Stock code: 200986 Stock name: FSHXP B Announcement No.: 2018-012

FOSHAN HUAXIN PACKAGING CO., LTD.
ANNUAL REPORT 2017 (ABSTRACT)

Part I Important Information

This Abstract is based on the full text of the Annual Report. In order for a full understanding of the operating results, financial condition and future development planning of the Company (inclusive of its subsidiaries included in the consolidated financial statements), investors are kindly reminded to read the full text carefully on the media designated by the China Securities Regulatory Commission (the "CSRC").

This Abstract is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

Objections raised by the directors, supervisors and executive officers

Name	Office title	Objection and reason

Statement

Except for the following, all the other directors attended in person the Board meeting for the review of the Annual Report.

Name	Office title	Reason for not attending in person	Proxy
Li Jun	Independent Director	For reason of work	Xu Changlong

Independent auditor's modified opinion

□ Applicable √ Not applicable

Preliminary plan for profit distribution to the common shareholders or turning the capital reserve into the share capital for the Reporting Period, which has been reviewed and approved at the board meeting

√ Applicable □ Not applicable

Share capital increase from the capital reserve

□ Yes √ No

The Board has considered and approved a proposal for profit distribution: Based on the total shares of 505,425,000, a cash dividend of RMB0.18 (tax inclusive) per 10 shares would be distributed to all the shareholders, with no stock dividend in any form.

Preliminary plan for profit distribution to the preference shareholders for the Reporting Period which has been reviewed and approved at the board meeting

□ Applicable √ Not applicable

Part II Company Profile

1. Stock Profile

Stock name	FSHXP B	Stock code	200986
Stock exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Liu Yan	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	
Fax	0756-8666922	0756-8666922	
Tel.	0756-8666908	0756-8666978	
E-mail address	liuy@htrh-paper.com	shih@htrh-paper.com	

2. Brief Introduction to Main Business or Products in Reporting Period

The Company specializes in the R&D, production and sales of high-end coated ivory board, chemicals for paper making and color printing business.

① High-end coated ivory board

The ivory board is a product of the Company's main business, as a category of ivory board, is widely applied in various fields such as cigarette packaging, food packaging, medicine packaging, cosmetic packaging and living supplies packaging, which is an important source of the Company's major business income.

② Paper making business

Chemicals for paper making is business to extend the paper-making industry chain by the Company, which mainly supplies the carboxylic butadiene-styrene latex, styrene-acrylic latex and calcium carbonate of domestically first-class quality.

③ Color printing business

Color printing business is an important industrial linkage supporting business of the Company, which covers designing and manufacturing packaging materials and providing packaging solutions for customers. The Company now owns the offset, flexo and intaglio printing workshop. Main products include color boxes, various labels (paper label, in-mold label and sticker), barcode printing, brochure, books and periodicals involved in wide terminal consumption industry.

3. Key Financial Information

(1) Key Financial Information of Past Three Years

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

□ Yes √ No

Unit: RMB

	2017	2016	Change	2015
Operating revenue	3,583,157,646.37	3,607,758,904.01	-0.68%	3,282,043,995.12
Net income attributable to shareholders of the listed company	18,637,865.97	61,324,088.11	-69.61%	133,094,696.66
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	12,337,519.04	27,820,866.82	-55.65%	11,175,961.64
Net cash flows from operating activities	-36,774,721.08	409,111,111.08	-108.99%	613,491,329.76
Basic earnings per share (RMB/share)	0.04	0.12	-66.67%	0.26
Diluted earnings per share (RMB/share)	0.04	0.12	-66.67%	0.26
Weighted average return on equity (%)	0.94%	3.13%	Down 2.19 percentage points	7.10%
	December 31, 2017	December 31, 2016	Change	December 31, 2015
Total assets	5,426,368,352.69	6,182,737,808.93	-12.23%	6,059,337,427.41
Net assets attributable to shareholders of the listed company	1,982,859,436.21	1,980,395,170.24	0.12%	1,938,277,232.13

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	796,059,435.36	771,139,766.86	991,128,655.96	1,024,829,788.19
Net income attributable to shareholders of the listed company	6,724,398.15	5,763,250.84	6,677,224.73	-527,007.75
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	5,314,157.47	4,765,684.22	5,941,118.13	-3,683,440.78
Net cash flows from operating activities	-667,131,637.98	59,998,340.41	620,510,911.38	-50,152,334.89

Indicate by tick mark whether any of the financial data in the table above or their summations differs materially from what have been disclosed in the Company’s quarterly or semi-annual reports.

