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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

FINANCIAL HIGHLIGHTS

		Six months ended June 30,		
	<i>Unit</i>	2015	2014	Change
Revenue	<i>RMB'000</i>	450,232	530,537	-15.1%
Gross profit	<i>RMB'000</i>	91,953	114,120	-19.4%
Net profit after tax	<i>RMB'000</i>	45,261	71,667	-36.8%
Gross profit margin		20.4%	21.5%	-1.1pts
Net profit margin		10.1%	13.5%	-3.4pts

INTERIM RESULTS

The board of directors (the “**Board**”) of Changgang Dunxin Enterprise Company Limited (the “**Company**”) is delighted to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2015, together with the comparative figures for the corresponding period of 2014 and explanatory notes.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months end 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Turnover	5	450,232	530,537
Cost of sales		<u>(358,279)</u>	<u>(416,417)</u>
Gross profit		91,953	114,120
Other income	5	7,010	6,998
Distribution costs		(2,466)	(2,923)
Administrative expenses		(15,359)	(16,459)
Finance costs	6	<u>(4,954)</u>	<u>(4,447)</u>
Profit before income tax	7	76,184	97,289
Income tax expense	8	<u>(30,923)</u>	<u>(25,622)</u>
Profit for the period		45,261	71,667
Other comprehensive income for the period, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Translation difference of foreign operation		<u>(960)</u>	<u>(250)</u>
Total comprehensive income for the period		<u>44,301</u>	<u>71,417</u>
		RMB Cents	RMB Cents
Earnings per share attributable to owners of the Company	10	<u>5</u>	<u>10</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	349,146	292,432
Investment properties	12	4,179	4,376
Prepaid land lease payments	13	21,379	21,646
Deposits for land use rights and property, plant and equipment		8,581	8,581
		383,285	327,035
Current assets			
Inventories	14	23,820	39,375
Trade and bills receivables	15	206,299	242,404
Prepayments and other receivables	16	6,990	473
Pledged bank deposits	17	7,511	24,242
Cash and cash equivalents	17	593,587	631,963
		838,207	938,457
Current liabilities			
Trade and bills payables	18	127,704	155,543
Accruals and other payables	19	18,845	8,506
Interest bearing bank borrowings	20	94,099	131,707
Current tax liabilities		9,359	14,706
		250,007	310,462
Net current assets		588,200	627,995
Total assets less current liabilities		971,485	955,030
Non-current liabilities			
Bonds	21	35,313	—
Net assets		936,172	955,030

		As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	7,891	7,891
Reserves	24	<u>928,281</u>	<u>947,139</u>
Total equity		<u><u>936,172</u></u>	<u><u>955,030</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

1 CORPORATE INFORMATION

The Company was incorporated under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) as an exempted company with limited liability in the Cayman Islands on 27 August 2012. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is principally engaged in the production and sale of paperboards, corrugated medium boards and boxes and poker cards in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation (the "Reorganisation") of the Company and its subsidiaries to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the Group on 29 May 2014. Details of the Reorganisation were set out in the prospectus of the Company dated 16 June 2014 (the "Prospectus").

The Group resulting from the Reorganisation is regarded as a continuing entity under common control. Accordingly, for the purpose of this report, the consolidated financial statements of the Group have been prepared using principles of merger accounting. The interim information of the Group for the six-months ended 30 June 2014 shown as comparatives in this report have been prepared as if the current group structure had been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the companies in the Group, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Pure Sheen Limited, a limited liability company incorporated in the British Virgin Islands ("BVI").

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except where otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

During the period under review, the Group has adopted all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operating and effective for annual periods beginning on or after 1 January 2015. The application of the new and revised HKFRSs in the period under review has had no material effect on these financial statements.

The Group has not adopted the following new and revised HKFRSs that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
HKFRSs (Amendments)	Annual Improvements HKFRSs 2012–2014 Cycle	1 January 2016

The Group is in the process of making an assessment of what impact of these new or revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information.

