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

2015 Annual Report

Changgang Dunxin Enterprise Company Limited 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.

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CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Zheng Dunqian *(Chief Executive Officer)*
Mr. Chen Ruomao *(Chief Financial Officer)*
Mr. Tang Yau Sing
Mr. Yuan Chao

Independent non-executive directors

Mr. Lo Pak Ho
Mr. Ye Deshan
Mr. Hu Zhenghui

Audit Committee

Mr. Lo Pak Ho *(Chairman)*
Mr. Ye Deshan
Mr. Hu Zhenghui

Nomination Committee

Mr. Hu Zhenghui *(Chairman)*
Mr. Ye Deshan
Mr. Lo Pak Ho

Remuneration Committee

Mr. Ye Deshan *(Chairman)*
Mr. Hu Zhenghui
Mr. Lo Pak Ho

Authorised Representatives

Mr. Chen Ruomao
Mr. Tang Yau Sing

Company Secretary

Mr. Tang Yau Sing

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Office in Hong Kong

Office No. 3, 13th Floor
Boss Commercial Centre
No. 28 Ferry Street
Kowloon
Hong Kong

Principal Place of Business

Jinlin Industrial Park
Yanxi Town
Changhai County
Zhangzhou City
Fujian Province
The People's Republic of China

Principal Bankers

In Hong Kong

DBS
The Bank of East Asia

In the PRC

Agricultural Bank of China
Bank of China
China Construction Bank
China Merchants Bank
China Everbright Bank
Industrial and Commercial Bank of China Limited

Auditor

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

Compliance Adviser

CLC International Limited

Hong Kong Share Register

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Stock code

2229

Website

http://www.dxwj.com

FIVE YEAR FINANCIAL SUMMARY

For year ended 31 December	2011	2012	2013	2014	2015	Change
Profitability (RMB'000)						
Revenue	973,879	1,046,504	1,024,623	1,074,206	**849,960**	–20.9%
Gross Profit	208,245	228,060	217,297	236,823	**169,391**	–28.5%
Net Profit after tax	136,189	138,991	142,701	146,776	**81,882**	–44.2%
Liquidity (RMB'000)						
Net cash/(debt)	(94,875)	109,954	70,944	500,256	**161,073**	–67.8%
Cash generated from operations	86,600	279,136	190,326	274,791	**137,047**	–50.1%
Shareholders' interest (RMB cents)						
Earnings per share	18.00	19.00	19.00	16.80	**8.12**	–51.7%
Cash per share	2.08	34.79	23.36	72.91	**24.94**	–65.8%
Dividend per share						
— Final	—	—	—	—	**—**	—
— Interim	—	—	—	6.40	**—**	–100%
Key financial ratios						
Gross profit margin	21.4%	21.8%	21.2%	22.0%	**19.9%**	–2.1 pts
Net profit margin	14.0%	13.3%	13.9%	13.7%	**9.6%**	–4.1 pts
Gearing ratio	41.5%	36.4%	18.6%	13.8%	**21.5%**	7.7 pts
Current ratio *(times)*	1.3	1.5	1.9	3.0	**2.5**	–0.5

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Changgang Dunxin Enterprise Company Limited (the "Company"), I am pleased to present the audited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

Business Review and Prospects

During the Year, while the global economy continued to be volatile, China, as an emerging economy/country, has also been experiencing a historic industrial transformation and adjustment. The manufacturing sector maintained a prudent and conservative approach in its daily operation.

For the year ended 31 December 2015, revenue reached RMB850.0 million, an decrease of about 20.9% over the year ended 31 December 2014, 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.

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.

With its multi-faceted product strategy, the Group aims to further evaluate expansion opportunities in its downstream end product operations.

While pursuing for capacity and profit growth, our Group aspires to adhere to the PRC government's Twelfth Five-Year Plan for promoting the production of eco-friendly paper products. Over the years, we have taken steps to improve our carbon emission level, energy consumption and wastewater discharge treatment facilities for the purpose of offering greener alternatives to the market, and our becoming an environmental friendly corporation.

We will continue our efforts to tap into new and favorable opportunities to strive for greater returns for our shareholders.

Appreciation

On behalf of all members of the Board, I would like to express my sincere appreciation to all shareholders and staff members for their dedication and commitment over the past twelve months as well as my heartfelt gratitude to our customers and business partners for their enduring support.

Zheng Dunqian
Chief Executive Officer

Hong Kong
3 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

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 People's Republic of China (the "PRC").

The Group's revenue decreased from approximately RMB1,074.2 million in 2014 to RMB850.0 million in 2015, 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	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
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	**849,960**	**100.0**	1,074,206	100.0

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	
	Gross profit RMB'000	**Gross profit margin (%)**	Gross profit RMB'000	Gross profit margin (%)
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	**169,391**	**20.0**	236,823	22.0

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.

Distribution costs

The Group's distribution costs were RMB26.0 million, or 3.1% of revenue for the year ended 31 December 2015 compared to RMB 5.8 million or 0.5% for the year ended 31 December 2014. The increase in distribution costs as a percentage of revenue was due to RMB20 million advertising fee paid during the year.

Administrative expenses

The Group's administration expense was RMB32.0 million, or 3.8% of revenue for the year ended 31 December 2015 compared to RMB37.3 million or 3.5% for the year ended 31 December 2014.

Finance costs

The Group's total cost of borrowing was RMB11.7 million for the year ended 31 December 2015 compared to RMB8.7 million for the year ended 31 December 2014. It represented approximately 1.4% of revenue for the year ended 31 December 2015, which had decreased when compared to 0.8% for the year ended 31 December 2014. The increase in finance costs as a percentage of revenue was due to additional interest expenses incurred for the issued corporate bonds.

Income tax expense

Income tax expense decreased by approximately RMB21.2 million or 39.6% from approximately RMB53.7 million for the year ended 31 December 2014 to approximately RMB32.5 million for the year ended 31 December 2015, which was primarily attributable to the decrease in taxable profit generated from its operation activities.

The Group's effective tax rate increased by approximately 1.6% from approximately 26.8% for the year ended 31 December 2014 to approximately 28.4% for the year ended 31 December 2015. The increase in effective tax rate was due to underprovision for PRC subsidiary in prior years recognised during the year.

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.

Inventories, debtors' and creditors' turnover

Inventories turnover days were approximately 18.2 days and 16.5 days for the two years ended 31 December 2015 respectively. The improvement in inventories turnover days was attributed to the Group's continuous effort to tighten control on inventory level.

The trade and bills payables turnover days were approximately 59.1 days and 61.5 days for the two years ended 31 December 2015 respectively. The increase in trade and bills payables turnover days was in line with the increase in trade and bills receivable turnover days.

The trade and bills receivables turnover days were approximately 80.0 days and 95.6 days for the two years ended 31 December 2015 respectively. Trade and bills receivables turnover days increased due to the worsening of market conditions.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 December 2015 was RMB1,057.5 million (2014: RMB955.0 million). As at 31 December 2015, the Group had current assets of RMB502.1 million (2014: RMB938.5 million) and current liabilities of RMB197.8 million (2014: RMB310.5 million). The current ratio was 2.5 as at 31 December 2015 as compared to 3.0 at 31 December 2014.

The Group's sources of capital primarily consist of cash generated from operating activities, corporate bonds and borrowings from financial institutions from the PRC and Hong Kong. As at 31 December 2015, the Group had outstanding bank borrowings of RMB90.5 million (2014: RMB131.7 million). These banking facilities were secured against certain fixed assets held by the Group and corporate guarantee by the Company. As at 31 December 2015, the Group maintained cash and cash equivalent of RMB251.5 million (2014: RMB632.0 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from –52.4% as at 31 December 2014 to –2.3% as at 31 December 2015 and the gearing ratio (total debt over total asset) had increased from 13.8% as at 31 December 2014 to 21.5% as at 31 December 2015. The Group possesses sufficient cash and available banking facilities to meet its present commitments and working capital requirements.

