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Changgang Dunxin Enterprise Company Limited

長港敦信實業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2229)

DISCLOSEABLE TRANSACTION ACQUISITION OF ASSETS

Financial Advisor to the Company

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

THE ACQUISITION

On 22 December 2014 (after trading hours), Dunxin Paper (the Purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Asset Acquisition Agreement with Zhangzhou Zhenglin (the Vendor), pursuant to which the Purchaser agreed to acquire the Production Facilities from the Vendor at a total cash consideration of RMB162,000,000 (equivalent to approximately HK\$200,151,000).

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the Vendor and its ultimate beneficial owners are independent third parties not connected with the Company or its connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the requirements of Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 22 December 2014 (after trading hours), Dunxin Paper, an indirect wholly-owned subsidiary of the Company, entered into the Asset Acquisition Agreement with Zhangzhou Zhenglin for the acquisition of the Production Facilities.

THE ASSET ACQUISITION AGREEMENT

Date

22 December 2014 (after trading hours)

Parties

Purchaser: Dunxin Paper

Vendor: Zhangzhou Zhenglin

Assets to be acquired

Pursuant to the Asset Acquisition Agreement, the Purchaser will acquire all rights, title and interests in the following assets and properties of the Vendor, free and clear from all liens, charges and encumbrances:

1. *Land use rights and buildings*

The land use rights of two parcels of land located at Gangyuan Industrial Park, Chenxiang Town, Changtai County, Zhangzhou City, Fujian Province, the PRC with a total site area of approximately 50,488.50 sq.m. and five single to four-storey buildings and structures with a total gross area of approximately 42,406.38 sq.m. erected thereon.

2. *Production and ancillary facilities*

Production and ancillary facilities for corrugated medium board and boxes which have an annual production capacity of approximately 57,000,000 sq.m. of corrugated medium board and 18,900,000 sq.m. of boxes.

Note: The land use rights of a parcel of land and buildings which forms part of the Production Facilities are pledged to a bank by Zhangzhou Zhenglin.

Set out below are the revenue and profits attributed to the Production Facilities under applicable PRC accounting standards since Zhangzhou Zhenglin commenced its operation in 2013 and its Book Value as at 30 November 2014:

(i) Revenue and profits attributed to the Production Facilities

	12 month ended 31 December 2013 <i>RMB'000</i> (unaudited)	11 month ended 30 November 2014 <i>RMB'000</i> (unaudited)
Revenue	116,222	162,250
Profit before tax	19,706	27,800
Profit after tax	14,779	20,850

(ii) Book Value of the Production Facilities

As at 30 November 2014 (unaudited)	155,911
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Consideration and payment schedule

The total consideration for the Production Facilities is RMB162,000,000 (equivalent to approximately HK\$200,151,000), and details of which are as follows:

Production Facilities	Consideration <i>RMB'000</i>
Land use rights and buildings	124,000
Production and ancillary facilities	<u>38,000</u>
	<u><u>162,000</u></u>

An earnest money of RMB5,000,000 (equivalent to approximately HK\$6,177,500), shall be paid in cash by the Purchaser to the Vendor within 3 business days following the signing of the Asset Acquisition Agreement and will be treated as partial consideration of the Acquisition upon the Completion Date.

The remaining balance for the sum of RMB157,000,000 (equivalent to approximately HK\$193,973,500) shall be paid in cash by Purchaser to the Vendor within 15 business days following the Completion Date.

The total consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among other things, the Valuation Reports, which valued the Production Facilities as at 30 November 2014 at RMB 161,830,000 (equivalent to approximately HK\$199,941,000).

The total consideration for the Acquisition will be funded from internal resources.

Conditions Precedent

Completion is conditional upon:

1. completion of procedures for the release of all charges on the Pledged Assets; and
2. completion of registration of change of ownership to the Production Facilities in the name of the Purchaser.

In the event the conditions precedent are not fulfilled on or before the Long Stop Date, the Purchaser has the following options:

1. terminate the Asset Acquisition Agreement, require the Vendor to refund the earnest money of RMB5,000,000, together with interest payment based on bank deposit rates since the payment of the earnest money, within 7 business days following the Long Stop Date, and return the Production Facilities and relevant documents to the Vendor after receiving the refund; or
2. not to acquire the assets for which the registration of change of ownership in the name of the Purchaser are not completed, adjust the total consideration to exclude the values of such assets as set out in the Valuation Reports, and settle the adjusted total consideration within 7 business days following the Long Stop Date. The Purchaser shall return such assets and relevant documents to the Vendor after the adjusted total consideration is settled.

