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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, 2016**

**FINANCIAL HIGHLIGHTS**

		<b>Six months ended June 30,</b>		
	<i>Unit</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Revenue	<i>RMB'000</i>	<b>396,644</b>	450,232	-11.9%
Gross profit	<i>RMB'000</i>	<b>71,594</b>	91,953	-22.1%
Net profit after tax	<i>RMB'000</i>	<b>26,980</b>	56,142	-51.9%
Gross profit margin		<b>18.0%</b>	20.4%	-2.4pts
Net profit margin		<b>6.8%</b>	12.5%	-3.3pts

## 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 2016, together with the comparative figures for the corresponding period of 2015 and explanatory notes.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
<b>REVENUE</b>	5	<b>396,644</b>	450,232
Cost of sales		<u>(325,050)</u>	<u>(358,279)</u>
<b>GROSS PROFIT</b>		<b>71,594</b>	91,953
Other income and gains	6	<b>4,763</b>	7,010
Selling and distribution costs		<b>(2,196)</b>	(2,466)
Administrative expenses		<b>(11,513)</b>	(15,359)
Finance costs	7	<u><b>(19,859)</b></u>	<u>(4,954)</u>
<b>PROFIT BEFORE TAX</b>	8	<b>42,789</b>	76,184
Income tax expense	9	<u><b>(15,809)</b></u>	<u>(20,042)</u>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>26,980</b>	56,142
<b>Other comprehensive income after tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		<u><b>(1,981)</b></u>	<u>(960)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>24,999</b></u>	<u>55,182</u>
<b>EARNINGS PER SHARE (RMB cents)</b>	10		
— Basic		<u><b>2.26</b></u>	<u>5.65</u>
— Diluted		<u><b>2.26</b></u>	<u>5.65</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		523,197	559,862
Investment properties		3,858	4,015
Prepaid land lease payments		20,846	21,113
Deposits paid for acquisition of land lease and property, plant and equipment		<u>353,883</u>	<u>304,760</u>
		<u>901,784</u>	<u>889,750</u>
<b>Current assets</b>			
Inventories		34,582	22,170
Trade receivables	11	220,398	202,736
Prepayments, deposits and other receivables		17,143	25,170
Pledged deposits		—	461
Cash and cash equivalents		<u>280,170</u>	<u>251,532</u>
		<u>552,293</u>	<u>502,069</u>
<b>Current liabilities</b>			
Trade payables	12	73,076	73,642
Other payables and accruals		27,511	30,570
Interest-bearing borrowings		65,297	90,459
Tax payable		8,201	3,133
Bonds	13	<u>153,634</u>	<u>—</u>
		<u>327,719</u>	<u>197,804</u>
<b>Net current assets</b>		<u>224,574</u>	<u>304,265</u>
<b>Total assets less current liabilities</b>		<u>1,126,358</u>	<u>1,194,015</u>
<b>Non-current liabilities</b>			
Bonds		<u>43,879</u>	<u>136,535</u>
<b>Total non-current liabilities</b>		<u>43,879</u>	<u>136,535</u>
<b>NET ASSETS</b>		<u>1,082,479</u>	<u>1,057,480</u>
<b>Capital and reserves</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		9,542	9,542
Reserves		<u>1,072,937</u>	<u>1,047,938</u>
<b>TOTAL EQUITY</b>		<u>1,082,479</u>	<u>1,057,480</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For six months ended 30 June 2016*

## 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. 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 condensed 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 condensed consolidated interim financial statements (“Interim 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statement do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015 (“2015 Annual Report”).