The Group's transactions and the monetary assets are principally denominated in Renminbi and Hong Kong dollars. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2015.

Cost of Borrowing

The table below set out the ranges of effective interest rates of the Group's borrowings:

	As at 31 December	
	2015	2014
Bank loans	**3.55%–7.84%**	3.38%–7.56%
Bank advances for discounted bills	**–**	2.75%–4.25%

All of the Group's bank loans were drawn for working capital purpose. The loans were 1 year short term loans and were secured against certain fixed assets of the Group.

Capital Commitment

The table below set out the Group's capital expenditure commitments mainly for the construction of factory building and the acquisition of production facilities:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Purchase of property, plant and equipment and prepaid land lease payments	**336,425**	157,000

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.

Employees

As at 31 December 2015, the Group had a total of about 656 employees. The total remuneration amounted to approximately RMB44.2 million during the year ended 31 December 2015. The remuneration levels of employees are commensurate with their qualifications, responsibilities, performance and contributions and in accordance with the recommendations of the Remuneration Committee (if applicable).

The Group has not experienced any significant problems with its employees or disruption to its operations due to labor disputes nor has it experience any difficulty in the recruitment and retention of experienced staff. The Group maintains good relationship with its employees.

Contingent Liabilities

As at 31 December 2015 and 31 December 2014, no contingent event was required to be disclosed by the Group.

Final/Interim Dividend

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014 interim dividend: HK8.1 cents (equivalent to approximately RMB6.4 cents)).

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zheng Dunqian, aged 44, an executive Director and the chief executive officer of the Company, is responsible for overseeing the operation of the Group's paperboard, corrugated medium board and box and poker card business. He has over 20 years of experience in the papermaking and packaging materials business. He assisted Mr. Zheng Dunmu to establish the Group in 2000 and was responsible for the sales and production operations until 2007. He rejoined the Group again in 2012. Mr. Zheng is actively involved in social affairs. He has served as the Honorable Chairman of the Changtai Culture Association since year 2012 and the Vice Chairman of the Changtai Federation of Returned Overseas since year 2011 respectively. He completed an EMBA at Central University of Finance and Economics, the PRC in 2004. He is a brother of Mr. Zheng Dunmu, the chairman and an executive Director of the Company, and is the brother-in-law of Mr. Chen Ruomao, an executive Director and the chief financial officer of the Company.

Mr. Chen Ruomao, aged 43, is an executive Director and the chief financial officer of the Company. He is responsible for overseeing the finance and operation matters of the Group as well as formulating internal accounting and reporting policy. He co-founded the Group with Mr. Zheng Dunmu in 2000. Prior to that, he worked in Changtai Branch of China Construction Bank as an accountant. He completed an Executive Training Program of Business Administration and Management in the Graduate School of Xiamen University, the PRC in 2007. He has over 18 years of experience in banking, finance and accounting through his previous employment with China Construction Bank and his time with the Group. Mr. Chen is the brother-in-law of Mr. Zheng Dunqian, an executive Director and the chief executive officer of the Company.

Mr. Yuan Chao, aged 39, has been a Director of China Region of Palm Capital Asia Partners Limited since September 2012 and is mainly responsible for investment in various areas including environmental protection technology, clean energy and mobile Internet. Mr. Yuan graduated from the School of Civil Engineering of Tongji University, Shanghai in 1999. He served as the Premier Relationship Manager of HSBC (China) Limited from April 2007 to July 2008, the Senior Manager of Citibank (China) Co., Ltd. from July 2008 to January 2009, and the Deputy General Manager of Shanghai Fangrun Investment Management Co., Ltd. (上海方潤投資管理有限公司) from February 2009 to August 2012. Mr. Yuan currently holds 188,000 shares of the Company.

Mr. Tang Yau Sing, aged 53, has been appointed as the Company Secretary and authorised representative of the Company since 29 February 2016 and has been the Founder and President of GCA Advisors Limited since June 2011.

Mr. Tang was the Chief Financial Controller of New Sports Group Limited, a company listed on Main Board of the Stock Exchange (Stock Code: 0299) for the period from November 2013 to May 2016 and the Executive Director of New Sports Group Limited for the period from December 2014 to March 2016; the Company Secretary and Vice President of China Environmental Technology Holdings Limited, a company listed on Main Board of the Stock Exchange (Stock code: 0646) for the period from March 2014 to April 2016; the Chairman and Executive Director of Greens Holdings Limited, a company listed on Main Board of the Stock Exchange (Stock Code: 1318) for the period from January 2015 to November 2015; the Independent Non-executive Director and Audit Chairman of China North East Petroleum Holdings Limited (previously listed on NYSE American Stock Exchange) for the period from August 2010 to December 2014 and the Chief Financial Officer and Controller of China Agritech, Inc. (previously listed on NASDAQ) for the period from October 2008 to January 2012.

Mr. Tang received his Bachelor of Social Sciences (Honour) degree from the University of Hong Kong in 1986. He is a fellow of the Association of Chartered Certified Accountants in the U.K. and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants in England and Wales, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors.

Independent Non-Executive Directors

Mr. Lo Pak Ho, aged 33, has been an independent non-executive Director of the Company since December 2015. He has over ten years of experience in Auditing, Taxation, Internal Control and Management, Corporate Governance and Financial Advisory. He is the Founder and Director of LO PH CPA Limited and before that, he worked in an international accounting firm for many years. He graduated from Monash University, with a Bachelor's degree in Accountancy. He is currently a practising member of the Hong Kong Institute of Certified Public Accountants. He focuses on financial-related works over years, and is particularly experienced in internal control, corporate governance and financial consultancy.

Mr. Ye Deshan, aged 43, has been an independent non-executive Director of the Company since May 2013. He graduated from Xiamen University with a bachelor degree in Business Administration in July 2004, and obtained a master degree in Business Administration from Xiamen University in 2007. Currently Mr. Ye is the Head of Haicang Station of Nan Chang Railway Bureau and has more than 22 years' working experience in the logistic industry.

Mr. Hu Zhenghui, aged 66, has been an independent non-executive Director of the Company since July 2013. He has over 14 years of management and administration experience in academia. He formerly held positions at Zhangzhou Normal University as deputy director of business administration faculty, deputy director of academic affairs and director of foreign language faculty. He also acted as professor for a post-graduate course on business language communication at Zhangzhou Normal University. Mr. Hu obtained a master degree in Theory of Curriculum and Teaching from Beijing Normal University and was awarded the title "Associate Professor" by Zhangzhou Normal University in 1999.

Senior Management

Mr. Jiang Da Can*, aged 39, is a deputy general manager of the Group responsible for the operation and management of poker card and high performance corrugated medium board and box production lines. He has over 20 years of management and operational experience in poker card and packaging material production. He joined the Group in November 2000.

Mr. Gao De Fa*, aged 52, is the deputy general manager of the Group responsible for the general operation and administration, environmental protection and human resources as well as supervision of its production infrastructure development. He has over 32 years of experience in handling the operation and development of coal-fired co-generation power plant. He joined the Group in January 2010 as a project manager of coal-fired co-generation power plant development project to coordinate the construction of stream and electricity supplies infrastructure. Prior to joining the Group, Mr. Gao was the head of a coal-fired co-generation power plant in a state-owned sugar production enterprise responsible for overseeing several sizable infrastructure and production plant construction projects. He graduated from Fujian Radio & TV University majoring in mechanics, and obtained professional qualification as an engineer awarded by Human Resources Bureau of Fujian Province in 1997.