□ Yes √ No

4. Share Capital and Shareholder Information

(1) Numbers of Common Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Shareholdings of Top Ten Shareholders

Unit: share

Common shareholders at period-end	14,197	Common shareholders at month-end prior to disclosure of this Report	13,943	Preferred shareholders with resumed voting rights at period-end	0	Preferred shareholders with resumed voting rights at month-end prior to disclosure of this Report	0

Top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage at period-end (%)	Shares	Restricted shares	Pledged or frozen shares	
					Status	Shares
FOSHAN HUAXIN DEVELOPMENT CO., LTD.	State-owned corporation	65.20%	329,512,030	329,512,030		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.65%	3,287,053	0		
WU HAOYUAN	Domestic individual	0.51%	2,561,991	0		
NORGES BANK	Foreign corporation	0.27%	1,352,720	0		
MIAO JUN	Domestic individual	0.24%	1,236,300	0		
ESSENCE INTERNATIONAL	Foreign corporation	0.24%	1,205,252	0		

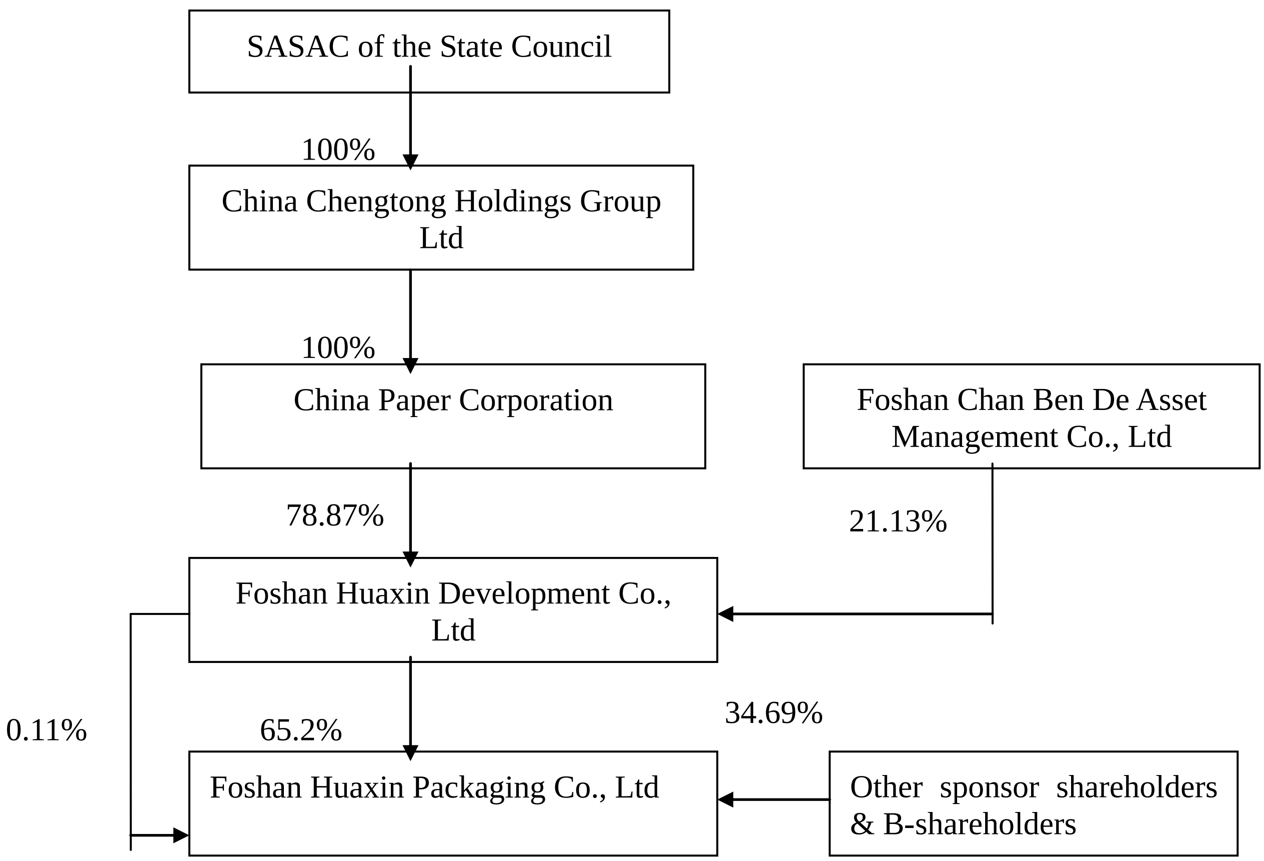
SECURITIES (HONG KONG) CO., LTD.						
CAI YUJIU	Domestic individual	0.24%	1,193,652	0		
KGI ASIA LIMITED	Foreign corporation	0.23%	1,161,959	0		
FOSHAN CHAN BEN DE ASSET MANAGEMENT CO., LTD	State-owned corporation	0.23%	1,139,420	1,139,420		
ZHANG LI	Domestic individual	0.19%	960,000	0		
Related or acting-in-concert parties among shareholders above		It is unknown whether there is among the above shareholders any related parties or acting-in-concert parties as defined in the Administrative Measures for the Acquisition of Listed Companies.				

