

**CHANGGANG DUNXIN ENTERPRISE COMPANY LTD:
IT IS A PUBLICLY LISTED COMPANY IN NAME, ONLY**

The share price of Changgang Dunxin Enterprise Company Ltd () (Code: 2229, Main Board, The Stock Exchange of Hongkong Ltd) fell from the Offer Price Per Share of \$HK1.40 to \$HK1.29 at its debut, last Thursday (June 26, 2014), and, then, the following day, the share price slumped again to about \$HK1.12.

On Wednesday, at the close of the trading day, the share price was steady at \$HK1.22. Yesterday, the share price, at the close of the morning session, stood at \$HK1.26.

In the opinion of **TARGET** (), the share price of Changgang Dunxin is quite likely to fall much further, regardless of anybody, trying to massage it, an act which is quite normal for a short period of time after a company's listing.

TARGET's opinion of this Company is rather pessimistic for a number of very good and valid reasons, all of which are covered in this analysis.

Changgang Dunxin pitched its story in its Placing and Public Offer Prospectus, dated June 16, 2014, when it Offered 248.20 million New Shares at the Offer Price Per Share of \$HK1.40.

On Tuesday, June 24, the Company announced that the Offered Shares had been taken up in full and that it was estimated that the net proceeds would be about \$HK324 million.

This amount of money would be utilised as follows, one was told:

- 'Approximately 76.3% or HK\$247.4 million (equivalent to RMB195.5 million) for expansion of production capacity of paperboard products ...;
- 'Approximately 17.2% or HK\$55.7 million (equivalent to RMB43.9 million) for expansion of poker card production facilities; and,
- 'Approximately 6.5% or HK\$20.9 million (equivalent to RMB16.5 million) for installation of paper consumer product packaging production line.'

The Public Offer Share tranche of 24.82 million Shares had been oversubscribed by about 2.63 times and the Placing Share tranche of 223.38 million Shares had been 'moderately oversubscribed'.

The Business

The business of Changgang Dunxin is in the production and sales of paperboard, the Company's operations, being located in the Fujian Province of the People's Republic of China (PRC), being distinct and separate from the Hongkong Special Administrative Region (HKSAR) of the PRC.

An '**OVERVIEW**' of the Company's business was given at Page 78 of the Placing and Public Offer Prospectus:

'The Group is principally engaged in the production and sale of paperboard and related downstream paper and packaging products in the PRC. Its paperboard products primarily

include kraftlinerboard, white top linerboard and high performance corrugated medium ...

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