Mr. Chou Ming-Yen, aged 63, joined the Group in 2007 and is the head of paperboard production line responsible for overseeing the operation of Group's paperboard production line. He has over 37 years of experience in paperboard production and sales. Prior to joining the Group, he had worked in a Taiwan listed company engaged in paper manufacturing for approximately 30 years.

Mr. Zheng Wen Bin*, aged 45, joined the Group in 2010 as a head of coal-fired co-generation power plant and is responsible for overseeing the daily operation and administration of the Group's coal-fired co-generation power plant. He has over 18 years of experience in stream and electricity generation industries. Mr. Zheng has received a diploma in Economics and Administration from Fujian Party School of the Communist Party of China in 2004.

Company Secretary

Mr. Tang Yau Sing, aged 53, joined the Group in 2015 as the company secretary. He is responsible for company secretarial matters of the Group, including ensuring the Group's compliance with the Listing Rules and other statutory requirements.

Mr. Tang has been the Founder and President of GCA Advisors Limited since June 2011; the Chief Financial Controller of New Sports Group Limited, a company listed on Main Board of the Stock Exchange (Stock Code: 0299) for the period from November 2013 to May 2016 and the Executive Director of New Sports Group Limited for the period from December 2014 to March 2016; the Company Secretary and Vice President of China Environmental Technology Holdings Limited, a company listed on Main Board of the Stock Exchange (Stock code: 0646) for the period from March 2014 to April 2016; the Chairman and Executive Director of Greens Holdings Limited, a company listed on Main Board of the Stock Exchange (Stock Code: 1318) for the period from January 2015 to November 2015; the Independent Non-executive Director and Audit Chairman of China North East Petroleum Holdings Limited (previously listed on NYSE American Stock Exchange) for the period from August 2010 to December 2014 and the Chief Financial Officer and Controller of China Agritech, Inc. (previously listed on NASDAQ) for the period from October 2008 to January 2012.

Mr. Tang received his Bachelor of Social Sciences (Honour) degree from the University of Hong Kong in 1986. He is a fellow of the Association of Chartered Certified Accountants in the U.K. and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants in England and Wales, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors.

* Denotes an English translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and English translation, the Chinese version shall prevail.

ENVIRONMENTAL AND SOCIAL GOVERNANCE REPORT

In recent years, the PRC government has emphasized the importance of environmental protection development and strict environmental regulations have been imposed on numerous industries including the paper manufacturing industry. In the Group's view, the government's strict supervision will drive new standards, which is beneficial for both the economy and society.

The Group manufactures raw paper and other paper based products. It insists on using recycled waste paper as major raw material to reduce the negative impact on the environment, making it an environmental friendly enterprise.

This report illustrates how the Group has worked to achieve broader economic and social value, and highlights its active engagement in the communities to promote environmental sustainability and community development.

Workplace Quality

People are always the Group's number one priority; it provides equal opportunity, flexible work arrangements, fair remuneration and benefits to its employees. The Group believes that provision of on-going training, sound working conditions and living environment will enhance the development of staff.

Health and safety

The Group's manufacturing process involves the operation of heavy machinery. In order to ensure safety in the workplace, the Group has built in safety design in its production lines and has fire prevention facilities such as fire engine in place.

In addition, various safety measures are adopted in its daily operations. The Group provides necessary work gears to workers including work clothes and helmets in accordance with strict national health standards.

Departmental heads will monitor safety compliances on a regular basis and report their findings to management.

Training is provided to new operators of machinery or equipment before commencement of service. For special machinery or equipment such as boiler and forklift truck which require licensed operators, the Group will recruit licensed staff or require such staff to pass the licensing examination before commencement of work. The Group ensures a high level of occupational health and safety awareness at all levels.

Development and training

The Group recognises the importance of having a team of well-trained employees. Other than the training provided to special machinery or equipment operators and initial training for new employees, the Group also conducts regular staff meetings on professional, operational and safety development at least once annually.

Both external and internal training programs are provided with the aim to provide update knowledge to employees so as to enhance their career development.

Living and working conditions

The Group aims to provide good living and working conditions for its employees.

Village style dormitories are built on factory sites to provide a comfortable environment, because it understands many of its employees come from other parts of the country. Its housing complexes are well equipped with facilities which allow its employees to relax and enjoy after work.

The Group ensures that its employees are not over-worked by dividing its labor force into 3 shifts of approximately 8 hours a day including meal breaks, and providing adequate leaves and holidays.

The Group has strict policies against child labor. Its recruitment process screens and eliminates any possibilities of child labor. It has zero tolerance policy on child labor abuse, and any breach will be reported to the Board directly for immediate action.

Environmental Protection

"Environmental protection is related to everybody and every future generation comes after us, If we can take every step to sustain our environment, surely it will increase the chance of our survival."

Emissions monitoring and control, waste water treatment and use of natural resources

The Group takes pride on its sophisticated waste water treatment system to process and recycle waste water generated from the paper making process. The maximum capacity of waste water treatment system is approximately 10,000 cubic meters of waste water per day, which is sufficient to handle all the waste water produced by its Guanshan Production Plant. The system deploys a combination of biochemical and chemical technologies to purify waste water to an extent suitable for recycling in steam generation and system cooling purpose, enabling the Group to reduce overall water consumption. The Group's waster consumption level for each tonne of linerboard is approximately 13–15 tonnes, which is well below the standard of 25 tonnes of water for each tonne of paper as stipulated by the PRC authorities since May 2004.

Steam and electricity is crucial for the Group's paper making operation. The Group has operated its own coal-fired co-generation power plant since June 2011, with steam and electricity generation capacity per hour of approximately 75 tonnes and 6 mega watts respectively, which is capable of serving all the steam and over 95% of electricity needs of its Guanshan Productions Plant. The plant deploys steam and electricity generation until it reaches a suitable level for the drying process in paperboard production such that energy and cost efficiency is achieved. Thus, the power plant enables the Group to achieve energy and heat efficiency as the co-generation power plant can generate steam and electricity from a single fuel sources.

The Group established an compliance control committee in November 2012, consisting of the deputy general manager and the chief financial officer. One of their responsibilities is to monitor the daily emissions (including soot, SO2, NOx, waste water and organic pollutants) from production at both the Guanshan and Yanxi production plants. They are required to report their findings to the Board on a monthly basis to discuss the emission levels of the Group and ways to reduce such emissions. The Audit Committee reviews the documents on a half yearly basis on whether the Group has complied with the government's emission requirements and the Group's emission policies, as well as making suggestions on such policies.

Operating practices

Anti-corruption

The Group prioritizes the integrity of its management and staffs with utmost importance. Anti-corruption policies are stipulated in both the operational management manual and compliance manual. Any updates will be circulated amongst all employees on a timely basis, and the anti-corruption policies are also communicated to employees during training on an annual basis.

As at 31 December 2015, the Group was not involved in any legal proceedings relating to corruption.

Community involvement

There is no Group-wide formal policy on community involvement and management may make their own decision on these matters.

CORPORATE GOVERNANCE REPORT

Introduction

The Directors of the Company (the "Board") are pleased to present the corporate governance report for the year ended 31 December 2015. The Company is committed to maintaining high standard corporate governance practices The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with the Group's employees, business partners, shareholders and investors.

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 year.

Compliance with the Model Code for Securities Transaction by Directors

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.

Board of Directors

Composition and Role

The Board currently comprises the following Directors:

Executive Directors

Mr. Zheng Dunqian *(Chief Executive Officer)*
Mr. Chen Ruomao *(Chief Financial Officer)*
Mr. Tang Yau Sing
Mr. Yuan Chao

Independent Non-executive Directors

Mr. Lo Pak Ho
Mr. Ye Deshan
Mr. Hu Zhenghui

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholder value.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors are independent based on the independence criteria in accordance with the requirements of the Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgment.

