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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	Unit	Year ended 31 December		Change
		2015	2014	
Revenue	RMB'000	849,960	1,074,206	-20.9%
Gross profit	RMB'000	169,391	236,823	-28.5%
Net profit after tax	RMB'000	81,882	146,776	-44.2%
Gross profit margin		19.9%	22.0%	-2.1pts
Net profit margin		9.6%	13.7%	-4.1pts
Final/Interim dividend per share	HK cents	—	8.1	

FINANCIAL RESULTS

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, which have been reviewed and approved by the Audit Committee.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
REVENUE	5	849,960	1,074,206
Cost of sales		<u>(680,569)</u>	<u>(837,383)</u>
GROSS PROFIT		169,391	236,823
Other income and gains	6	14,748	15,500
Selling and distribution costs		(26,006)	(5,842)
Administrative expenses		(32,045)	(37,263)
Finance costs	7	<u>(11,740)</u>	<u>(8,734)</u>
PROFIT BEFORE TAX	8	114,348	200,484
Income tax expense	9	<u>(32,466)</u>	<u>(53,708)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		81,882	146,776
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		<u>(6,441)</u>	<u>(321)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>75,441</u>	<u>146,455</u>
EARNINGS PER SHARE (RMB cents)	<i>11</i>		
— Basic		<u>8.12</u>	<u>16.80</u>
— Diluted		<u>8.12</u>	<u>16.80</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		559,862	292,432
Investment properties		4,015	4,376
Prepaid land lease payments		21,113	21,646
Deposits paid for acquisition of land lease and property, plant and equipment		304,760	8,581
		889,750	327,035
Current assets			
Inventories		22,170	39,375
Trade receivables	<i>12</i>	202,736	242,404
Prepayments, deposits and other receivables		25,170	473
Pledged deposits		461	24,242
Cash and cash equivalents		251,532	631,963
		502,069	938,457
Current liabilities			
Trade payables	<i>13</i>	73,642	155,543
Other payables and accruals		30,570	8,506
Interest-bearing borrowings		90,459	131,707
Tax payable		3,133	14,706
		197,804	310,462
Net current assets		304,265	627,995
Total assets less current liabilities		1,194,015	955,030
Non-current liabilities			
Bonds	<i>14</i>	136,535	—
NET ASSETS		1,057,480	955,030
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital	<i>15</i>	9,542	7,891
Reserves		1,047,938	947,139
TOTAL EQUITY		1,057,480	955,030

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Changgang Dunxin Enterprise Company Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under the Hong Kong Companies Ordinance and the principal place of business in Hong Kong is at Office No. 3, 13th Floor, Boss Commercial Centre, No. 28 Ferry Street, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 June 2014 and have been suspended for trading since 20 January 2016.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were 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”).

In the opinion of the directors (the “Directors”) of the Company, as at the date of issue of these consolidated financial statements, Pure Sheen Limited (“Pure Sheen”) is the ultimate holding company. Pure Sheen does not produce financial statements available for public use.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These financial statements have been prepared under the historical cost convention and are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial statements 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 statements 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 year 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 Operating Segments, 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.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The inter-segment sales were based on agreed selling prices between the parties involved.

Segment results represent the profit earned by each segment without allocation of interest income, finance costs, and central administration costs including directors' fees, foreign currency exchange gains/losses and items not directly related to the core business of the segments.

Segment revenue and results

For the year ended 31 December 2015

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:					
Sales to external customers	495,473	188,942	165,545	—	849,960
Intersegment sales	<u>17,249</u>	<u>—</u>	<u>—</u>	<u>(17,249)</u>	<u>—</u>
Total revenue	<u>512,722</u>	<u>188,942</u>	<u>165,545</u>	<u>(17,249)</u>	<u>849,960</u>
Segment results	<u>30,655</u>	<u>62,329</u>	<u>76,407</u>		169,391
Interest income					2,145
Other income					12,603
Corporate and other unallocated expenses					(58,051)
Finance costs					<u>(11,740)</u>
Profit before tax					<u><u>114,348</u></u>

For the year ended 31 December 2014

	Paperboards <i>RMB'000</i>	Corrugated medium boards and boxes <i>RMB'000</i>	Poker cards <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:					
Sales to external customers	734,874	186,966	152,366	—	1,074,206
Intersegment sales	<u>7,361</u>	<u>—</u>	<u>—</u>	<u>(7,361)</u>	<u>—</u>
Total revenue	<u>742,235</u>	<u>186,966</u>	<u>152,366</u>	<u>(7,361)</u>	<u>1,074,206</u>
Segment results	<u>125,171</u>	<u>57,444</u>	<u>54,208</u>		236,823
Interest income					1,594
Other income					13,906
Corporate and other unallocated expenses					(43,105)
Finance costs					<u>(8,734)</u>
Profit before tax					<u><u>200,484</u></u>