As detailed in notes 14 and 15 to this interim result announcement, the Group is subject to uncertainties related to (i) the outcome of the lawsuit filed against the Company by PC Securities Limited in connection with the claims on the corporate bonds’ principal amounts of HK\$104,000,000 and US\$2,100,000 together with the outstanding interests and default interests; (ii) repayment of the bonds of a total amount of HK\$70,200,000 upon termination of the placing agreement with Ping An Securities Limited; and (iii) capital commitments of HK\$413,611,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These Interim Financial Statements have been prepared on a going concern basis, the validity of which depends upon the Group’s ability to settle the payments as mentioned above. The directors are negotiating with PC Securities Limited and Ping An Securities Limited for settlement plans and rearrangement of the repayment schedules, as well as renewing the payment schedules with the suppliers for settlements of the capital commitments. The Directors are confident that a satisfactory negotiation result can be reached in the near future. The Directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable

to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

These Interim 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 period, 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 2016. 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 six months ended 30 June 2016 (Unaudited)

	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	236,236	84,701	75,707	—	396,644
Intersegment sales	<u>11,857</u>	<u>—</u>	<u>—</u>	<u>(11,857)</u>	<u>—</u>
Total revenue	<u>248,093</u>	<u>84,701</u>	<u>75,707</u>	<u>(11,857)</u>	<u>396,644</u>
Segment results	<u>11,462</u>	<u>23,503</u>	<u>36,629</u>		71,594
Interest income					432
Other income					4,331
Corporate and other unallocated expenses					(13,709)
Finance costs					<u>(19,859)</u>
Profit before tax					<u>42,789</u>

For the six months ended 30 June 2015 (Unaudited)

	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	273,384	93,717	83,131	—	450,232
Intersegment sales	<u>7,710</u>	<u>—</u>	<u>—</u>	<u>(7,710)</u>	<u>—</u>
Total revenue	<u>281,094</u>	<u>93,717</u>	<u>83,131</u>	<u>(7,710)</u>	<u>450,232</u>
Segment results	<u>24,498</u>	<u>31,050</u>	<u>36,405</u>		91,953
Interest income					1,146
Other income					5,864
Corporate and other unallocated expenses					(17,825)
Finance costs					<u>(4,954)</u>
Profit before tax					<u>76,184</u>

## Segment assets

As at 30 June 2016 (Unaudited)

	<b>Paperboards</b> <i>RMB'000</i>	<b>Corrugated medium boards and boxes</b> <i>RMB'000</i>	<b>Poker cards</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment assets	<u>691,807</u>	<u>52,976</u>	<u>345,751</u>	<u>1,090,534</u>

As at 31 December 2015 (Audited)

	<b>Paperboards</b> <i>RMB'000</i>	<b>Corrugated medium boards and boxes</b> <i>RMB'000</i>	<b>Poker cards</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment assets	<u>653,623</u>	<u>48,909</u>	<u>338,557</u>	<u>1,041,089</u>

## Segment liabilities

As at 30 June 2016 (Unaudited)

	<b>Paperboards</b> <i>RMB'000</i>	<b>Corrugated medium boards and boxes</b> <i>RMB'000</i>	<b>Poker cards</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment liabilities	<u>41,151</u>	<u>18,494</u>	<u>2,944</u>	<u>62,589</u>

As at 31 December 2015 (Audited)

	<b>Paperboards</b> <i>RMB'000</i>	<b>Corrugated medium boards and boxes</b> <i>RMB'000</i>	<b>Poker cards</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment liabilities	<u>34,691</u>	<u>8,986</u>	<u>5,094</u>	<u>48,771</u>

## 5. REVENUE

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of goods	<u>396,644</u>	<u>450,232</u>

## 6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	432	1,146
Exchange gains, net	—	793
Gain on disposals of property, plant and equipment	238	—
Gross rental income	286	292
Scrap sales	3,430	4,748
Sundry income	<u>377</u>	<u>31</u>
	<u>4,763</u>	<u>7,010</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings	2,040	4,012
Interest on bonds	17,433	712
Bank charges	21	230
Exchange loss	<u>365</u>	<u>—</u>
	<u>19,859</u>	<u>4,954</u>

## 8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories sold	325,050	358,279
Depreciation of property, plant and equipment		
Property, plant and equipment	32,006	19,519
Investment properties	157	197
Amortisation of prepaid land lease payments	267	267
Staff costs (including directors' remuneration):		
Wages and salaries	18,017	17,584
Retirement benefits scheme contributions	2,612	2,058
	<u>20,629</u>	<u>19,642</u>
Operating lease charges on land and buildings	<u>53</u>	<u>45</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current tax — the PRC		
Charge for the period	<u>15,809</u>	<u>20,042</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%).