During the year, the following meetings were held and the individual attendance of each Director is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
Executive Directors					
Mr. Zheng Dunmu* *(Chairman)* (resigned on 22 March 2016)	15/19	4/5	1/1	1/1	1/1
Mr. Zheng Dunqian* *(Chief Executive Officer)*	19/19	4/5	1/1	1/1	1/1
Mr. Chen Ruomao* *(Chief Financial Officer)*	19/19	4/5	1/1	1/1	1/1
Independent Non-Executive Directors					
Mr. Lo Pak Ho (appointed on 14 December 2015)	7/19	1/5	1/1	1/1	1/1
Mr. Ye Deshan	19/19	5/5	1/1	1/1	1/1
Mr. Hu Zhenghui	19/19	5/5	1/1	1/1	1/1
Mr. Kwong Kwan Tong (resigned on 31 December 2015)	12/19	4/5	1/1	1/1	1/1
Mr. Tang Yau Sing (appointed on 11 April 2016)	1/19	N/A	N/A	N/A	N/A
Mr. Yuan Chao (appointed on 11 April 2016)	1/19	N/A	N/A	N/A	N/A

* Mr. Zheng Dunmu and Mr. Zheng Dunqian are brothers. Mr. Chen Ruomao is the brother-in-law of Mr. Zheng Dunqian.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure proper understanding of the business and operations of the Company, and his responsibilities and obligations as Director under the Listing Rules and relevant statutory requirements.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company.

A summary of Director's and Company Secretary's participation in the Director's training program and other external training for the year ended 31 December 2015 is as follows:

	Attend seminars/ briefings/ training sessions	Reading regulatory updates
Executive Directors		
Mr. Zheng Dunqian *(Chief Executive Officer)*	✓	✓
Mr. Chen Ruomao *(Chief Financial Officer)*	✓	✓
Mr. Tang Yau Sing	✓	✓
Mr. Yuan Chao	✓	✓
Independent Non-Executive Directors		
Mr. Lo Pak Ho	✓	✓
Mr. Ye Deshan	✓	✓
Mr. Hu Zhenghui	✓	✓
Company Secretary		
Mr. Tang Yau Sing	✓	✓

Chairman and Chief Executive

The roles of the Chairman and Chief Executive of the Company are separated, with a clear division of responsibilities.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive is responsible for the day-to-day management of the Group's business.

Independent non-executive Directors

The independent non-executive Directors, namely Mr. Lo Pak Ho, Mr. Ye Deshan and Mr. Hu Zhenghui, entered into appointment letters dated 14 December 2015, 15 May 2013 and 9 July 2013, respectively with the Company for a term of three years from the respective dates of their appointment letters.

Corporate governance functions

The Board has adopted terms of reference for corporate governance functions set out in the Code and is responsible for performing the corporate governance duties set out therein.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board to ensure an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of external auditors.

The Audit Committee comprises of three independent non-executives Directors, namely Mr. Lo Pak Ho, Mr. Ye Deshan and Mr. Hu Zhenghui. Mr. Lo Pak Ho is the chairman of the Audit Committee. He has profound financial experience, and is a practising member of the Hong Kong Institute of Certified Public Accountants.

The Audit Committee meets at least two times 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 audited financial statements for the year ended 31 December 2015.

The Audit Committee is governed by its terms of reference approved and adopted on 15 May 2013 pursuant to a resolution passed by the Board at its meeting for the establishment of the Audit Committee. The terms of reference are available on the websites of the Company and the Stock Exchange.

The work performed by the Audit Committee during 2015 included consideration of the following matters:

- integrity, completeness and accuracy of the 2015 annual and interim financial statements;
- developments in accounting standards and the effect on the Company;
- the Company's financial controls, internal control and risk management systems;
- the Company's compliance with statutory and regulatory requirements including but not limited to the Listing Rules;
- external auditor's audit plan, auditor's management letter and engagement letter; and
- external auditor's remuneration for year 2015.

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, ZHONGHUI ANDA CPA Limited ("ZHONGHUI") be appointed as the Company's external auditor for 2015 and re-appointed as the Company's external auditor for 2016.

Remuneration Committee

The Remuneration Committee of the Company comprises of three independent non-executive directors, namely Mr. Ye Deshan, Mr. Hu Zhenghui and Mr. Lo Pak Ho. Mr. Ye Deshan is the chairman of the Remuneration Committee.

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

The work performed by the Remuneration Committee during 2015 included the following:

- review remuneration policy and the levels of remuneration paid to the Directors and senior management of the Group with reference to the Board's corporate goals and objectives;

- review the framework for determining the remuneration package; and

- assessment of the performance of executive Directors.

The Remuneration Committee is governed by its terms of reference approved and adopted on 15 May 2013. The terms of reference are available on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee of the Company comprises of three independent non-executive directors, namely Mr. Hu Zhenghui, Mr. Ye Deshan and Mr. Lo Pak Ho. Mr. Hu Zhenghui is the chairman of the Nomination Committee.

The Nomination Committee was established on 15 May 2013. It has the responsibility of 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 against the Code and making recommendation on the appointment or re-appointment of Directors.

The work performed by the Nomination Committee during 2015 included the following:

- review and supervise the structure, size, composition and diversity of the Board;

- assess the independence of the independent non-executive Directors; and

- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy.

The Nomination Committee is governed by its terms of reference approved and adopted on 15 May 2013 and revised on 26 October 2013. The terms of reference are available on the websites of the Company and the Stock Exchange.

On 14 December 2015, Mr. Lo Pak Ho has been appointed as independent non-executive Director of the Company.

On 11 April 2016, Mr. Tang Yau Sing and Mr. Yuan Chao have been appointed as executive Directors of the Company.

Board Diversity Policy

The Board Diversity Policy was approved an adopted by the Board on 26 October 2013.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development.

The policy requires appointment of Directors based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, in order to maintain an appropriate mix and balance of talents on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate to ensure the effectiveness of the same. It will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. It will also monitor the implementation of the Board Diversity Policy. The Company reviewed the criteria sets out in the Board Diversity Policy and considers that the current composition of the Board is adequately diverse in terms of professional background and skills.

Company Secretary

The position of Company Secretary is held by Mr. Tang Yau Sing, a fellow of the Association of Chartered Certified Accountants in the U.K. and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants in England and Wales, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. The Company Secretary is responsible to the Board and reports to the chairman of the Company and the Board from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are complied with.

Mr. Tang Yau Sing has taken no less than 15 hours of relevant professional training during the year 2015. He has fulfilled the requirement during the year under review.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Accountability and Audit

Financial Reporting

The Board aims to present a balance, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statement of the Group is set out in the "Independent Auditor's Report" on pages 35 to 36.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Hence the Board has decided that it is appropriate to prepare the financial statements on a going concern basis.

The Company Secretary provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

Internal Control and Risk Management

The Board is responsible for ensuring that an effective internal control and risk system is maintained within the Group. The Directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls.

The Group adopts internal control policies and procedures relating to business, financial, compliance, operational and other risks, with the following objectives:

- safeguarding the Group's assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;

- maintaining proper records and processes that generate a flow of timely relevant and reliable information from within and outside the Group, to help ensure the quality of internal and external reporting; and

- ensuring compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

The Group set up a compliance monitoring committee in November 2012 comprising of Mr. Chen Ruomao and Mr. Gao De Fa. The responsibilities of the compliance monitoring committee include but are not limited to:

- update the operational management manual on a regular basis;
- identify business, financial, compliance and operational risks and analyzing such risks which may impede the achievement of the Company's objectives;
- review, design and strengthen internal control measures and risk management over appropriate areas; and
- report the effectiveness of the internal control operations and/or material findings to the Board on a monthly basis and the Audit Committee on a semi-annual basis for review.

External auditors will also report on the Group's internal control and accounting procedures which have come to their attention during the course of audit.