4 SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the PRC market. The Group's chief operating decision maker considered that all of the Group's revenue, operating result and asset for the period under review were mainly derived from its production and sale of paperboards, corrugated medium boards and boxes and poker cards.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's operating segments for the period under review:

For the six months ended 30 June 2015

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales	281,094	93,717	83,131	457,942
Intersegment	<u>(7,710)</u>	<u>—</u>	<u>—</u>	<u>(7,710)</u>
Sales to customers	<u>273,384</u>	<u>93,717</u>	<u>83,131</u>	<u>450,232</u>
Segment results	<u>24,498</u>	<u>31,050</u>	<u>36,405</u>	91,953
Unallocated income				7,010
Unallocated expenses				(17,825)
Finance costs				<u>(4,954)</u>
Profit before income tax				76,184
Income tax expense				<u>(30,923)</u>
Profit for the period				<u>45,261</u>

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information					
Depreciation of property, plant and equipment	13,605	502	703	4,709	19,519
Depreciation of investment properties	—	—	—	197	197
Amortisation of prepaid land lease payments	237	—	—	30	267
Capital expenditure	<u>76,275</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>76,275</u>

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2015				
Assets and liabilities:				
Segment assets	413,842	48,949	44,581	507,372
Unallocated assets				<u>714,120</u>
Total assets				<u><u>1,221,492</u></u>
Segment liabilities	100,138	18,853	18,638	137,629
Unallocated liabilities				<u>147,691</u>
Total liabilities				<u><u>285,320</u></u>

For the six months ended 30 June 2014

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales	374,943	87,396	72,071	534,410
Intersegment	<u>(3,873)</u>	<u>—</u>	<u>—</u>	<u>(3,873)</u>
Sales to customers	<u><u>371,070</u></u>	<u><u>87,396</u></u>	<u><u>72,071</u></u>	<u><u>530,537</u></u>
Segment results	<u><u>62,108</u></u>	<u><u>26,851</u></u>	<u><u>25,161</u></u>	114,120
Unallocated income				6,998
Unallocated expenses				(19,382)
Finance costs				<u>(4,447)</u>
Profit before income tax				97,289
Income tax expense				<u>(25,622)</u>
Profit for the period				<u><u>71,667</u></u>

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information					
Depreciation of property, plant and equipment	12,750	544	792	5,025	19,111
Depreciation of investment properties	—	—	—	215	215
Amortisation of prepaid land lease payments	237	—	—	30	267
Capital expenditure	—	—	—	28	28

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Total <i>RMB'000</i>
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As at 30 June 2014

Assets and liabilities:

Segment assets	420,182	41,514	42,125	503,821
Unallocated assets				<u>680,854</u>
Total assets				<u><u>1,184,675</u></u>
Segment liabilities	133,206	12,351	13,336	158,893
Unallocated liabilities				<u>143,647</u>
Total liabilities				<u><u>302,540</u></u>

5 TURNOVER AND OTHER INCOME

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax) during the period under review.

An analysis of the Group's turnover and other income is as follows:

	For the six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Turnover:		
Sale of goods	450,232	530,537
Other income:		
Bank interest income	1,146	511
Exchange gain, net	793	—
Scrap sales	4,748	6,177
Rental income	292	280
Sundry income	31	30
	<u>7,010</u>	<u>6,998</u>
	<u>457,242</u>	<u>537,535</u>

6 FINANCE COSTS

	For the six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Interest on bonds	712	—
Interest on bank loans wholly repayable within five years	4,012	3,950
Handling charges	<u>230</u>	<u>497</u>
	<u>4,954</u>	<u>4,447</u>

7 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	For the six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Cost of raw materials consumed	260,486	320,767
Depreciation of property, plant and equipment	19,519	19,111
Depreciation of investment properties	197	215
Amortisation of prepaid land lease payments	267	267
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	17,584	15,545
Pension scheme contributions	2,058	1,768
	19,642	17,313
Rental expense	45	45

8 INCOME TAX EXPENSE

	For the six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
— PRC enterprise income tax	30,923	25,622

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in or derived from Hong Kong during the period under review.

Enterprise income tax ("EIT") arising from the PRC for the period under review is calculated at 25% of the estimated assessable profits.

A reconciliation of the income tax expense applicable to profit before income tax at the statutory tax rate to the income tax expense at the effective tax rate is as follows:

	For the six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>76,184</u>	<u>97,289</u>
Tax at EIT rate	19,046	24,322
Effect of expenses not deductible	4,378	1,300
Effect of income not taxable	(3,478)	—
Effect of PRC withholding tax	10,881	—
Other	<u>96</u>	<u>—</u>
Income tax expense	<u>30,923</u>	<u>25,622</u>

The Group had no material recognised temporary differences as at 30 June 2015 and 2014.