Completion

Completion shall take place on the day following the date of fulfillment of the conditions precedent, or at such other date as the Vendor and the Purchaser may mutually agree in writing.

Upon payment of the earnest money, the Vendor shall handover to the Purchaser (1) all relevant ownership documents required and other relevant documents for the registration of change of ownership to the Production Facilities (excluding the Pledged Assets) in the name of the Purchaser; (2) physical assets of machinery and equipment and their respective purchase contracts and invoices; and (3) all the original approval and inspection documents obtained by the Vendor for the construction of the Production Facilities.

On the day following the date on which the Pledged Assets are released, the Vendor shall handover to the Purchaser all relevant ownership documents required and other relevant documents for the registration of change of ownership to the Pledged Assets in the name of the Purchaser.

Reasons for the Acquisition

The Group is principally engaged in the production and sale of a broad variety of upstream paperboard products (including white top linerboard, kraftlinerboard and high performance corrugated medium), as well as downstream products comprising of medium boards and boxes and poker cards.

In addition to the future plans set out in the Prospectus, the Board proactively assesses other options to enhance the production capacity of the Group and broaden and strengthen its earning capability. The Board considers the Acquisition is in line with the Group's long term development strategy. As the Production Facilities are equipped with advanced production technology, the Acquisition will enable the Group to tap into new groups of potential customers with demands for high quality and large quantities of standardized corrugated medium board and box products.

In light of the above, the Board considers that the Acquisition can enhance shareholders' value and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Connection between on the parties

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the Vendor and its ultimate beneficial owners are independent third parties not connected with the Company or its connected persons (as defined in the Listing Rules).

Implications under the Listing Rules

As the applicable percentage ratios for the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is required to be disclosed by way of this announcement.

Definitions

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Production Facilities pursuant to the Asset Acquisition Agreement
“Asset Acquisition Agreement”	the conditional asset acquisition agreement dated 22 December 2014 entered into between the Purchaser and the Vendor in connection with the Production Facilities
“Board”	the board of Directors
“Book Value”	the cost minus any depreciation and amortization made against the Production Facilities

“Company”	Changgang Dunxin Enterprise Company Limited (長港敦信實業有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with terms and conditions of the Asset Acquisition Agreement
“Completion Date”	the day following the date of fulfillment of the conditions precedent, or at such other date as the Vendor and the Purchaser may mutually agree in writing
“Director(s)”	the directors(s) of the Company
“Dunxin Paper” or “Purchaser”	Dunxin Paper Co., Limited* (敦信紙業有限責任公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the 60th day following the signing of the Asset Acquisition Agreement
“Pledged Assets”	the land use rights of a parcel of land and buildings which forms part of the Production Facilities are pledged to a bank by Zhangzhou Zhenglin
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Production Facilities”	the land use rights of two parcels of land located at Gangyuan Industrial Park, Chenxiang Town, Changtai County, Zhangzhou City, Fujian Province, the PRC, and the buildings, production and ancillary facilities thereon for the production of corrugated medium board and boxes owned by Zhangzhou Zhenglin and to be sold to the Purchaser under the Acquisition
“Prospectus”	the prospectus of the Company dated 16 June 2014
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reports”	two valuation reports on (a) property and (b) equipment and machinery of the Production Facilities as at 30 November 2014 prepared by Grant Sherman Appraisal Limited (中證評估有限公司), an independent professional valuer
“Zhangzhou Zhenglin” or “Vendor”	Zhangzhou Zhenglin Printing Technology Co., Ltd* (漳州正霖印刷科技有限公司), a company established under the laws of the PRC with limited liability
“%”	per cent

English of the Chinese names marked with “” are for identification purposes only, and should not be regarded as the official English translation thereof.*

By order of the Board
Changgang Dunxin Enterprise Company Limited
Zheng Dunmu
Chairman

Hong Kong, 22 December 2014

As at the date of this announcement, the Board comprises of three executive directors, namely Mr. Zheng Dunmu, Mr. Zheng Dunqian and Mr. Chen Ruomao; and three independent non-executive directors, namely Mr. Kwong Kwan Tong, Mr. Ye Deshan and Mr. Hu Zhenghui.