During the year under review, the Directors, through the Audit Committee, had reviewed the effectiveness of the Group's internal control system covering all controls, including financial, operational and compliance controls and risk management functions. In particular, such review has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. No critical issues had been identified.

Auditor's Remuneration

For the year ended 31 December 2015, the fees payable to Martin C.K. Pong & Company ("Martin"), the former auditors of the Company and ZHONGHUI, in respect of their audit and non-audit services were as follows:

	Martin	**ZHONGHUI**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Audit Service	—	1,200	1,200
Non-audit services (including tax matters, review and other reporting services)	400	20	420
	400	1,220	1,620

Compliance Adviser

Kingsway Capital Limited ("Kingsway") resigned as the compliance adviser of the Company with effect from 25 January 2016.

Under Rule 3A.19 of the Listing Rules, the Company is required to retain a compliance adviser until the date on which the Company satisfied with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of its initial listing, i.e. the financial year ended 31 December 2015.

CLC International Limited, a licenced corporation to carry out type 6 of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Company's compliance advisor for the period up to the publication of the audited financial statements for the year ended 31 December 2015.

Pursuant to Rule 3A.23 of the Listing Rules, compliance adviser will advise on the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the Prospectus; and
- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the securities of the Company.

Communication with Shareholders and Investors

The Company endeavors to uphold a high level of corporate transparency. Keeping shareholders, investors, analysts, bankers and other stakeholders informed of our corporate strategies, and business operations has been one of the key objectives of our investor relations plan.

The Board is committed to providing clear and full information about the Group's performance to shareholders through the publication of announcements on interim results and annual results in a timely manner. In addition to dispatching circulars, notices and financial reports to shareholders, information is also available to shareholders on the Company's website at www.dxwj.com and the Stock Exchange's website at www.hkex.com.hk.

General meetings of the Company provide excellent opportunities for communication between the Board and the shareholders. In addition to the general meetings, press conference and analysts briefings may be held subsequent to the interim and final results announcements in which the Directors and the management are available to answer questions about the Group.

Annual General Meeting

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend general meetings for which the Company gives at least 20 clear business days' notice. The chairman of the Company and Directors and external auditors are available to answer questions on matters regarding the Company's business at the last annual general meeting held on 27 April 2015.

Voting by Poll

Separate resolutions will be proposed at general meetings on each substantially separate issue, including the election of individual Directors. Voting at general meeting will be taken by poll (except resolution which relates purely to a procedural or administrative matter may be voted on a show of hand). The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the annual general meeting. The poll voting results will be published on the websites of the Company and the Stock Exchange on the same day after the annual general meeting.

Shareholders' Rights

Pursuant to article 58 of the Company's Articles of Association, any one or more Shareholders holdings at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board of the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, Shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Board shall be reimbursed to the Shareholders by the Company.

An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Shareholders' Enquires

- Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- Shareholders may make enquires to the Board in writing to the Company Secretary at the principal office of the Company in Hong Kong at Office No. 3, 13th Floor, Boss Commercial Centre, No. 28 Ferry Street, Kowloon, Hong Kong, by email to lhq@dxzy.cc or by fax to (852) 3586 3801.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of the manufacturing of a broad variety of upstream packaging paperboard products (including white top linerboard, kraftlinerboard and high performance corrugated medium), as well as downstream products comprise of corrugated medium boards and boxes and poker cards.

Results and dividends

The Company's profit for the year ended 31 December 2015 and its state of affairs at that date are set out in the accompanying financial statements on pages 37 to 84.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014 interim dividend: HK8.1 cents (equivalent to approximately RMB6.4 cents)).

Financial summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Property, plant and equipment

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 respectively to the consolidated financial statements.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statement.

Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2015 amounted to approximately RMB334.4 million (31 December 2014: RMB237 million).

Directors

The Directors during the year ended 31 December 2015 and up to the date of this annual report are as follows:

Executive Directors

Mr. Zheng Dunqian
Mr. Chen Ruomao
Mr. Tang Yau Sing
Mr. Yuan Chao

Independent Non-executive Directors

Mr. Lo Pak Ho
Mr. Ye Deshan
Mr. Hu Zhenghui

In accordance with Article 84(1) of the Articles of Association of the Company, Mr. Tang Yau Sing, Mr. Yuan Chao and Mr. Lo Pak Ho shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the annual general meeting.

Directors' service contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Details of the remuneration paid by the Group to the Directors and the senior management of the Group for the year ended 31 December 2015 are set out in note 13 to the consolidated financial statements.

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year ended 31 December 2015.

Interests and short positions of the directors or chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2015, no Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders in the shares of the Company

As at 31 December 2015, the persons, not being Directors or chief executive of the Company, who had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out below:

Name of Shareholders	Capacity	Number of shares held	Percentage interest in the issued share capital of the Company
Mr. Zheng Dunmu *(Note 1)*	Beneficial owner and interest in a controlled corporation	347,974,000	29.21%
Mr. Feng Jianguo *(Note 2)*	Interest in a controlled corporation	105,000,000	8.81%

Notes:

(1) Pure Sheen Limited, a company incorporated in the British Virgin Islands, is wholly-owned by Mr. Zheng Dunmu and therefore Mr. Zheng Dunmu is deemed to be interested in the Shares held by Pure Sheen under the SFO. Mr. Zheng Dunmu is the beneficial owner of 39,524,000 Shares and holds 233,990,000 Shares, 37,230,000 Shares and 37,230,000 Shares respectively through Pure Sheen, Radiant Path Limited and Radiant Prestige Limited, as companies wholly-owned by him.

(2) Sky Joy Limited, a company incorporated in the British Virgin Islands, is a controlled corporation of Mr. Feng Jianguo and therefore Mr. Feng Jianguo is deemed to be interested in the Shares held by Sky Joy under the SFO. However, transfer of 150,000,000 Shares from Pure Sheen to Sky Joy registered on 16 December 2016 was effected by use of 15 allegedly fake share certificates nos. 2509—2517. The title of 150,000,000 Shares as well as the interest held by Mr. Feng Jianguo is therefore disputable.

Saved as the disclosed above, as at 31 December 2015, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Arrangements to purchase shares or debentures

At no time during the year ended 31 December 2015 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Connected transactions

There was no connected transaction or continuing connect transaction between the Group and its connected persons (as defined under the Listing Rules) which were subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the year ended 31 December 2015.

Emolument policy

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits including insurance and medical cover are also provided.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Remuneration of directors and senior management

Details of the remuneration paid by the Group to the Directors of the Company and the senior management of the Group for the year ended 31 December 2015 are set out in note 13 to the consolidated financial statement.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company or the Companies Law of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float under the Listing Rules.

Donations

During the year ended 31 December 2015, the Group has not made any charitable donation (2014: RMB792,000 (HK$1,000,000)).

Major customers and suppliers

During the year, the aggregate purchases attributable to the Group's five largest suppliers were approximately 72% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 30% of the total purchases.

The aggregate sales during the year attributable to the Group's five largest customers were approximately 19% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 4% of the total sales.

The Group is committed to ensure that its sales and purchases are not concentrated on any customers and suppliers, and that its sales and purchases are at fair market prices.

None of the Directors, their associates or any Shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's issued Share capital, had any interest in the share capital of any of the Group's five largest customers or suppliers.

Events after the reporting period

Details of significant events occurring after the reporting period are set out in note 35 to the consolidated financial statements.

Auditors

A resolution will be proposed at the annual general meeting to re-appoint Messrs. ZHONGHUI ANDA CPA Limited as auditors of the Company.