9 DIVIDEND

An interim dividend of HK\$8.1 cents (RMB6.4 cents) per ordinary share totalling HK\$80,417,000 (RMB63,159,000) was declared and paid by the Company during the period (2014: Nil).

10 EARNINGS PER SHARE

The calculation of basic earnings per share amounts for the six months period ended 30 June 2015 is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of 992,800,000 Shares in issue during the period under review.

The calculations of basic earnings per share for the six months period ended 30 June 2014 is based on the profit attributable to owners of the Company and the 752,827,624 Shares in issue prior to the listing of the Shares on the Stock Exchange, as if these Shares had been issued throughout the six months period ended 30 June 2014.

No diluted earnings per Share is presented as the Group has no dilutive potential Shares during the period under review.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Power supply equipment	Construction In progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:							
At 1 January 2014	107,479	249,056	4,658	640	49,208	—	411,041
Additions	—	443	—	—	27	21,102	21,572
At 31 December 2014	107,479	249,499	4,658	640	49,235	21,102	432,613
Additions	—	70,498	—	—	—	5,777	76,275
Disposal	—	—	(147)	—	—	—	(147)
At 30 June 2015	107,479	319,997	4,511	640	49,235	26,879	508,741
Accumulated depreciation:							
At 1 January 2014	21,120	64,735	3,392	458	12,339	—	102,044
Provided for the year	7,247	25,704	465	51	4,670	—	38,137
At 31 December 2014	28,367	90,439	3,857	509	17,009	—	140,181
Provided for the period	3,624	13,390	145	25	2,335	—	19,519
Written back on disposal	—	—	(105)	—	—	—	(105)
At 30 June 2015	31,991	103,829	3,897	534	19,344	—	159,595
Net book value							
At 30 June 2015	<u>75,488</u>	<u>216,168</u>	<u>614</u>	<u>106</u>	<u>29,891</u>	<u>26,879</u>	<u>349,146</u>
At 31 December 2014	<u>79,112</u>	<u>159,060</u>	<u>801</u>	<u>131</u>	<u>32,226</u>	<u>21,102</u>	<u>292,432</u>

Certain buildings and plant and machinery were pledged for the banking facilities granted to the Group (note 26), and their carrying amounts are set out below:

	At 30 June 2015	At 31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	46,012	47,702
Plant and machinery	15,141	16,254
Power supply equipment	1,503	1,626
	<u>62,656</u>	<u>65,582</u>

The above buildings are held under medium-term leases and situated in the PRC.

12 INVESTMENT PROPERTIES

RMB'000

Cost:

At 1 January 2014, 31 December 2014 and 30 June 2015 9,570

Accumulated Depreciation:

At 1 January 2014 4,781

Provided for the year 413

At 31 December 2014 5,194

Provided for the period 197

At 30 June 2015 5,391

Net carrying amount:

At 30 June 2015 4,179

At 31 December 2014 4,376

The above investment properties are held under medium-term leases and situated in the PRC.

As at 30 June 2015 and 31 December 2014, the Group's investment properties with total carrying values of approximately RMB4,179,000 and RMB4,376,000 respectively were pledged to secure the Group's banking facilities (note 26).

13 PREPAID LAND LEASE PAYMENTS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
At the beginning of the period/year	21,646	22,179
Amortisation	<u>(267)</u>	<u>(533)</u>
At the end of the period/year	<u>21,379</u>	<u>21,646</u>

An analysis of the use of prepaid land lease payments were set out below:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
For own occupied	21,234	21,499
For investment properties	<u>145</u>	<u>147</u>
	<u>21,379</u>	<u>21,646</u>

The Group's prepaid land lease payments represent payments for land use rights in the PRC under medium-term leases.

As at 30 June 2015 and 31 December 2014, certain of the Group's prepaid land lease payments with total carrying values of approximately RMB12,358,000 and RMB12,513,000 respectively were pledged to secure the Group's banking facilities (note 26).

14 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	10,929	14,659
Finished goods	<u>12,891</u>	<u>24,716</u>
	<u>23,820</u>	<u>39,375</u>

As at 30 June 2015 and 31 December 2014, certain of the Group's inventories with total carrying values of approximately RMB19,911,000 and RMB35,046,000 respectively were pledged to secure the Group's banking facilities (note 26).

15 TRADE AND BILLS RECEIVABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade receivables, net	<u>206,299</u>	<u>242,404</u>

The Group's trading terms with customers are mainly on credit. The credit term ranged from 30 days to 120 days. The Group's trade receivables are interest-free and relate to a large number of diversified customers and there is no significant concentration of credit risk.