## 10. 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 six months period ended 30 June 2016 of approximately RMB26,980,000 (for the six months ended 30 June 2015: approximately RMB56,142,000) and the weighted average number of approximately 1,191,360,000 ordinary shares (for the six months ended 30 June 2015: approximately 992,800,000 ordinary shares) in issue during the period.

### Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2016 and 2015 are the same as the basic earning per share as the Company did not have any dilutive potential ordinary shares during the periods.

## 11. TRADE RECEIVABLES

	<b>At 30 June 2016 (Unaudited) RMB'000</b>	At 31 December 2015 (Audited) RMB'000
Trade receivables	<b>220,851</b>	203,189
Less: impairment	<u>(453)</u>	<u>(453)</u>
	<b><u>220,398</u></b>	<b><u>202,736</u></b>

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:

	<b>At 30 June 2016 (Unaudited) RMB'000</b>	At 31 December 2015 (Audited) RMB'000
Within 1 month	<b>71,970</b>	81,654
More than 1 month but within 2 months	<b>70,304</b>	68,724
More than 2 months but within 3 months	<b>37,684</b>	30,784
More than 3 months but within 6 months	<b>38,513</b>	19,849
More than 6 months but within 1 year	<b>275</b>	73
More than 1 year	<u>1,652</u>	<u>1,652</u>
	<b><u>220,398</u></b>	<b><u>202,736</u></b>

## 12. TRADE PAYABLES

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

	<b>At 30 June 2016 (Unaudited) RMB'000</b>	At 31 December 2015 (Audited) RMB'000
Within 3 months	<b>66,362</b>	64,149
More than 3 months but within 6 months	<b>26</b>	4,898
More than 6 months but within 1 year	<u>6,688</u>	<u>4,595</u>
	<b><u>73,076</u></b>	<b><u>73,642</u></b>

### 13. BONDS

In 2015, the Company issued two bonds through PC Securities Limited (the “PC Bonds”) with a nominal value of HK\$104,000,000 and USD2,100,000 and stated interest rate of 7%–8.5%. The PC Bonds contain a term of redemption that when the shares of the Company cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive trading days, the bondholder may give notice to the issuer to demand that the PC Bonds are immediately due and repayable. As at 30 June 2016, the Company have been suspended for trading over 30 days and the PC’s Bonds is repayable on demand.

During the period, the Company issued one (six months ended 30 June 2015: five) bonds (the “Bonds”) with a nominal value of HK\$70,200,000 (approximately RMB60,105,000) with stated interest rate 30%. Each Bond shall be redeemed at 100 per cent of its principal amount with accrued interest on the maturity date. The maturity date of the Bond falls on the first anniversary of the issue date of the Bonds. The 2016 Bonds is unsecured and repayable on January 2017. The Bond carries interest rate on 30% 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.

### 14. CAPITAL COMMITMENTS

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

	<b>At 30 June 2016 (Unaudited) RMB’000</b>	At 31 December 2015 (Audited) RMB’000
<b>Contracted, but not provided for</b>		
Property, plant and equipment and land lease	<u><b>413,611</b></u>	<u>336,425</u>

### 15. CONTINGENT LIABILITIES

Save as disclosed below, the directors are not aware of any litigation or claims of material importance pending or threatened by or against the members of the Group at the end of the reporting period.