By order of the Board

Zheng Dunqian
Executive Director

Hong Kong, 3 June 2016

中汇
ZHONGHUI

To the Shareholders of
Changgang Dunxin Enterprise Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Changgang Dunxin Enterprise Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 84, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 3 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 *RMB'000*	2014 *RMB'000*
REVENUE	*8*	**849,960**	1,074,206
Cost of sales		**(680,569)**	(837,383)
GROSS PROFIT		**169,391**	236,823
Other income and gains	*9*	**14,748**	15,500
Selling and distribution costs		**(26,006)**	(5,842)
Administrative expenses		**(32,045)**	(37,263)
Finance costs	*10*	**(11,740)**	(8,734)
PROFIT BEFORE TAX	*11*	**114,348**	200,484
Income tax expense	*12*	**(32,466)**	(53,708)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**81,882**	146,776
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		**(6,441)**	(321)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**75,441**	146,455
EARNINGS PER SHARE (RMB cents)	*16*		
— Basic		**8.12**	16.80
— Diluted		**8.12**	16.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	17	**559,862**	292,432
Investment properties	18	**4,015**	4,376
Prepaid land lease payments	19	**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	20	**22,170**	39,375
Trade receivables	21	**202,736**	242,404
Prepayments, deposits and other receivables	22	**25,170**	473
Pledged deposits	23	**461**	24,242
Cash and cash equivalents	23	**251,532**	631,963
		502,069	938,457
Current liabilities			
Trade payables	24	**73,642**	155,543
Other payables and accruals	25	**30,570**	8,506
Interest-bearing borrowings	26	**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	27	**136,535**	—
NET ASSETS		**1,057,480**	955,030

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital	28	**9,542**	7,891
Reserves	29	**1,047,938**	947,139
TOTAL EQUITY		**1,057,480**	955,030

The consolidated financial statements on pages 37 to 84 were approved and authorised for issue by the board of directors on 3 June 2016 and are signed on its behalf by:

Approved by:

Zheng Dunqian
Director

Chen Ruomao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company						
	Issued capital *RMB'000*	Share premium* *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus funds* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*
At 1 January 2014	—	—	90,001	48,343	19	414,086	552,449
Total comprehensive (expense)/ income for the year	—	—	—	—	(321)	146,776	146,455
Placing and public offer of new shares	1,973	274,204	—	—	—	—	276,177
Capitalisation Issue	5,918	(5,918)	—	—	—	—	—
Shares issue expenses	—	(20,051)	—	—	—	—	(20,051)
Appropriation to statutory surplus reserve	—	—	—	16,060	—	(16,060)	—
At 31 December 2014	7,891	248,235	90,001	64,403	(302)	544,802	955,030
At 1 January 2015	**7,891**	**248,235**	**90,001**	**64,403**	**(302)**	**544,802**	**955,030**
Total comprehensive (expense)/ income for the year	**—**	**—**	**—**	**—**	**(6,441)**	**81,882**	**75,441**
Placing of new shares	**1,651**	**88,517**	**—**	**—**	**—**	**—**	**90,168**
Appropriation to statutory surplus reserve	**—**	**—**	**—**	**9,606**	**—**	**(9,606)**	**—**
Dividends	**—**	**—**	**—**	**—**	**—**	**(63,159)**	**(63,159)**
At 31 December 2015	**9,542**	**336,752**	**90,001**	**74,009**	**(6,743)**	**553,919**	**1,057,480**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	114,348	200,484
Adjustments for:		
Interest expenses	11,465	7,791
Interest income	(2,145)	(1,594)
Depreciation and amortisation	45,139	39,083
Gain on disposal of property, plant and equipment	(161)	—
Operating profit before working capital changes	168,646	245,764
Change in inventories	17,205	4,734
Change in trade receivables	39,668	(13,871)
Change in prepayments and other receivables	(24,681)	2,283
Change in trade payables	(83,932)	39,931
Change in other payables and accruals	20,141	(4,050)
Cash generated from operations	137,047	274,791
Income tax paid	(44,046)	(51,887)
Net cash generated from operating activities	93,001	222,904
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(311,759)	(21,572)
Proceeds from disposals of property, plant and equipment	245	—
Decrease/(increase) in pledged deposits	23,831	(14,862)
Payment of deposits for acquisition of prepaid land lease payments and property, plant and equipment	(296,179)	(6,766)
Interest received	2,145	1,594
Net cash flows used in investing activities	(581,717)	(41,606)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	190,390	190,225
Repayment of bank borrowings	(234,402)	(161,831)
Proceeds from placing and public offer of new shares	90,849	276,177
Shares issue expenses	(681)	(20,051)
Proceeds from issue of bonds	135,396	—
Dividends paid	(63,159)	—
Interest paid	(10,376)	(7,791)
Net cash flows generated from financing activities	108,017	276,729
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(380,699)	458,027
Cash and cash equivalents at beginning of year	631,963	173,944
Effect on exchange rate changes	268	(8)
Cash and cash equivalents at end of year	251,532	631,963
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	251,532	631,963

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. Significant Accounting Policies

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5% to 14%
Plant and machinery	10% to 20%
Office equipment	20%
Power supply equipment	10%
Motor vehicles	20% to 50%

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 20 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (Continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income is recognised on a straight-line basis over the lease term.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

4. Significant Accounting Policies (Continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China (the "PRC") are required to participate in a central pension scheme operated by the local municipal governments. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

4. Significant Accounting Policies (Continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. Significant Accounting Policies (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. Significant Accounting Policies (Continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

4. Significant Accounting Policies (Continued)

Dividends (Continued)

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical Judgment And Key Estimates

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Impairment of inventories

The Group determines the impairment for obsolescence of inventories with reference to aged inventory analyses and projections of expected future saleability of goods. Based on this review, impairment of inventories will be made when the carrying amounts of inventories are higher than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(c) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6. Financial Risk Management

The Group's principal financial instruments comprise interest-bearing bank loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board reviews and agrees on policies for managing each of these risks and they are summarised below:

Foreign currency risk

The Group's business are mainly located in the Mainland China and are mainly transacted and settled in Renminbi, so the Group has minimal exposure to foreign currency risk.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing loans. The interest rates and terms of repayment of interest-bearing loans are disclosed in note 26 to the financial statements.

The Group did not have significant bank loans with a floating interest rate during the years ended 31 December 2015 and 2014, so the Group was not exposed to the risk of changes in market interest rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade and other receivables and deposits with financial institutions. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to management review. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2015, the Group has no concentration of credit risk (2014: Nil) of total cash and cash equivalents.

6. Financial Risk Management (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payment, was as follows:

At 31 December 2015

	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Beyond five years *RMB'000*	Total *RMB'000*
Trade payables	**73,642**	**—**	**—**	**—**	**73,642**
Other payables and accruals	**30,549**	**—**	**—**	**—**	**30,549**
Principal portion of borrowings	**90,459**	**—**	**—**	**—**	**90,459**
Interest portion of borrowings	**2,262**	**—**	**—**	**—**	**2,262**
Principal portion of bonds	**—**	**102,359**	**—**	**48,467**	**150,826**
Interest portion of bonds	**10,524**	**9,551**	**9,451**	**4,413**	**33,939**
	207,436	**111,910**	**9,451**	**52,880**	**381,677**

At 31 December 2014

	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Beyond five years *RMB'000*	Total *RMB'000*
Trade payables	155,543	—	—	—	155,543
Other payables and accruals	6,308	—	—	—	6,308
Principal portion of borrowings	131,707	—	—	—	131,707
Interest portion of borrowings	2,318	—	—	—	2,318
	295,876	—	—	—	295,876

6. Financial Risk Management (Continued)

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets:		
Loans and receivables:		
Trade receivables	202,736	242,404
Financial assets included in prepayments, deposits and other receivables	147	286
Pledged deposits	461	24,242
Cash and cash equivalents	251,532	631,963
	454,876	898,895
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade payables	73,642	155,543
Financial liabilities included in other payables and accruals	30,549	6,308
Borrowings	90,459	131,707
Bonds	136,535	—
	331,185	293,558

Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. 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.