Segment assets*As at 31 December 2015*

	Paperboards	Corrugated medium boards and boxes	Poker cards	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<u>653,623</u>	<u>48,909</u>	<u>338,557</u>	<u>1,041,089</u>
Unallocated assets				<u>350,730</u>
Total consolidated assets				<u><u>1,391,819</u></u>

As at 31 December 2014

	Paperboards	Corrugated medium boards and boxes	Poker cards	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<u>431,076</u>	<u>48,902</u>	<u>44,962</u>	<u>524,940</u>
Unallocated assets				<u>740,552</u>
Total consolidated assets				<u><u>1,265,492</u></u>

Segment liabilities*As at 31 December 2015*

	Paperboards	Corrugated medium boards and boxes	Poker cards	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities	<u>34,691</u>	<u>8,986</u>	<u>5,094</u>	<u>48,771</u>
Unallocated liabilities				<u>285,568</u>
Total consolidated liabilities				<u><u>334,339</u></u>

As at 31 December 2014

	Paperboards	Corrugated medium boards and boxes	Poker cards	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities	<u>124,573</u>	<u>16,754</u>	<u>14,216</u>	<u>155,543</u>
Unallocated liabilities				<u>154,919</u>
Total consolidated liabilities				<u><u>310,462</u></u>

Other segment information

2015

	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>	Consolidated <i>RMB'000</i>
Depreciation and amortisation	32,966	1,019	1,430	9,724	45,139
Capital expenditures	<u>308,178</u>	<u>—</u>	<u>3,581</u>	<u>—</u>	<u>311,759</u>

2014

	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>	Consolidated <i>RMB'000</i>
Depreciation and amortisation	26,535	1,050	1,483	10,015	39,083
Capital expenditures	<u>21,545</u>	<u>—</u>	<u>—</u>	<u>27</u>	<u>21,572</u>

Geographical information

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current asset information is based on the location of assets. No geographical information is shown as the revenue from external customers and non-current assets of the Group are substantially derived from activities or located in the PRC.

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total sales for the year (2014: Nil).

5. REVENUE

The Group's revenue which represents sales of goods to customers is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Sales of goods	<u>849,960</u>	<u>1,074,206</u>

6. OTHER INCOME AND GAINS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bank interest income	2,145	1,594
Exchange gains, net	—	1,259
Gain on disposals of property, plant and equipment	161	—
Government subsidies (<i>note</i>)	2,000	—
Gross rental income	572	560
Scrap sales	9,840	11,695
Sundry income	30	392
	<u>14,748</u>	<u>15,500</u>

Note: Government subsidies are received for encouraging new listing enterprises. These government subsidies are not attributable to any non-current assets and there were no other specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the year ended 31 December 2015.

7. FINANCE COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest on bank borrowings	6,948	7,791
Interest on bonds	4,517	—
Bank charges	275	943
	<u>11,740</u>	<u>8,734</u>

8. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging/(crediting):

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost of inventories sold*	680,569	837,383
Depreciation of property, plant and equipment		
Property, plant and equipment	44,245	38,137
Investment properties	361	413
Amortisation of prepaid land lease payments	533	533
Staff costs (including directors' remuneration):		
Wages and salaries	39,954	32,853
Retirement benefits scheme contributions	4,200	3,516
	<u>44,154</u>	<u>36,369</u>
Operating lease charges on land and buildings	95	90
Auditors' remuneration	<u>1,020</u>	<u>1,517</u>

* Cost of inventories sold includes RMB66,683,000 (2014: RMB59,626,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSE

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax — Hong Kong		
Charge for the year	150	173
Current tax — the PRC		
Charge for the year	32,219	53,535
Under-provision in prior years	97	—
	<u>32,466</u>	<u>53,708</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The PRC subsidiaries are subject to the PRC Enterprise Income Tax ("EIT") at 25% (2014: 25%).

The reconciliation between the income tax expense and the profit before tax is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>114,348</u>	<u>200,484</u>
Tax at the applicable tax rate of 25% (2014: 25%)	28,587	50,121
Lower tax rate for specific province or enacted by local authority	850	(89)
Effect of income not taxable and expenses not deductible	2,932	3,676
Under-provision in prior years	<u>97</u>	<u>—</u>
	<u>32,466</u>	<u>53,708</u>

10. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil). During the year, an interim dividend of HK\$8.1 cents equivalent to approximately RMB6.4 cents (2014: HK\$ nil) has been approved by the directors.