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

An ageing analysis of the trade receivables of the Group based on the invoice date is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 month	86,542	108,841
1 to 2 months	75,186	85,399
2 to 3 months	34,363	34,080
4 to 6 months	8,556	14,084
Over 6 months	<u>1,652</u>	<u>—</u>
	<u>206,299</u>	<u>242,404</u>

Movements of provision for impairment loss on trade receivables during the period under review were as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
At the beginning and at the end of the period/year	<u>453</u>	<u>453</u>

16 PREPAYMENT AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Other receivables	364	286
Other tax recoverable	6,626	—
Prepayments	<u>—</u>	<u>187</u>
	<u>6,990</u>	<u>473</u>

17 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash and bank balances	601,098	656,205
Less: Pledged bank deposits for secured bills payables and bank borrowings (<i>note 26</i>)	<u>(7,511)</u>	<u>(24,242)</u>
Cash and cash equivalents	<u>593,587</u>	<u>631,963</u>

18 TRADE AND BILLS PAYABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade and bills payables	<u>127,704</u>	<u>155,543</u>

The trade payables and bills payables are interest-free. The credit period ranges from 30 days to 180 days.

An ageing analysis of the trade payables of the Group based on the invoice date is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	116,111	129,018
4 to 6 months	8,470	26,525
Over 6 months	<u>3,123</u>	<u>—</u>
	<u>127,704</u>	<u>155,543</u>

19 ACCRUALS AND OTHER PAYABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Accruals and other payables	16,137	2,587
Wages payables	2,580	3,639
Other tax payables	—	2,198
Due to a director (<i>note 22</i>)	<u>128</u>	<u>82</u>
	<u>18,845</u>	<u>8,506</u>

20 INTEREST BEARING BANK BORROWINGS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Secured and wholly repayable within one year:		
Bank advances for discounted bills	3,573	28,648
Bank loan	<u>90,526</u>	<u>103,059</u>
	<u>94,099</u>	<u>131,707</u>

The ranges of effective interest rates of the Group's borrowings are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current		
Variable-rate borrowings	4.43%–6.16%	3.00%–8.10%
Fixed-rate borrowings	<u>3.38%–7.84%</u>	<u>7.28%–7.56%</u>

All the Group's bank loans were denominated in Renminbi, United States dollars and Hong Kong dollars.

Details of the assets pledged to secure the bank borrowings of the Group were disclosed in note 26.

21 BONDS

During the period, the Company issued five (six months ended 30 June 2014: Nil) 6.5% bonds (the “Bonds”) with a nominal value of HK\$50,000,000 (approximately RMB39,270,000). Each Bonds shall be redeemed at 100 per cent of its principal amount with accrued interest on the maturity date. The maturity date of the Bonds falls on the seven anniversary of the issue date of the Bonds. The Bonds carry interest at a rate of 6.5% per annum, which is payable semi-annually in arrears on 30 June and 31 December in each year except that the last of such payment shall be made on the maturity date.

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Net carrying amount		
Nominal value of the Bonds issued		
During the period/year	39,270	—
Direct attributable transactions costs	<u>(4,084)</u>	<u>—</u>
	<u>35,186</u>	<u>—</u>
Interest charged calculated at effective interest rates (ranging from 6.5%–10.62%)	712	—
Interest paid	<u>(585)</u>	<u>—</u>
At the end of the period/year	<u><u>35,313</u></u>	<u><u>—</u></u>

22 AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company is interest free, unsecured and has no fixed repayment term.

23 SHARE CAPITAL

	Notes	Number of Shares of HK\$0.01 each	Nominal value of Shares	
			HK\$'000	RMB'000
<i>Authorised:</i>				
At 31 December 2013	(a)	38,000,000	380	
Increase in authorized capital	(c)	<u>2,962,000,000</u>	<u>29,620</u>	
At 31 December 2014 and 30 June 2015		<u>3,000,000,000</u>	<u>30,000</u>	
<i>Issued and fully paid:</i>				
At 31 December 2013	(a)	750	—	—
Issue of Shares for the acquisition of the entire issued shares capital of Tun's Paper Group Holdings Limited	(b)	9,250	—	—
Placing and public offer of new Shares	(d)	248,200,000	2,482	1,973
Capitalisation issue	(e)	<u>744,590,000</u>	<u>7,446</u>	<u>5,918</u>
At 31 December 2014 and 30 June 2015		<u>992,800,000</u>	<u>9,928</u>	<u>7,891</u>