(2) Number of Preferred Shareholders and Shareholdings of Top Ten of Them

□ Applicable √ Not applicable

No preferred shareholders in the Reporting Period.

(3) Ownership and Control Relations between Actual Controller and the Company



5. Corporate Bonds

Indicate by tick market whether the Company has any corporate bonds publicly offered and listed 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.
□ Yes √ No

Part III Company Performance Discussion and Analysis

1. Business Review for Reporting Period

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

No.

① Industry Environment

The papermaking industry is closely connected to the macro economy. With a slowdown in China's economic growth, the papermaking industry is under the pressure to change. However, along with the improving living standards and income level, as well as economic restructuring and improvement, China's per capita paper and paperboard consumption is expected to rise further. In addition, the stricter environment protection policy as part of a government-led supply-side reform would weed out some small, weak and outdated papermakers, which would help create a more centralized market, further optimize the competition structure and form a virtuous circle of development. Distinct signs of recovery have been seen in the papermaking industry.

During 2017, a wide variety of paper saw varying degrees of increase in price, with the biggest increase in the prices of packaging paper products. In the ivory board subsector, under the pressure of the continued large rise in the commercial wood pulp prices, the prices of both food packaging board and commercial board (the primary product for the ivory board market) registered a strong rise, with the prices of cigarette box board basically being flat.

② Company Performance during Reporting Period

During the Reporting Period, the rising prices of raw materials led to a higher cost for the Company. Therefore, it was a priority task for the Company to reduce costs and increase efficiency at the same time. During 2017, the Company embraced the philosophy of "New Measures for Reform, New Methods for Management, New Thinking for Operations and New Mechanisms for Incentive", adhered to a market-oriented strategy and followed the guideline of "Increase Efficiency through Production Ramp-up and Increase Earnings through Efficiency Improvement". It furthered the lean management campaign to try to increase production efficiency and improve operating results.

During the Reporting Period, the Company achieved operating revenue of RMB3,583.1576 million, a pretax income of RMB37.3996 million and a net income attributable to the shareholders of the listed company of RMB18.6379 million. As of the end of the Reporting Period, the total assets stood at RMB5,426.3684 million, with a debt-to-assets ratio of 33.61%.

③ Management Measures Taken within the Reporting Period

A. Implement the Marketing System's Reform and Improve the Marketing Capability.

Within the reporting period, the company kept up with the market, and regard "Structure Adjustment, Gross Margin Increase, Dual Reduction Orientation and Reform Advocating" as the key line for overall marketing management in order to positively implement the marketing system's reform:

a. Strengthen the vertical management and control of varieties and businesses: HongtaRenheng has promoted the classified management and control mode based on three major categories (cigarette paperboard, food paperboard and social paperboard), formulated and implemented the overall periodical marketing strategies featuring “reducing partial low gross margin food ivory paper orders, expanding the sales volume of social ivory paper and continuously developing the cigarette ivory paper market”, and continued to increase the product’s gross margin by optimizing the product and the customer structure and catching up with the trend in price rising;

b. Optimize the sales team and improve the evaluation system: in order to give the marketing’s driving role a full play, the company has attached great importance to optimize the personnel structure within the marketing system and established the sales performance evaluation system based on corresponding regions with “sales volume” as the core index and “gross margin” and “receivables” as ancillary index.

c. Fulfill the “Dual Reduction” objective in a persistent way: for marketing management personnel, corresponding job responsibilities will be assigned to specific persons; formulate and implement corresponding inventory and receivables management strategy and plan; assign corresponding “Dual Reduction” objective to corresponding region for fulfillment and management and keep supervising the implementation.