11. EARNINGS PER SHARE

Earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB81,882,000 (2014: approximately RMB146,776,000) and the weighted average number of approximately 1,008,576,000 ordinary shares (2014: approximately 873,800,000 ordinary shares) in issue during the year.

Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2015 and 2014 is the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the years.

12. TRADE RECEIVABLES

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	203,189	242,857
Less: impairment	<u>(453)</u>	<u>(453)</u>
	<u>202,736</u>	<u>242,404</u>

The Group's trading terms with customers are mainly on credit. The credit period is ranged from 30 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	81,654	108,841
More than 1 month but within 2 months	68,724	85,399
More than 2 months but within 3 months	30,784	34,080
More than 3 months but within 6 months	19,849	14,084
More than 6 months but within 1 year	73	—
More than 1 year	1,652	—
	<u>202,736</u>	<u>242,404</u>

No movements in provision for impairment of trade receivables during the year.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	201,011	242,404
Past due:		
More than 6 months but within 1 year	73	—
More than 1 year	1,652	—
	<u>202,736</u>	<u>242,404</u>

Receivables that were past due but not impaired relate to a number of independent customers for whom there was no recent history of default.

13. TRADE PAYABLES

The aging analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 3 months	64,149	129,018
More than 3 months but within 6 months	4,898	26,525
More than 6 months but within 1 year	<u>4,595</u>	<u>—</u>
	<u><u>73,642</u></u>	<u><u>155,543</u></u>

14. BONDS

During the year ended 31 December 2015, the Company issued nine (2014: Nil) bonds (the “Bonds”) with a nominal value of HK\$177,380,000 (approximately RMB136,535,000) with stated interest rate ranging from 6.5% to 8.5%. 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 two to seven anniversary of the issue date of the Bonds. The Bonds are unsecured and repayable from October 2017 to August 2022. The Bonds carry interest rate ranging from 6.5% to 8.5% 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.

All of the Bonds are carried at amortised cost. At 31 December 2015, interest expense totaling RMB2,801,000 (2014: Nil) were payable to bond holders. The analysis of the carrying amount of the Bonds is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Net carrying amount:		
Nominal value of the Bonds issued during the year	150,826	—
Direct transaction cost attributable	<u>(15,430)</u>	<u>—</u>
At the issuance date	135,396	—
Interest expenses calculated at effective interest rates (ranging from 6.5%–12.58%)	4,517	—
Interest paid	(2,801)	—
Exchange realignment	<u>(577)</u>	<u>—</u>
At 31 December	<u><u>136,535</u></u>	<u><u>—</u></u>

15. SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorized:		
3,000,000,000 ordinary shares of HK\$0.01 each	<u>30,000</u>	<u>30,000</u>
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Issued and fully paid:		
1,191,360,000 (2014: 992,800,000) ordinary shares of HK\$0.01 each	<u>9,542</u>	<u>7,891</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

- (a) On 3 December 2015, 198,560,000 new ordinary shares of HK\$0.01 each were allotted and issued by way of placing at an issue price of HK\$0.55 per placing share for a total cash consideration, before expenses, of HK\$109,208,000 (equivalents to RMB90,168,000). A premium of HK\$0.54 per placing share for cash, the excess of the issue price over the par value of the shares issued upon the placing, totaling HK\$107,222,400 (equivalents to RMB88,517,000) was credited to the share premium account of the Company.
- (b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

16. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

Reference is made to the announcement of the Company dated 15 February 2016, 23 February 2016 and 9 March 2016 in relation to irregularities in share certificates of the Company (the “Incident”) and the legal action initiated by Sky Joy Investment Limited against an ex-director and chairman of the Board (the “Chairman”), Mr. Zheng Dunmu (“Mr. Zheng”) and his wholly-owned company (the “Legal Action”). The Legal Action was not claimed against the Company but against Mr. Zheng and Pure Sheen Limited in their own capacity. Mr. Zheng tendered his resignation as the Chairman and executive Director of the Company on 22 March 2016.

The Company and relevant authorities have conducted investigation upon the Incident since thereafter. On 3 March 2016, the officers of the Hong Kong Police Force entered and conducted investigation at the Company’s principal place of business in Hong Kong (the “Investigation”). As at the date of this result announcement, the Company is not aware of any charges have been laid against it, its officers or any other parties.