7. Segment Information (Continued)

Segment revenue and results

For the year ended 31 December 2015

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

7. Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2014

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

7. Segment Information (Continued)

Segment assets

As at 31 December 2015

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

As at 31 December 2014

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

7. Segment Information (Continued)

Segment liabilities

As at 31 December 2015

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

As at 31 December 2014

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

7. Segment Information (Continued)

Other segment information

2015

	Paperboards RMB'000	Corrugated medium boards and boxes RMB'000	Poker cards RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation and amortisation	32,966	1,019	1,430	9,724	45,139
Capital expenditures	308,178	—	3,581	—	311,759

2014

	Paperboards RMB'000	Corrugated medium boards and boxes RMB'000	Poker cards RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation and amortisation	26,535	1,050	1,483	10,015	39,083
Capital expenditures	21,545	—	—	27	21,572

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).

8. Revenue

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

	2015 *RMB'000*	2014 *RMB'000*
Sales of goods	**849,960**	1,074,206

9. Other Income And Gains

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

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.

10. Finance Costs

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

11. Profit Before Tax

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

	2015 RMB'000	2014 RMB'000
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 *(note 13)*):		
Wages and salaries	**39,954**	32,853
Retirement benefits scheme contributions	**4,200**	3,516
	44,154	36,369
Operating lease charges on land and buildings	**95**	90
Auditors' remuneration	**1,020**	1,517

* 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.

12. Income Tax Expense

	2015 *RMB'000*	2014 *RMB'000*
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**	—
	32,466	53,708

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 *RMB'000*	2014 *RMB'000*
Profit before tax	**114,348**	200,484
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	**97**	—
	32,466	53,708

13. Directors' and Senior Management's Emoluments

The emoluments of each Director and senior management were as follows:

		For the year ended 31 December 2015			
		Fees *RMB'000*	Salaries, allowances and benefits in-kind *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors					
Mr. Zheng Dunmu	*(i)*	—	1,645	20	1,665
Mr. Zheng Dunqian		—	1,105	20	1,125
Mr. Chen Ruomao		—	1,127	20	1,147
		—	3,877	60	3,937
Independent non-executive directors					
Mr. Hu Zhenghui		65	—	1	66
Mr. Kwong Kwan Tong	*(ii)*	117	—	6	123
Mr. Ye Deshan		65	—	3	68
Mr. Lo Pak Ho	*(iii)*	5	—	—	5
		252	—	10	262
Subtotal for Directors' emoluments		252	3,877	70	4,199

(i) Resigned on 22 March 2016

(ii) Resigned on 31 December 2015

(iii) Appointed on 14 December 2015

13. Directors' and Senior Management's Emoluments (Continued)

	For the year ended 31 December 2014			
	Fees	Salaries, allowances and benefits in-kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Zheng Dunmu	—	866	13	879
Mr. Zheng Dunqian	—	583	13	596
Mr. Chen Ruomao	—	600	13	613
	—	2,049	39	2,088
Independent non-executive directors				
Mr. Hu Zhenghui	47	—	1	48
Mr. Kwong Kwan Tong	86	—	2	88
Mr. Ye Deshan	47	—	1	48
	180	—	4	184
Subtotal for Directors' emoluments	180	2,049	43	2,272

14. Individuals with Highest Emoluments

The five highest paid individuals in the Group during the year included 3 (2014: 3) directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2014 : 2) highest paid individual are set out as below:

	2015 *RMB'000*	2014 *RMB'000*
Basic salaries and allowances	399	320
Retirement benefit scheme contributions	11	10
	410	330

The emoluments of the 2 individuals (2014: 2) fall within the following band:

	Number of individuals	
	2015	2014
HK$0 – HK$1,000,000	2	2

During the years ended 31 December 2015 and 2014, no emoluments were paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

15. 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.

16. 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.

17. Property, Plant and Equipment

	Buildings	Plant and machinery	Office equipment	Power supply equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2014	107,479	249,056	640	49,208	4,658	—	411,041
Additions	—	443	—	27	—	21,102	21,572
At 31 December 2014 and 1 January 2015	107,479	249,499	640	49,235	4,658	21,102	432,613
Additions	3,581	513	—	—	—	307,665	311,759
Disposals	—	—	—	—	(982)	—	(982)
Transfer	—	238,767	—	—	—	(238,767)	—
At 31 December 2015	111,060	488,779	640	49,235	3,676	90,000	743,390
Accumulated depreciation and impairment							
At 1 January 2014	21,120	64,735	458	12,339	3,392	—	102,044
Charge for the year	7,247	25,704	51	4,670	465	—	38,137
At 31 December 2014 and 1 January 2015	28,367	90,439	509	17,009	3,857	—	140,181
Charge for the year	7,417	31,638	50	4,670	470	—	44,245
Disposals	—	—	—	—	(898)	—	(898)
At 31 December 2015	35,784	122,077	559	21,679	3,429	—	183,528
Carrying amounts							
At 31 December 2015	75,276	366,702	81	27,556	247	90,000	559,862
At 31 December 2014	79,112	159,060	131	32,226	801	21,102	292,432

At 31 December 2015, certain buildings and plant and machinery of the Group with an aggregate net carrying amount of approximately RMB57,449,000 (2014: RMB65,582,000), were pledged to secure bank loan facilities granted to the Group (note 33).

18. Investment Properties

	RMB'000
Cost	
At 1 January 2014, at 31 December 2014 and 31 December 2015	9,570
Accumulated amortisation	
At 1 January 2014	4,781
Charge for the year	413
At 31 December 2014	5,194
Charge for the year	361
At 31 December 2015	5,555
Carrying amounts	
At 31 December 2015	4,015
At 31 December 2014	4,376

The fair values of investment properties are set out below:

	2015 *RMB'000*	2014 *RMB'000*
Fair value at 31 December	**6,500**	6,900

The Group's investment properties were revalued by Grant Sherman Appraisal Limited, independent professionally qualified valuers, using the investment method by capitalising the current rent derived from the existing tenancies with due provisions for reversionary income potential, or where appropriate, by direct comparison method by making reference to comparable sales evidence as available in the relevant market. The investment properties are leased to third parties under operating leases.

At 31 December 2015, the Group's investment properties with a carrying value of RMB4,015,000 (2014: RMB4,376,000) were pledged to secure general banking facilities granted to the Group (note 33).

19. Prepaid Land Lease Payments

	2015 *RMB'000*	2014 *RMB'000*
Carrying amount at 1 January	**21,646**	22,179
Amortisation during the year	**(533)**	(533)
Carrying amount at 31 December	**21,113**	21,646

At 31 December 2015, certain of the Group's prepaid land lease payments with a net carrying amount of RMB12,203,000 (2014: RMB12,513,000) were pledged to secure banking facilities granted to the Group (note 33).

20. Inventories

	2015 *RMB'000*	2014 *RMB'000*
Raw materials	**5,638**	14,659
Finished goods	**16,532**	24,716
	22,170	39,375

At 31 December 2015, the Group's inventories with a carrying amount of RMB19,763,000 (2014: RMB35,046,000) were pledged as security for the Group 's banking facilities, as further detailed in note 33 to the financial statements.