B. Technical Innovation serves as the nuclear power for the enterprise’s development.

Within the reporting period, the Company has increased the investment into R&D, made innovations in relevant paper-making techniques and emphasized the R&D of 7 new functional products that have entered their actual R&D stage as scheduled and made great breakthrough in line with national policy and the actual development situation, which will strengthened the company’s competitive edges and support the company’s further growth under the rigorous industrial situation. Meanwhile, the company has established the first professional cigarette packaging paperboard technology R&D innovation platform in China--”Yunnan Chinese Cigarette & Zhuhai HongtaRenheng Cigarette Paperboard R&D Innovation Platform” which will continuously make technical innovations and conduct R&D within the cigarette packaging field, providing technical support for the new standard and new demand in Chinese Cigarette Packaging Industry. Currently, the Company has multiple new products at the primary testing stage and certain new products in middle-stage testing.

C. Continue to Promote Lean Management and Integrate IT Application with Industralization.

The Company’s lean management always emphasizes the actual effect, focuses on the specific management objective by making use of external professional forces including lean management consulting company and aims to enhance the operation efficiency by means of departmental task analysis, lean management tutorship and problem solving, lean management week and annual performance evaluation and award etc.. Within the reporting period, the Company carried out 52 lean management tasks, improved 5,849 proposals, increased the participation rate to 79.09% and created a value of RMB15.9 million.

The company has always promoted the integration of IT application with industralization, including informationization driving industrialization and industrialization promoting informationization in order to realize the organic integration of information system with production system and production energy consumption analysis. With the establishment of EMS energy management system information platform and MES production implementation system as the supporting project, the company has successfully established the management system for the integration of IT application with industrialization, which has been verified.

D. Implement Performance Appraisal Reform For Improvement in Overall Efficiency

In order to fulfill the annual operation objective and improve the operation efficiency, the company has implemented corresponding evaluation reform in line with the actual production & operation situation. However, new performance evaluation system will focus on the completion of various tasks related to output and sales, and then evaluate the fulfillment of key departmental tasks so as to make sure that all employees can focus their forces to accomplish tasks by making concerted effort and keep materializing corresponding operation target in a persistent way.

2. Material Change to Main Business in Reporting Period

□ Yes √ No

3. Products Contributing over 10% of Main Business Revenue or Income

√ Applicable □ Not applicable

Unit: RMB

Product	Operating revenue	Operating income	Gross margin percentage	YoY change in operating revenue	YoY change in operating income	YoY change in gross margin percentage
Ivory board	2,788,623,257.46	348,602,279.59	12.50%	6.35%	-19.82%	Down 4.08 percentage points
Presswork	255,573,322.07	36,964,844.73	14.46%	-2.71%	-16.60%	Down 2.41 percentage points
Latex	343,515,615.53	53,675,977.61	15.63%	91.94%	177.12%	Up 4.81 percentage points
Total	3,387,712,195.06	439,243,101.93	12.97%	10.57%	-11.88%	Down 3.3 percentage points

4. Business Seasonality that Calls for Special Attention

□ Yes √ No

5. Material YoY Changes in Operating Revenue, Cost of Operating Revenue and Net Income Attributable to Common Shareholders or Their Composition

√ Applicable □ Not applicable

During the reporting period, affected by the enhancement of industry prosperity, the price of ivory board produced and sold by subsidiaries HongtaRenheng and Zhuhai Huafeng increased to some extent, however, affected by the dramatic increase of the price of raw materials, the gross profit rate of ivory board product decreased greatly compared to the same period of last year; besides, the production safety accident that occurred in the site area of subsidiary Zhuhai Huafeng on March 4, 2017 and the attack of Typhoon Hatoon the subsidiary in Zhuhai City on August 23 also had some negative impact on the daily production and operation of the company, causing a large decline in the profit.

6. Possibility of Listing Suspension or Termination

□ Applicable √ Not applicable

7. Matters Related to Financial Reporting

(1) YoY Changes in Accounting Policies, Accounting Estimates or Measurement Methods

√ Applicable □ Not applicable

On May 10, 2017, Ministry of Finance announced the revised The Accounting Standards for Enterprises No. 16 - Governmental Subsidies implemented from June 12, 2017, which requires companies to deal with the government subsidies that exist on January 1, 2017 by prospective application, and adjust the added government subsidies between January 1, 2017 and the implementation day of the rules in line with the revised rules.

The Company began to adopt the revised rules from June 12, 2017, and made adjustment to the government subsidies between January 1, 2017 and the implementation day of the rules according to the requirement of the new rules. Retroactive adjustment would not to be done to the transaction before January 1, 2017, nor did the financial statement in the period of comparison of 2017 financial statement.

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

□ Applicable √ Not applicable

No such cases.

(3) YoY Changes in Scope of Consolidated Financial Statements

√ Applicable □ Not applicable

Foshan Hongta Liyan Material Technology Co., Ltd. has been cancelled during the Reporting Period, and has thus no longer been included in the consolidated financial statements.