The Board is of the view that there is no material adverse impact on the operations of the Company as a result of the Incident, the Legal Action and Investigation. The Board also considers the Incident, the Legal Action and the Investigation would not cause any financial liabilities on the Group.

17. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2016, the Company was informed by the placing agent that the bonds of a total amount of HK\$70,200,000 (the “Subscription Amount”) were placed by the placing agent and were subscribed by the bondholders. On the same date, the proceeds of the bonds (net of commission and expenses) were paid to the Company.

As the trading of shares has been suspended since 20 January 2016, on 21 March 2016, the legal representative of Ping An Securities Limited wrote to the Company requesting, inter alia, the Company to clarify and inform the bondholders whether there is an event of default and the status of the incident as mentioned in the Company’s announcement dated 15 February 2016 or return of the Subscription Amount within 21 business days from the date of letter.

The Company considers there is no event of default, however, on 6 April 2016, the legal representative of Ping An Securities Limited further demanded that the Subscription Amount and the accrued interest should be returned on or before 29 April 2016. Having said that, the Company has reached an agreement with the placing agent to terminate the placing agreement and to redeem the bonds from bondholders in full by 31 July 2016.

BUSINESS REVIEW

For the Year, revenue reached RMB850.0 million, an decrease of about 20.9% over the Previous Year, whilst gross profit of RMB169.4 million and net profit of RMB81.9 million decreased by approximately 28.5% and 44.2% respectively compared to the Previous Year.

Results of Operation

The Group produces and sells a broad variety of upstream packaging paperboard products (including white top linerboard, kraftlinerboard and high performance corrugated medium), as well as downstream products comprising of corrugated medium boards and boxes and poker cards. All sales were to customers in the PRC.

The Group's revenue decreased from approximately RMB1,074.2 million in the Previous Year to approximately RMB850.0 million in the Year, representing a year-to-year drop of approximately 20.9%. Its production was at near full capacity, with paperboard production lines operating at 81.5%, corrugated medium boards and boxes at 91.2% and poker cards at 96.1% of their respective designed annual production capacities.

FINANCIAL REVIEW

The following is a breakdown of the revenue of the Group by products:

	For the year ended 31 December			
	2015		2014	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Paperboards	495,473	58.3	734,874	68.4
Corrugated medium boards and boxes	188,942	22.2	186,966	17.4
Poker cards	165,545	19.5	152,366	14.2
Total	<u>849,960</u>	<u>100.0</u>	<u>1,074,206</u>	<u>100.0</u>

Revenue

(i) *Paperboards*

Revenue from sales of paperboard products decreased from approximately RMB734.9 million for the Previous Year to approximately RMB495.5 million for the Year, at approximately 32.6%. The decrease was due to the technical transformation conducted by the Group on one of its major paperboard production line during March and August 2015.

The sales volume of the Group's paperboard products decreased from 196,176 tonnes in the Previous Year to 166,351 tonnes in the Year, representing a year to year drop of approximately 15.2%. The drop was due to technical transformation on production line mentioned above.

(ii) *Corrugated medium boards and boxes*

Revenue from sales of corrugated medium boards and boxes increased from approximately RMB187.0 million for the Previous Year to approximately RMB188.9 million for the Year, representing a year to year growth of approximately 1.0%, while sales volume grew by approximately 4.1 million sq.m. or 7.8% as compared to the Previous Year. 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 RMB152.4 million for the Previous Year to approximately RMB165.5 million for the Year, representing a growth of approximately 8.6% due to the growth in average unit selling price. The sales volume of poker card products decreased from approximately 171.2 million sets for the Previous Year to 167.0 million sets in the Year, representing a year-to-year drop of approximately 2.4%; whereas the average unit selling price increased by approximately 11.2% from approximately RMB89 cents per set for the Previous Year to RMB99 cents per set for the Year due to larger portion of premium line of poker card products was sold.

Gross profit and gross profit margin

The following is a breakdown of the gross profit and gross profit margin of the Group by products:

	For the year ended 31 December			
	2015		2014	
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Paperboards	30,655	6.2	125,171	17.0
Corrugated medium boards and boxes	62,329	33.0	57,444	30.7
Poker cards	76,407	46.2	54,208	35.6
Total	<u>169,391</u>	<u>20.0</u>	<u>236,823</u>	<u>22.0</u>

The gross profit decreased by approximately RMB67.4 million or 28.5% from approximately RMB236.8 million for the Previous Year to approximately RMB169.4 million for the Year, while gross profit margin dropped from 22.0% to 20.0% for the same period. The drop in gross profit margin was due to the downward trend of selling price of the paperboards in the market, the Group lowered its profit margin.