- (a) 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 and the legal action initiated by Sky Joy Investment Limited against an ex-director and chairman of the Board, Mr. Zheng Dunmu (“Mr. Zheng”) and his wholly-owned company. 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. As at the date of these condensed consolidated interim financial statements, 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 investigation.

- (b) Reference is made to the announcement of the Company dated 24 January 2016 on placing of bonds of up to HK\$80,000,000 under specific mandate (the “Announcement”). As disclosed in the Announcement, on 22 January 2016, the Company entered into the placing agreement with the placing agents, pursuant to which the Company agreed to issue and the placing agents agreed to place, on a best effort basis, the bonds with a principal amount of up to HK\$80,000,000 to not less than six Placées.

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.

- (c) Reference is made to the Company’s announcement dated 12 October 2015 in relation to the issuance of corporate bonds by the Company through PC Securities Limited (“PC Securities”) as the placing agent in the aggregate principal amount of up to HK\$200,000,000 bearing an interest rate of 7% per annum.

The Company announced that it had on 22 June 2016 received a writ of summons (the “22 June 2016 Writ”) filed by PC Securities, as the plaintiff, against the Company in the Court of First Instance of the High Court of Hong Kong under action number HCA 1654/2016 on 22 June 2016.

Based on the 22 June 2016 Writ, PC Securities claims, amongst other things, (i) the sum of HK\$104,000,000, being the principal amount due and owing by the Company under its bonds issued on 6 November 2015; (ii) interest on the principal amount, calculated at the rate of 7% per annum from the issue date of 6 November 2015 to 15 June 2016, pursuant to the terms and conditions of the bonds; and (iii) default interest on the principal amount, calculated at the rate of 2% per month from 16 June 2016 to the date of full payment, pursuant to the terms and conditions of the bonds.

The Company also announced that it has on 28 June 2016 received a writ of summons (the “28 June 2016 Writ”) filed by PC Securities, as the plaintiff, against the Company in the Court of First Instance of the High Court of Hong Kong under action number HCA 1692/2016 on 28 June 2016.

Based on the 28 June 2016 Writ, PC Securities claims, amongst other things, (i) the sum of US\$2,100,000 (or the Hong Kong Dollars equivalent at the time of payment), being the principal amount due and owing by the Company under its bonds issued on 23 October 2015; (ii) the sum of US\$44,129.17 (or the Hong Kong Dollars equivalent at the time of payment), being interest on the principal amount, calculated at the rate of 8.5% per annum from the issue date of 23 October 2015 to 29 March 2016, pursuant to the terms and conditions of the bonds; and (iii) default interest on the aggregate sum of the principal amount and the Interest, calculated at the rate of 2% per month from 30 March 2016 to the date of full payment, pursuant to the terms and conditions of the bonds.

The Board is negotiating with PC Securities for a mutually acceptable and amicable settlement. The Board considers that the above legal case would not have any material impact on the condensed consolidated financial statements.

- (d) On 12 June 2014, the Company entered into a compliance advisory agreement with Kingsway Capital Limited (“Kingsway”), in which the Company engaged Kingsway to provide services on compliance matters as a listed company in Hong Kong pursuant to Rules 3A.19 of the Listing Rules. On 3 June 2016, Kingsway sent a writ with statement of claim to the Company claiming sum of approximately HK\$981,000, plus interests, costs and further and other relief. The Group has sought to rebut the claim and counterclaim.

The Board as filed a defence in respect of the claim and will carry out ongoing settlement negotiations with Kingsway. The Board considers that the above legal case would not have any material impact on the condensed consolidated financial statements.

## **REVIEW AND PROSPECTS**

In the first half of 2016, the Group’s revenue and profit attributable to the owners of the Company for the six months ended 30 June 2016 declined as compared with those for the corresponding period in 2015. Such anticipated decline is mainly attributable to (i) the decreases in turnover and net profit of the Group as a result of the downward trend of selling price of the products in market; (ii) additional interest expenses incurred for the issued corporate bonds. For the six months ended 30 June 2016, the Group’s total revenue achieved approximately RMB396.6 million and net profit of approximately RMB27.0 million, decreased by 11.9% and 51.9% respectively when compared to the corresponding period in 2015.