21. Trade Receivables

	2015 *RMB'000*	2014 *RMB'000*
Trade receivables	**203,189**	242,857
Less: impairment	**(453)**	(453)
	202,736	242,404

21. Trade Receivables (Continued)

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 ***RMB'000***	2014 *RMB'000*
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**	—
	202,736	242,404

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 ***RMB'000***	2014 *RMB'000*
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**	—
	202,736	242,404

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

22. Prepayments, Deposits and Other Receivables

	2015 *RMB'000*	2014 *RMB'000*
Prepayments	**8,406**	187
VAT receivables	**16,617**	—
Other receivables	**147**	286
	25,170	473

23. Cash and Cash Equivalents and Pledged Deposits

	2015 *RMB'000*	2014 *RMB'000*
Cash and bank balances	**251,993**	656,205
Less: Pledged deposits	**(461)**	(24,242)
Cash and cash equivalents	**251,532**	631,963

At the end of the reporting period, the Group's cash and bank balances denominated in RMB were approximately RMB251,133,000 (2014: approximately RMB646,444,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interests at floating rates based on daily bank deposit rates. Certain deposits are pledged for bills payables which is due within six months. Therefore, pledged deposits are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 31 December 2015, deposits of RMB461,000 (2014: RMB24,242,000) were pledged to secure the banking facilities granted to the Group.

24. 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	2014
	RMB'000	*RMB'000*
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	**4,595**	—
	73,642	155,543

25. Other Payables and Accruals

	2015	2014
	RMB'000	*RMB'000*
Other payables and accruals	**18,829**	2,587
Wages payables	**8,374**	3,639
Other tax payables	**21**	2,198
Due to a director	**3,346**	82
	30,570	8,506

The amounts due to a director are non-interest bearing, unsecured and have no fixed terms of repayment.

26. Interest-Bearing Borrowings

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Bank loans — Secured	4.79%–7.84%	2016	82,100	6.16%–7.56%	2015	95,162
Bank loans — Unsecured	3.55%–3.56%	2016	8,359	3.38%	2015	7,897
Bank advances for discounted bills			–	2.75%–4.25%	2015	28,648
			90,459			131,707
Repayable:						
Within one year or on demand			90,459			131,707

Notes:

(a) The bank advances for discounted bills are obtained in relation to bill receivables from a subsidiary amounted to RMB28,648,000.

(b) Details of banking facilities granted to the Group and pledged of the Group's assets at 31 December 2015 were set out in note 32 and 33 to the financial statements respectively.

27. 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 ***RMB'000***	2014 *RMB'000*
Net carrying amount:		
Nominal value of the Bonds issued during the year	**150,826**	—
Direct transaction cost attributable	**(15,430)**	—
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	**(577)**	—
At 31 December	**136,535**	—

28. Share Capital

	2015 HK$'000	2014 HK$'000
Authorized:		
3,000,000,000 ordinary shares of HK$0.01 each	**30,000**	30,000

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
1,191,360,000 (2014: 992,800,000) ordinary shares of HK$0.01 each	**9,542**	7,891

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.

29. Reserves

(a) Group

The amounts of the Group's reserve and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Nature and purpose of reserves of the Group

Capital reserve

Capital reserve represents the issued and fully paid up share capital and share premium of Dunxin BVI under the Reorganisation. The Group acquired Dunxin BVI during 2014 from the Controlling Shareholders which was an acquisition under common control and has been accounted for by applying the principle of merger accounting and the capital reserve has been debited for the purchase consideration for Dunxin BVI.

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 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.

Exchange fluctuation reserve

The exchange fluctuation reserve comprise all foreign exchange differences arising from the translation of the financial statement of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

29. Reserves (Continued)

(b) Company

	Share premium RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2014	—	—	—	—
Total comprehensive expenses for the year	—	(10,749)	(1,362)	(12,111)
Placing and public offer of new shares	274,204	—	—	274,204
Listing expenses taken against share premium	(20,051)	—	—	(20,051)
Capitalisation Issue	(5,918)	—	—	(5,918)
At 31 December 2014	248,235	(10,749)	(1,362)	236,124
Total comprehensive income for the year	—	71,512	18,507	90,019
Dividends	—	(63,159)	—	(63,159)
Placing of new shares	88,517	—	—	88,517
At 31 December 2015	336,752	(2,396)	17,145	351,501

30. Commitments

(a) Commitments under operating leases

As lessor

The Group leases its investment properties under operating leases arrangements, with leases negotiated for terms ranging from two to four years with fixed monthly rentals. None of the leases include any contingent rentals.

At the end of the reporting period, the Group's had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 *RMB'000*	2014 *RMB'000*
Within one year	415	566
In the second to fifth years, inclusive	94	508
	509	1,074

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years. None of the leases include any contingent rentals.

At the end of the reporting period, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2015 *RMB'000*	2014 *RMB'000*
Within one year	–	55
In the second to fifth years, inclusive	–	—
	–	55

30. Commitments (Continued)

(b) Capital commitments

In addition to the operating lease commitments, the Group had the following capital commitments at the end of the reporting period:

	2015 *RMB'000*	2014 *RMB'000*
Contracted, but not provided for		
Property, plant and equipment and land lease	336,425	157,000

31. 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 these 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 Incident, the Legal Action and the Investigation. The Board also considers the Incident, the Legal Action and the Investigation would not cause any financial liabilities on the Group.

32. Banking Facilities

The Group's banking facilities amounting to RMB238,645,000 (2014: RMB168,316,000), of which RMB90,459,000 (2014: RMB131,707,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's assets (note 33) amounting to RMB93,891,000 (2014: RMB141,759,000).

The Group has breached certain financial covenants in respect of secured bank loan with an outstanding balance of RMB29,600,000 with maturity of less than one year. The Group is in the process of negotiation with the bank on renewals of those bank loans.

33. Pledge of Assets

Details of pledge of the Group's assets for the Group's borrowings are set out below:

	Notes	2015 RMB'000	2014 RMB'000
Property, plant and equipment	17	57,449	65,582
Investment properties	18	4,015	4,376
Prepaid land lease payments	19	12,203	12,513
Inventories	20	19,763	35,046
Pledged bank deposits	23	461	24,242
		93,891	141,759

34. Related Party Transactions

(a) Outstanding balances with a related party:

	2015 RMB'000	2014 RMB'000
Due to a director		
Mr. Zheng Dunmu	3,346	82

(b) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 13 and all of the highest paid employees as disclosed in note 13, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	4,129	2,229
Post-employment benefits	70	43
	4,199	2,272

35. 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.

36. Particulars of The Subsidiaries of The Company

Particulars of the Company's subsidiaries as at 31 December 2015 were as follows:

Company name	Place of incorporation/ registration	Issued and paid-up share capital/registered share capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Tun's Paper Group Holdings Limited ("Dunxin BVI")	British Virgin Islands	US$1,000	100%	Investment holding
Indirectly held:				
Tun's Paper (Holdings) Limited	Hong Kong	HK$10,000	100%	Investment holding and trading of waste paper
Charmfield Investments Limited	Hong Kong	HK$1	100%	Investment holding
Lung Kei (International) Investment Limited	Hong Kong	HK$1,000	100%	Investment holding
Dunxin Paper Co., Ltd # (敦信紙業有限責任公司)	PRC	RMB150,000,000	100%	Production and sale of paperboards, corrugated medium boards and boxes and poker cards

The English name is for identification only

37. Statement of Financial Position of The Company as at 31 December

	2015 *RMB'000*	2014 *RMB'000*
Non-current assets		
Investments in a subsidiary	1	1
	1	1
Current assets		
Prepayments and other receivables	216	187
Due from subsidiaries	555,257	247,677
Cash and cash equivalents	360	—
	555,833	247,864
Current liabilities		
Other payables and accruals	7,903	2,968
Due to subsidiaries	50,353	882
	58,256	3,850
Net current assets	497,577	244,014
Total assets less current liabilities	497,578	244,015
Non-current liabilities		
Bonds	136,535	—
	136,535	—
NET ASSETS	361,043	244,015
Capital and reserves		
Issued capital	9,542	7,891
Reserves	351,501	236,124
TOTAL EQUITY	361,043	244,015

38. Approval of Financial Statements

These financial statements were approved and authorised for issue by the Board of Directors on 3 June 2016.