

STOCK CODE: 600356

STOCK ABBREVIATION: HENGFENG PAPER

## MUDANJIANG HENGFENG PAPER CO., LTD SUMMARY OF SEMI-ANNUAL REPORT 2019

### 1 Important

1.1 This summary of the report is taken from the semi-annual report. Investors who want to know the details should read the semi-annual carefully, which is published in SSE website or other websites that be assigned by CSRC.

1.2 Brief introduction of the Company

<b>Stock abbreviation</b>	Hengfeng Paper	<b>Stock Code</b>	600356
<b>Stock Exchange</b>	Shanghai Stock Exchange		
<b>Contact information</b>	<b>Secretary of the board</b>	<b>Stock transaction representative</b>	
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### 2 Financial data and Shareholders

2.1 Financial data

Currency: RMB(yuan)

Item	End of the report	End of 2018year	Change(%)
Total assets	2,864,571,463.52	2,731,925,708.92	4.86
Net assets attributable to shareholders of the listing Corporation	2,153,451,677.47	2,110,285,182.45	2.04
Item	2019 (1-6)	Same period of last year	Change(%)
Net cash flows from operating activities	26,363,118.72	-166,905,479.35	-
Operation revenue	819,486,618.24	735,496,039.95	11.42
Net profit attributable to shareholders of the listing Corporation	43,166,495.01	31,046,821.12	39.04
Net profit attributable to shareholders of the listing Corporation after deducting non recurring gains and losses	38,633,950.27	30,164,383.98	28.08
Weighted Average rate of return on net assets (%)	2.00	1.49	0.51
Net Income per Share-Basic	0.14	0.10	40
Net Income per Share-Diluted	0.14	0.10	40

2.2 Top 10 of the Shareholders

Unit: Share

Designation of shareholders	Share volume	Shareholding ratio(%)
Mudanjiang Hengfeng paper group	97,397,710	32.60
Mudanjiang Hengfeng Paper Co., Ltd.-Phase I employee shareholding Scheme	8,153,940	2.73
Yanming Dong	6,200,000	2.08
Huatai Securities Co., Ltd. -ZhongGeng Value Pilot Hybrid Securities Investment Fund	5,594,326	1.87
Guangfa Securities co., Ltd.-Zhonggeng small-cap value stock securities investment fund	4,811,271	1.61
Heilongjiang Provincial Investment & Management Co.,Ltd	4,800,000	1.61
Heilongjiang Chengneng Investment & Management Co.,Ltd	4,440,000	1.49
Liguo Zhang	2,970,000	0.99
Guangfa bank co., Ltd.-Guangfa bank XMYZTTX RMB financial plan	2,154,800	0.72
Gaofeng Liu	1,695,600	0.57

2.3 Total number of preferred shareholders and information table of the top ten preferred shareholders at the end of the reporting period

A √ N/A

2.4 change of controlling shareholders or actual controllers

A √ N/A

2.5 Anpaid and overdue corporate bonds

A √ N/A

3 Discussion and analysis of management

In the first half of 2019, the company's production and management work showed a good situation, the company's overall production stability, output, shipment more than the same period, export sales growth strong, in accordance with the overall idea of promoting sales, production capacity, quality, efficiency, culture "five promotion", around the domestic trade, foreign trade, new products three markets, in-depth promotion of quality reduction, under the premise of high stock prices of raw and auxiliary materials and other adverse factors, Still achieve operating income, Net profit over the same period of growth.

**3.1 Significant growth in sales in the international market.** In January-June, the company's product sales increased 7.01% from the same period last year. Among them, affected by the intensification of competition in the domestic industry, the market price of raw materials, the stricter policy of energy and environment protection and other factors, the sales volume of the main products in the domestic market is basically the same as in the same period, adhere to the strategic goal of international development, vigorously open up the international market sales, achieve a 40% increase in sales volume compared with the same period last year, and the popularity of the international product market has been greatly enhanced.

**3.2 Accelerate the project construction and promote the development of special paper new products.**In accordance with the requirements of the future development of strategic planning, promote the enterprise product diversification strategy layout, 19, 20, a new machine (annual output of 50000 tons of food wrappers project) and proposed 21 machine (annual output of 20000 tons of food wrappers project), after the project put into production, while giving full play to the advantages of scale, promote the company profitability of ascension, enterprise competitive ability in the field of specialty paper will be further enhanced.

**3.3 Promote enterprise intelligent manufacturing by means of information technology.**On the basis of tamping production management and quality management informatization, it has realized the application of mobile office, MES, LIMS online, and robot packaging and punching technology, realizing the management to digital and intelligent stride

forward. Driven by intelligent platform, the basic goals of reducing comprehensive cost, improving operation efficiency, informatization and intelligent application of enterprises are preliminarily realized, and the transformation of enterprises from traditional manufacturing to intelligent manufacturing is promoted.

**3.4 Improve internal management and implement lean management effectively.** It is budget-oriented and performance-driven, pays attention to financial results and basic management, and comprehensively implements enterprise fine management. In the first half of the year, the overall cost reduction work was carried out in an orderly manner, achieving a cost reduction of 7.6 million yuan, and the internal management ability was further improved. Continue to deepen the practical application of lean six sigma in the enterprise, and complete 346 QCD projects, an increase of 163 projects compared with the same period last year. The idea of lean management has been promoted and implemented at all levels of the company.