Due to the reasons listed above, the Group slightly lowered its gross profit margin from 20.4% to 18.0%. The sales volume for corrugated medium boards and boxes and poker cards decreased by 1.2% and 0.7% respectively; while sales volume for paperboards increased by 4.1%.

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 increased from 82,100 tonnes in the first half year of 2015 to 85,478 tonnes in the first half year of 2016. 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.

Revenue from sales of paperboard products decreased from approximately RMB273.4 million in the first half year of 2015 to approximately RMB236.2 million in the first half year of 2016, at approximately 13.6%.

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 RMB3,223 per tonne to RMB2,723 per tonne.

##### (ii) *Corrugated medium boards and boxes*

Revenue from sales of corrugated medium boards and boxes decreased from approximately RMB93.7 million in the first half year of 2015 to approximately RMB84.7 million in the first half year of 2016, representing a drop of approximately 9.6%, the sales volume slightly dropped by approximately 338,000 sq.m. or 1.2% as compared to the corresponding period in 2015. The average unit selling price decreased by approximately 8.5% from approximately RMB3.42 per sq.m. to RMB3.13 per sq.m.

##### (iii) *Poker Cards*

Revenue from sales of poker card products decreased from approximately RMB83.1 million in the first half year of 2015 to approximately RMB75.7 million in the first half year of 2016, representing a drop of approximately 8.9% due to the drop of average unit selling price and sales volume. The sales volume of poker card products decreased from approximately 81.5 million sets to 80.9 million sets, representing a decrease of approximately 0.7%; whereas the average unit selling price decreased by approximately 8.3% from approximately RMB1.02 per set to RMB0.94 per set.

## **Gross Profit and Gross Profit Margin**

The gross profit decreased by approximately RMB20.4 million or 22.2% from approximately RMB92.0 million in the first half year of 2015 to approximately RMB71.6 million in the first half year of 2016, while gross profit margin drops from 20.4% to 18.2% for the same period.

### **(i) *Paperboards***

The gross profit of paperboard products decreased from approximately RMB24.5 million in the first half year of 2015 to approximately RMB11.5 million in the first half year of 2016, representing a decrease of approximately RMB13.0 million or 53.1%, whereas its gross profit margin decreased from 9.0% in the first half year of 2015 to 4.9% in the first half year of 2016. The drop in gross profit was due to the decrease in unit selling price, 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 decreased from approximately RMB31.0 million in the first half year of 2015 to approximately RMB23.5 million in the first half year of 2016, representing a decrease of approximately RMB7.5 million or 24.2%, whereas their gross profit margin slightly decreased from 33.2% for in the first half year of 2015 to 27.7% in the first half year of 2016, the decrease was due to the decrease in sales volume and unite selling price.

### **(iii) *Poker cards***

The gross profit of poker card products slightly increased from approximately RMB36.4 million in the first half year of 2015 to approximately RMB36.6 million in the first half year of 2016, representing an increase of approximately RMB0.2 million or 0.5%, whereas their gross profit margin increased from 43.8% in the first half year of 2015 to 48.3% in the first half year of 2016, the increase was due to the increase in percentage of contribution from premium line of poker card products.

## **DISTRIBUTION COSTS**

The Group's distribution costs was approximately RMB2.2 million for the six months ended 30 June 2016 compared to approximately RMB2.5 million in the corresponding period in 2015. It represented approximately 0.6% and 0.6% of revenue for the six months ended 30 June 2016 and 2015 respectively.

## **ADMINISTRATIVE EXPENSES**

The Group's administrative expense was approximately RMB11.5 million for the six months ended 30 June 2016 compared to approximately RMB15.4 million in the corresponding period in 2015. It represented approximately 2.9% and 3.4% of revenue for the six months ended 30 June 2016 and 2015 respectively.