(i) *Paperboards*

The gross profit of paperboard products decreased from approximately RMB125.2 million for the Previous Year to approximately RMB30.7 million for the Year, representing a decrease of approximately RMB94.5 million or 75.5%, whereas its gross profit margin decreased from 17.0% for the Previous Year to 6.2% for the Year. The drop in gross profit margin was due to the downward trend of selling price of the paperboards in the market, the Group lowered its profit margin.

(ii) *Corrugated medium boards and boxes*

The gross profit of corrugated medium boards and boxes increased from approximately RMB57.4 million for the Previous Year to approximately RMB62.3 million for the Year, representing an increase of approximately RMB5.1 million or 8.9%, whereas their gross profit margin slightly increased from 30.7% for the Previous Year to 33.0% for the Year.

(iii) *Poker cards*

The gross profit of poker card products increased from RMB54.2 million for the Previous Year to approximately RMB76.4 million for the Year, representing an increase of approximately RMB22.2 million or 41.0%, whereas their gross profit margin increased from 35.6% for the Previous Year to 46.2% for the Year. The increase was attributable to larger portion of premium line of poker card products was sold.

Profit for the year

Net profit for the Year decreased by approximately RMB64.9 million or 44.2%, from approximately RMB146.8 million for the Previous Year to approximately RMB81.9 million for the Year. The net profit margin decreased to 9.6% for the Year as compared to 13.7% for the Previous Year due to (i) the downward trend of selling price of the paperboards in market; (ii) technical transformation conducted by the Group on one of its major paperboard production lines during March and August 2015 and the delay in expansion of production capacity, resulting in slight decrease in production volume in the current period; and (iii) additional interest expenses incurred for the issued corporate bonds.

OUTLOOK

The Group produces and sells a broad variety of upstream packaging paperboard products (including white top linerboard, kraftlinerboard and high performance corrugated medium), as well as downstream products comprising of corrugated medium boards and boxes and poker cards.

The production process will produce 40,000 tons of solid waste per year, including waste plastics, pulp and organic combustible residual waste. In the past, the Group failed to effectively use of the solid waste. As a response to the national environmental policy, the Group plans to invest in the solid waste utilization project. The project is expected to generate a good return on investment and to make a significant contribution to the local environment.

Coated white board is normally used for high quality commercial packaging with better printability and foldability for mid-to-high end consumer products such as cigarettes, pharmaceutical products as well as food and beverages.

The Group proposes to set up new production facilities with annual production capacity of about 100,000 tonnes of five-ply coated white board products in the vacant land of its Guanshan Production Plant.

Both projects started in the second half year of 2015.

USE OF NET PROCEEDS FROM LISTING

The Group has received net proceeds of approximately RMB256.1 million, after deducting underwriting fee and other related expenses, from the share offer of the Company in 2014.

The Group has, during the year ended December 31, 2015, utilized approximately RMB158,374,000 (equivalent to approximately HK\$196,891,000) to set up new production facilities with annual production capacity of about 100,000 tonnes of five-ply coated white board products in the vacant land of its Guanshan Production Plant.

The Group held the unutilised net proceeds in short-term deposits or time deposits with authorised financial institutions in the PRC as at 31 December 2015.

FINAL/INTERIM DIVIDEND

The Board has resolved not to pay final dividend (2014 interim dividend: HK8.1 cents (equivalent to approximately RMB64 cents)) for the Year.

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 during the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules for the year.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT OPINION FROM ZHONGHUI ANDA CPA LIMITED

ZHONGHUI ANDA CPA Limited has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management, and internal control system of the Group, and to review the Company's annual report and to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Lo Pak Ho, Mr. Ye Deshan and Mr. Hu Zhenghui.

The Audit Committee has reviewed and approved the Group's audited results for the year ended 31 December 2015. The results have been audited by Zhonghui Anda CPA Limited, the auditors of the Company.

DEFINITIONS

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

“Board”	the board of directors of the Company
“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 and the Shares are listed in the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administration Region of the People's Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Previous Year”	the year ended 31 December 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder of Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited
“Year” the year ended 31 December 2015
“%” per cent

By order of the Board
Changgang Dunxin Enterprise Company Limited
Zheng Dunqian
Executive Director

Hong Kong, 3 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. Zheng Dunqian, Mr. Chen Ruomao, Mr. Yuan Chao and Mr. Tang Yau Sing; and the independent non-executive directors are Mr. Ye Deshan, Mr. Hu Zhenghui and Mr. Lo Pak Ho.

This 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 annual report of the Company for the Year will be dispatched to the Shareholders and will be available on the same websites in due course.