Notes:

- (a) As at the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 27 August 2012, 750 Shares were allotted and issued nil paid to the initial subscribers.
- (b) On 29 May 2014, the Company issued a total of 9,250 Shares, credited as fully paid, to Pure Sheen Limited (5,850 Shares), Radiant Prestige Limited (450 Shares), Radiant Path Limited (450 Shares), Gang Bo Limited (1,580 Shares), Sebert Developments Limited (500 Shares) and Man Hong International Investment Limited (420 Shares); and credited as fully paid at par the 750 Shares issued nil paid on 27 August 2012 as consideration for the acquisition of the entire issued share capital of Tun's Paper Group Holdings Limited.
- (c) On 11 June 2014, the authorised share capital of the Company was increased by HK\$29,620,000 by the creation of an additional 2,962,000,000 Shares.
- (d) On 23 June 2014, 248,200,000 new Shares were allotted and issued by way of placing and public offer at an issue price of HK\$1.40 per Share for a total cash consideration, before expenses, of HK\$347,480,000. A premium of HK\$1.39 per Share for cash, the excess of the issue price over the par value of the shares issued upon the placing and public offer, totaling HK\$344,998,000 was credited to the share premium account of the Company.
- (e) Immediately after the placing and public offer, 744,590,000 new Shares were allotted and issued, credit as fully paid, at par, to the then shareholders in proportion to their respective shareholdings on the register of members of the Company as at the close of business on 11 June 2014 by way of the capitalisation of the share premium available.

24 RESERVES

Capital reserve

Capital reserve of the Group arose as a result of the Reorganisation which was completed on 29 May 2014 and represented the difference between the consideration under the Reorganisation and the nominal value of the share capital of the subsidiaries then acquired.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of this reserve is not less than 25% of registered capital.

Translation reserve

Translation reserve comprises all relevant translation differences arising from the translation of the financial statements of foreign operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out above.

Distributable reserve

The distributable reserve of the Group is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Distributable reserve	<u>526,904</u>	<u>544,802</u>

Other Comprehensive Income

Tax effects relating to each component of other comprehensive income

	At 30 June 2015			At 30 June 2014		
	Before-tax amount <i>RMB'000</i>	Tax	Net-of-tax amount <i>RMB'000</i>	Before-tax amount <i>RMB'000</i>	Tax	Net-of-tax amount <i>RMB'000</i>
		(expense)/ credit <i>RMB'000</i>			(expense)/ credit <i>RMB'000</i>	
Translation difference of: foreign operation	<u>(960)</u>	<u>—</u>	<u>(960)</u>	<u>(250)</u>	<u>—</u>	<u>(250)</u>
Other comprehensive income	<u><u>(960)</u></u>	<u><u>—</u></u>	<u><u>(960)</u></u>	<u><u>(250)</u></u>	<u><u>—</u></u>	<u><u>(250)</u></u>

25 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following capital commitments at the end of each reporting period:

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Contracted but not provided for: Property, plant and equipment and prepaid land lease payments	<u><u>157,000</u></u>	<u><u>157,000</u></u>

At the end of each reporting period, the Group did not have any significant contingent liabilities.

26 BANKING FACILITIES

A summary of assets pledged for the banking facilities granted to the Group is set out below:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Property, plant and equipment (<i>note 11</i>)	62,656	65,582
Investment properties (<i>note 12</i>)	4,179	4,376
Prepaid land lease payments (<i>note 13</i>)	12,358	12,513
Inventories (<i>note 14</i>)	19,911	35,046
Pledged bank deposits (<i>note 17</i>)	7,511	24,242
	<u>106,615</u>	<u>141,759</u>

A summary of facilities granted by banks and the amounts utilised by the Group at the end of each reporting period is set out below:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Amounts granted	94,099	168,316
Amounts utilised	<u>94,099</u>	<u>131,707</u>

27 OPERATING LEASE ARRANGEMENT

The Group as lessee

At the end of each reporting period, the Group had future minimum lease payments payable in respect of land and buildings under non-cancellable operating lease which fell due as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within one year	<u>10</u>	<u>55</u>

Operating lease payments represent rentals payable by the Group for its office, factory and warehouse. The leases are negotiated for terms of 1–5 years. The leases did not include contingent rentals.