**3.5 the standard enterprise operation, devotes to safeguard the shareholder's rights and interests.** Continue to promote the standard management of the company, improve the rules of corporate governance, through the revision of the company's articles of association, three meeting rules and other systems, standardized the company's decision-making management process. Continue to strengthen the public awareness of the company, respect investors, actively create conditions for shareholders to exercise their rights, and strive to safeguard the rights and interests of small and medium-sized investors. We attach great importance to information disclosure, fulfill the obligation of information disclosure to investors in a timely, fair, true, accurate and complete manner, and strengthen the management of inside information and risk prevention and control.

**4 Main business analysis**

**4.1 Financial statements related subjects change analysis**

Currency: RMB(yuan)

Item	2019(1-6)	2018(1-6)	change (%)
Revenue	819,486,618.24	735,496,039.95	11.42
Cost of sales	630,180,717.57	571,454,073.07	10.28
Selling expense	60,412,240.53	53,586,723.43	12.74
General and administrative expense	40,931,463.94	40,998,517.00	-0.16
Financing expense	11,369,791.92	7,183,381.41	58.28
R & D expenditure	12,008,066.21	13,473,543.68	-10.88
Net cash flow from operating activities	26,363,118.72	-166,905,479.35	--
Net cash flow from investment activities	-79,158,002.98	110,824,039.52	-171.43
Net cash flow from financing activities	61,365,257.66	-44,501,917.30	--

**Note:**

**Revenue:** the main reason is the increase of product sales volume and the slight increase of product selling price.

**Cost of sales:** the main reason is the increase of product sales volume compared with the same period.

**Selling expense:** the main reason is the increase of product sales volume compared with the same period.

**Financing expense:** the main reason is the increase of bank loan compared with the same period.

**R&D expense:** the main reason is the difference of the time of new product trial production expense.

**Net cash flow from operating activities:** the main reason is the material purchase amount decreased compared with the same period.

**Net cash flow from investment activities:** the main reason is the project construction investment.

**Net cash flow from financing activities:** the main reason is the increase of bank borrowing.

**5 compared with the previous accounting period, the circumstances, reasons and influences of changes in accounting policies, accounting estimates and accounting methods**

### 5.1 Overview of accounting policy changes

On April 30, 2019, the ministry of finance issued the notice on the revision and issuance of 2019 annual general enterprise financial statement format (Financial accounting [2019] No. 6) (hereinafter referred to as the "amendment notice"), which revised the format of general enterprise financial statement. According to the requirements of the above notice, the interim financial statements and annual financial statements of non-financial enterprises in 2019 and the financial statements of subsequent periods are applicable to the implementation of accounting standards for business enterprises.

### 5.2 Specific contents of accounting policy changes

According to the relevant provisions of the amendment notice, the company has made the following major changes to the financial statement format:

5.2.1 Split the original "notes receivable and accounts receivable" items of the balance sheet into "notes receivable" and "accounts receivable" items;

5.2.2 Split the original "notes payable and accounts payable" items of the balance sheet into "notes payable" and "accounts payable" items;

5.2.3 on the balance sheet of new "tradable financial assets", "accounts receivable financing project", "creditor's rights investment", "other creditor's rights investment projects", "transactional financial liabilities," reduce "is measured at fair value and the changes are recorded into the profits and losses of the current financial assets", "available for sale financial assets", "the held-to-maturity investment projects", "other equity instrument investments", "other illiquid financial assets", "to the fair value and whose fluctuations are included in the current profits and losses of the financial liability" and "long-term deal with worker firewood" project;

5.2.4 Change the income statement "minus: asset impairment loss" to "plus: asset impairment loss (the loss is filled in with" - ")";

5.2.5 Add new items in the income statement such as "financial assets measured by amortized cost shall be terminated and recognized as income (loss shall be marked with" - ") ", "net exposure hedging income (loss shall be marked with" - ") "and" credit impairment loss (loss shall be marked with" -");

5.2.6 In the cash flow statement, the government subsidy is specified. The actual government subsidy received by the enterprise, whether related to assets or income, is listed in the item of "cash received from other business activities";

5.2.7 In the statement of changes in owners' equity, the entry of "other equity instrument holders' investment in capital" is specified. The entry of "other equity instrument holders' investment in capital" reflects the amount of capital invested by holders of financial instruments classified as equity instruments other than common stock issued by enterprises. This project is filled in according to the amount analysis of the related detailed subjects of financial instruments.

Third, the impact of accounting policy changes on the company

According to the provisions of the "amendment notice", the company shall disclose financial statements in accordance with the relevant requirements of the "amendment notice" from the half-yearly report in 2019. This change in accounting policy will only affect the format of financial statements and the presentation of some items, but will not affect the company's financial status, operating results and cash flow.

5.3 material accounting errors correction during the reporting period shall be retroactively restated, the amount of correction, the reason and its impact.