper has decreased, but the demand is stable; and the production and sales volumes of white cardboard are expectedly the same with last year, but new capacity will further heat up competition.
In the Reporting Period, the white cardboard sector, where the Company is engaged, remained sluggish as the growth of demand for paper was slow while capacity kept growing. It's expected to take a long time to soak up excess capacity. As a result, competition within the white cardboard segment focuses on price. With our competitors all trying to sell more in the high-end market, the prices of medium-and-high-end white cardboard registered a drop, causing great pressure on our business.
To deal with that, we have been improving our internal management and adjusting our product structure in the recent two years. In internal management, we adopt lean production for better profit. At the same time, we have further improved our product structure by increasing the percentage of liquid food wrapper in our sales with our advanced technology in this respect, so as to create a new profit growth point. Therefore, our white cardboard business has successfully maintained stable earnings. Our papermaking chemicals business has seen a drop in both the gross profit margin and the earnings because of a narrower market space and fluctuations in the product prices as a result of the increasingly fierce competition. As for our presswork business, the operating revenue sees no growth due to the shrinking demand of downstream customers, and a drop of the earnings has appeared because the fixed asset depreciation and the cost have increased due to new capacity.

4. Matters related to financial reporting

(1) Explain any changes in the accounting policies, accounting estimates and measurement methods as compared with the financial reporting of last year

□ Applicable √ Not applicable
No such cases in the Reporting Period.

(2) Explain any retroactive restatements due to correction of significant accounting errors in the Reporting Period

□ Applicable √ Not applicable
No such cases in the Reporting Period.

(3) Explain any changes in the consolidation scope as compared with the financial reporting of last year

√ Applicable □ Not applicable
Subsidiary Foshan Chengtong Paper Co., Ltd. was disposed at the end of 2015 and has thus been excluded from the consolidated financial statements of the Reporting Period.

(4) Explanation of the Board of Directors and the Board of Supervisors concerning the "non-standard" auditor's report issued by the CPAs firm for the Reporting Period

□ Applicable √ Not applicable