The Group as lessor

At the end of each reporting period, the Group's future minimal lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within one year	566	566
In the second to fifth year inclusive	<u>225</u>	<u>508</u>
	<u>791</u>	<u>1,074</u>

The leases were negotiated with terms of 1–3 years with fixed monthly rental. None of the leases included contingent rentals.

28 RELATED PARTIES TRANSACTIONS

(a) Balances and transactions

Other than those disclosed in note 22 to the notes to the condensed consolidated interim financial statements, no other transactions was carried out with related and connected parties.

(b) Compensation of key management personnel

The emoluments of directors of the Company who are identified as members of key management of the Group during the reporting period are set out below:

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Fees	120	60
Salaries, allowances and benefits in kind	1,832	194
Pension scheme contributions	<u>46</u>	<u>6</u>
Total	<u>1,998</u>	<u>260</u>

29 EVENT AFTER REPORTING PERIOD

- (a) On 22 December 2014, the Group entered into asset acquisition agreement with Zhangzhou Zhenglin Printing Technology Co., Ltd* (漳州正霖印刷科技有限公司) (the “**Vendor**”), pursuant to which the Group agreed to acquire the production facilities from the Vendor at a total cash consideration of RMB162,000,000. The transaction was not yet completed at the date of this report.
- (b) The Company and Convoy Investment Services Limited (“**Placing Agent**”) entered into a placing agreement on 2 January 2015 (after trading hours) for the placing of up to HK\$200 million seven year 6.5% coupon unlisted corporate bonds for cash at par on a best effort basis during a period of six months from the date of the placing agreement (i.e. 2 July 2015). On 1 July 2015, the Company and the Placing Agent entered into an extension agreement to further extend the placing period up to 1 January 2016 or such later period agreed by the Company and the Placing Agent in writing. After the end of the reporting period and up to the date of this report, 2 bonds with total nominal value of HK\$7,000,000 were issued through the Placing Agent.
- * English of the Chinese names marked with * are for identification purposes only, and should not be regarded as the official translation thereof.

30 APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements were approved and authorized for issue by the Board on 28 August 2015.

REVIEW AND PROSPECTS

In the first half of 2015, the Group’s revenue and profit attributable to the owners of the Company for the six months ended 30 June 2015 declined as compared with those for the corresponding period in 2014. Such anticipated decline is mainly attributable to (i) the decreases in turnover and gross profit of the Group as a result of the sluggish market conditions and operation environment; (ii) slight decrease in the current production capability due to the Group conducted technical improvement to one of its major paperboard production lines in March 2015, which improved its product quality and increased its competitiveness in the market; and (iii) additional interest expenses incurred for the issued corporate bonds. For the six months ended 30 June 2015, the Group’s total revenue achieved approximately RMB450.2 million and net profit of approximately RMB45.3 million, decreased by 15.1% and 36.8% respectively when compared to the corresponding period in 2014.

Due to the reasons listed above, the Group slightly lowered its gross profit margin from 21.5% to 20.4%. The sales volume for paperboards and poker cards decreased by 16.3% and 4.4% respectively; while sales volume for corrugated medium boards and boxes increased by 16.2%.

Benefiting from the Group’s low level of borrowings, cost control ability and high gross profit margin with its product mix, the Group will continue to expand further into the downstream production lines in future, striving for greater returns for all shareholders of the Company in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

(i) *Paperboards*

The sales volume of the Group's paperboard products decreased from 98,077 tonnes in the first half year of 2014 to 82,100 tonnes in the first half year of 2015. The decrease was due to the worsening of market conditions and business environment and the severe competition of the industry and technical transformation conducted by the Group on one of its major paperboard production lines during March 2015 and the delay in expansion of production capacity, resulting in slight decrease in production volume in the current period.

Revenue from sales of paperboard products decreased from approximately RMB371.1 million in the first half year of 2014 to approximately RMB273.4 million in the first half year of 2015, at approximately 26.3%.

The decrease was due to the Group's strategy to lower the profit margin so that the average selling price of its paperboards lowered from RMB3,783 per tonne to RMB3,223 per tonne.

(ii) *Corrugated medium boards and boxes*

Revenue from sales of corrugated medium boards and boxes increased from approximately RMB87.4 million in the first half year of 2014 to approximately RMB93.7 million in the first half year of 2015, representing a growth of approximately 7.2%, while sales volume grew by approximately 3,832,000 sq.m. or 16.2% as compared to the corresponding period in 2014. The growth was largely contributed by the increased sales efforts of the Group by building solid relationships with its existing customers and potential new customers.