## **FINANCE COST**

The Group's total cost of borrowing was approximately RMB19.9 million for the six months ended 30 June 2016 compared to approximately RMB5.0 million for the corresponding period in 2015. It represented approximately 5.0% and 1.1% of revenue for the six months ended 30 June 2016 and 2015 respectively.

## **PROFIT FOR THE PERIOD**

Net profit for the period decreased by approximately RMB29.1 million or 51.9%, from approximately RMB56.1 million for the first half year of 2015 to approximately RMB27.0 million for the first half year of 2016. The net profit margin decreased from 10.1% for the first half year of 2015 to 6.8% for the first half year of 2016.

## **EARNINGS PER SHARE**

The basic earnings per share attributable to owners of the Company for the six months ended 30 June 2016 was RMB2.26 cents and RMB5.65 cents for the six months ended 30 June 2015.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The total shareholders' fund of the Group as at 30 June 2016 was approximately RMB1,082.5 million (31 December 2015: approximately RMB1,057.5 million). As at 30 June 2016, the Group had current assets of approximately RMB552.3 million (31 December 2015: approximately RMB502.1 million) and current liabilities of approximately RMB327.7 million (31 December 2015: approximately RMB197.8 million). The current ratio was 1.7 as at 30 June 2016 as compared to 2.5 at 31 December 2015.

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 and Hong Kong. As at 30 June 2016, the Group had outstanding corporate bonds of approximately RMB197.5 million (31 December 2015: approximately RMB35.3 million), outstanding bank borrowings of approximately RMB65.3 million (31 December 2015: approximately RMB90.5 million). These bank loans were secured against certain fixed assets, bank deposits and inventories held by the Group. As at 30 June 2016, the Group maintained cash and cash equivalent of approximately RMB280.2 million (31 December 2015: approximately RMB251.5 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from -2.3% as at 31 December 2015 to -1.6% as at 30 June 2016. 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 2016.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2016, the Group had a total of 668 employees. The total remuneration amounted to approximately RMB20.6 million for the six months ended 30 June 2016. 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 2016 (30 June 2015: 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, all 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.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprised of three independent non-executive directors of the Company namely, Mr. Lo Pak Ho (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 2016.

## **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. Lo Pak Ho.

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 Lo Pak Ho.

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 2016.

## **REVIEW OF INTERIM RESULTS**

The interim report of the Company for the six months ended 30 June 2016 has been reviewed by the Audit Committee.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been reviewed by the Company's external auditor, ZHONGHUI ANDA CPA Limited, 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. The auditor's independent review report will be included in the interim report to shareholders.

The Company's auditor has included an emphasis of matter in their independent review report on the Company's Interim Financial Statements for the six months ended 30 June 2016, an extract of which is as follows:

### **EMPHASIS OF MATTER**

Without qualifying our conclusion, we draw attention to note 2 to the condensed consolidated financial statements which mentions the Group's ability to settle the payments in relation to (i) the lawsuit filed against the Company by PC Securities Limited in connection with the claims on the corporate bonds' principal amounts of HK\$104,000,000 and US\$2,100,000 together with the outstanding interests and default interests; (ii) repayment of the bonds of a total amount of HK\$70,200,000 upon termination of the placing agreement; and (iii) capital commitments of HK\$413,611,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

On behalf of the Board  
**Changgang Dunxin Enterprise Company Limited**  
**Zheng Dunqian**  
*Executive Director*

Hong Kong, 12 August 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Zheng Dunqian, Mr. Chen Ruomao, Mr. Yuan Chao, Mr. Yeung Wing Nam, Mr. Wong Sing Chui and Ms. Huang Xiao Wen; and the independent non-executive directors are Mr. Ye Deshan, Mr. Hu Zhenghui and Mr. Lo Pak Ho.*

*This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.dxwj.com](http://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, 2016 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.*