(iii) *Poker Cards*

Revenue from sales of poker card products increased from approximately RMB72.1 million in the first half year of 2014 to approximately RMB83.1 million in the first half year of 2015, representing a growth of approximately 15.3% due to the growth of average unit selling price. The sales volume of poker card products decreased from approximately 85.3 million sets to 81.5 million sets, representing a decrease of approximately 4.4%; whereas the average unit selling price increased by approximately 20.0% from approximately RMB0.85 per set to RMB1.02 per set due to the Group's launch of premium line of poker card products at the end of 2014.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately RMB22.2 million or 19.4% from approximately RMB114.1 million in the first half year of 2014 to approximately RMB92.0 million in the first half year of 2015, while gross profit margin drops from 21.5% to 20.4% for the same period.

(i) *Paperboards*

The gross profit of paperboard products decreased from approximately RMB62.1 million in the first half year of 2014 to approximately RMB24.5 million in the first half year of 2015, representing a decrease of approximately RMB37.6 million or 60.5%, whereas its gross profit margin decreased from 16.7% in the first half year of 2014 to 9.0% in the first half year of 2015. The drop in gross profit was due to the decrease in sales volume, whereas the drop in gross profit margin was due to the worsening of market conditions and business environment and the severe competition of the industry.

(ii) *Corrugated medium boards and boxes*

The gross profit of corrugated medium boards and boxes increased from approximately RMB26.9 million in the first half year of 2014 to approximately RMB31.0 million in the first half year of 2015, representing an increase of approximately RMB4.2 million or 15.6%, whereas their gross profit margin slightly increased from 30.7% for in the first half year of 2014 to 33.1% in the first half year of 2015, the increase was due to the increase in percentage of contribution from products of higher gross profit margin.

(iii) *Poker cards*

The gross profit of poker card products increased from approximately RMB25.2 million in the first half year of 2014 to approximately RMB36.4 million in the first half year of 2015, representing an increase of approximately RMB11.2 million or 44.7%, whereas their gross profit margin increased from 34.9% in the first half year of 2014 to 43.8% in the first half year of 2015, the increase was attributable to the Group's launch of premium line of poker card products at the end of 2014.

DISTRIBUTION COSTS

The Group's distribution costs was approximately RMB2.5 million for the six months ended 30 June 2015 compared to approximately RMB2.9 million in the corresponding period in 2014. It represented approximately 0.5% and 0.6% of revenue for the six months ended 30 June 2015 and 2014 respectively.

ADMINISTRATIVE EXPENSES

The Group's administrative expense was approximately RMB15.4 million for the six months ended 30 June 2015 compared to approximately RMB16.5 million in the corresponding period in 2014. It represented approximately 3.4% and 3.1% of revenue for the six months ended 30 June 2015 and 2014 respectively.

FINANCE COST

The Group's total cost of borrowing was approximately RMB5.0 million for the six months ended 30 June 2015 compared to approximately RMB4.4 million for the corresponding period in 2014. It represented approximately 1.1% and 0.8% of revenue for the six months ended 30 June 2015 and 2014 respectively.

PROFIT FOR THE PERIOD

Net profit for the period decreased by approximately RMB26.4 million or 36.8%, from approximately RMB71.7 million for the first half year of 2014 to approximately RMB45.3 million for the first half year of 2015. The net profit margin decreased from 13.5% for the first half year of 2014 to 10.1% for the first half year of 2015. Excluding the effect of withholding dividend tax in PRC, the decreased in net profit margin is in line with the decreased in gross profit margin, which was around 1%.

EARNINGS PER SHARE

The earnings per share of HK\$0.01 each in the capital of the Company (the "Share") for the six months ended 30 June 2015 was RMB5 cents and RMB10 cents for the six months ended 30 June 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' fund of the Group as at 30 June 2015 was approximately RMB936.2 million (31 December 2014: approximately RMB955.0 million). As at 30 June 2015, the Group had current assets of approximately RMB838.2 million (31 December 2014: approximately RMB938.5 million) and current liabilities of approximately RMB250.0 million (31 December 2014: approximately RMB310.5 million). The current ratio was 3.4 as at 30 June 2015 as compared to 3.0 at 31 December 2014.

The Group's sources of capital primarily consist of cash generated from operating activities, issuing of corporate bonds and borrowings from financial institutions from PRC. As at 30 June 2015, the Group had outstanding corporate bonds of approximately RMB35.3 million (31 December 2014: NIL), outstanding bank borrowings of approximately RMB94.1 million (31 December 2014: approximately RMB131.7 million). These bank loans were secured against certain fixed assets, bank deposits and inventories held by the Group. As at 30 June 2015, the Group maintained cash and cash equivalent of approximately RMB593.6 million (31 December 2014: approximately RMB632.0 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity)

decreased from –52.4% as at 31 December 2014 to –49.6% as at 30 June 2015. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Group's transactions and the monetary assets are principally denominated in Renminbi and Hong Kong dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 670 employees. The total remuneration amounted to approximately RMB17.6 million for the six months ended 30 June 2015. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set out the basis of their merits, qualifications and competence as well as the opinions from the remuneration committee of the Company (the “**Remuneration Committee**”) (if applicable).

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015 (30 June 2014: NIL).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in Appendix 14 — Corporate Governance Code to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code. Having made specific enquiries to each director of the Company, except described below, all other directors of the Company confirmed that during the reporting period, they had complied with the requirements as set out in the Model Code. Senior management who, because of their office in the Company, are likely to be in possession of inside information, have been requested to comply with the provisions of the Model Code.

On 3 February 2015, Pure Sheen entered into a Stock Secured Financing Agreement (“**Financing Agreement**”) with an independent lender (“**Grantor**”) to secure a loan in an amount up to US\$6,450,000. The terms of the Financing Agreement require Pure Sheen to pledge 100,000,000 Shares (representing approximately 10.07% of the total issued Shares) to the Grantor.

Mr. Zheng did not notify the Company in respect of the Financing Agreement due to an inadvertent oversight of his obligations not to deal in Shares during the blackout period for the annual results 2014 as required under the Model Code.

On 26 and 27 February 2015, Mr. Zheng made two purchases, namely: one for 10,000,000 Shares on the market at HK\$1.0 each and another for a total of 29,524,000 Shares off-market at HK\$1.0 each in his own name.

APPLICABLE LISTING RULES

Rules A.3(a)(i) of the Model Code provides that a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results.

Rules B.8 of the Model Code provides that a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement.

Mr. Zheng has confirmed that he has not used any price sensitive information relating to the Company, including the annual results 2014 of the Company, for the pledge and purchases of Shares mentioned above.

Mr. Zheng will take remedial action by attending a training course of three hours to avoid similar incidents in the future.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprised of three independent non-executive directors of the Company namely, Mr. Kwong Kwan Tong (Chairman), Mr. Ye Deshan and Mr. Hu Zhenghui.

The Audit Committee meets at least twice each year with the purpose of monitoring the integrity of the Company’s financial statements and to consider the nature and scope of external audit. The Audit Committee, together with the Company’s external auditor, has reviewed the accounting principles and practices adopted by the Company and discussed all significant aspects involving internal control procedures, compliance controls and financial matters including the review of the Company’s unaudited interim financial statements for the six months ended 30 June 2015.

NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) comprised of three independent non-executive directors of the Company namely, Mr. Hu Zhenghui (Chairman), Mr. Ye Deshan and Mr. Kwong Kwan Tong.

The Nomination Committee has the responsibility of, *inter alia*, reviewing and making recommendations on the composition of the Board, making recommendations on the selection of individuals nominated for directorship and senior management staff, assessing the independence of independent non-executive directors, reviewing the board diversity policy of the Company adopted by the Board from time to time, against the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and making recommendations on the appointment or re-appointment of directors of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee comprised of three independent non-executive directors of the Company namely, Mr. Ye Deshan (Chairman), Mr. Hu Zhenghui and Mr Kwong Kwan Tong.

The primary functions of the Remuneration Committee are, *inter alia*, to make recommendations to the Board on the remuneration policy of the directors and senior management of the Company and to determine on behalf of the Board specific remuneration packages and conditions that will retain and motivate high-calibre staff to reinforce the success the Company and create value for the shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2015.

REVIEW OF INTERIM RESULTS

The interim report of the Company for the six months ended 30 June 2015 has been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 has been reviewed by the Company's external auditor, Martin C.K. Pong & Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board
Zheng Dunmu
Chairman

Hong Kong, 28 August 2015

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

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.dxwj.com under the section of "Investor Relations/Announcement and Notices" respectively. The interim report of the Company for the six months ended 30 June, 2015 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.