DONGWU CEMENT INTERNATIONAL LIMITED
東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 695)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately RMB222,512,000, representing a decrease of approximately 34.9% from approximately RMB340,093,000 for the year ended 31 December 2014.

- The gross profit margin of cement segment decreased from approximately 15.4% for the year ended 31 December 2014 to approximately -4.4% for the Reporting Period.

- Profit attributable to equity holders of the Company decreased to approximately RMB11,737,000 during the Reporting Period from approximately RMB5,741,000 for the year ended 31 December 2014.

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with the comparative figures for the corresponding period of 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**222,512**	340,093
Cost of sales		**(226,382)**	(321,677)
Gross (loss)/profit		**(3,870)**	18,416
Distribution expenses		**(1,763)**	(2,432)
Administrative expenses		**(22,194)**	(14,799)
Other income		**10,628**	5,004
Other gains – net		**4,178**	5,299
Operating (loss)/profit		**(13,021)**	11,488
Finance income		**585**	873
Finance expenses		**(3,511)**	(3,442)
Finance expenses – net		**(2,926)**	(2,569)
Share of results of associates		**(163)**	1,059
(Loss)/Profit before income tax credit/(expense)	*6*	**(16,110)**	9,978
Income tax credit/(expense)	*8*	**4,373**	(4,237)
(Loss)/Profit and total comprehensive income for the year		**(11,737)**	5,741
(Loss)/Earnings per share			
– Basic and diluted (RMB per share)	*7*	**(0.021)**	0.011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**127,862**	121,556
Land use rights		**16,508**	16,912
Goodwill		**9,396**	–
Intangible assets		**7,944**	–
Interest in an associate		**–**	4,427
Available-for-sale financial asset		**2,898**	–
Other receivables	*9*	**60,123**	61,350
Total non-current assets		**224,731**	204,245
Current assets			
Inventories		**22,649**	33,369
Trade and other receivables	*9*	**173,320**	157,193
Short-term bank deposits		**30,000**	20,000
Cash and cash equivalents		**52,099**	20,120
Total current assets		**278,068**	230,682
Current liabilities			
Trade and other payables	*11*	**70,509**	39,337
Income tax payable		**3,388**	3,524
Borrowings	*12*	**60,000**	50,000
Total current liabilities		**133,897**	92,861
Net current assets		**144,171**	137,821
Total assets less current liabilities		**368,902**	342,066

	Notes	As at 31 December 2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deferred tax liabilities		**5,085**	7,134
Total non-current liabilities		**5,085**	7,134
Net Assets		**363,817**	334,932
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**4,490**	4,174
Reserves		**339,327**	330,758
Total equity		**363,817**	334,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	**Share capital** *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
At 1 January 2014		4,174	281,317	43,700	329,191
Profit and total comprehensive income for the year		–	–	5,741	5,741
Appropriations to statutory reserves		–	935	(935)	–
At 31 December 2014 and 1 January 2015		**4,174**	**282,252**	**48,506**	**334,932**
Issue of shares	*13*	**316**	**40,306**	**–**	**40,622**
Loss and total comprehensive income for the year		**–**	**–**	**(11,737)**	**(11,737)**
At 31 December 2015		**4,490**	**322,558**	**36,769**	**(363,817)**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
(Loss)/profit before income tax credit/(expense)		**(16,110)**	9,978
Adjustment for:			
Depreciation of property, plant and equipment		**15,516**	24,511
Amortisation of land use rights		**404**	404
Amortisation of intangibles assets		**1,243**	–
Provision for impairment/(reversal of provision) for trade receivables	*9*	**690**	(1,281)
Losses on disposal of property, plant and equipment		**10**	1,442
Finance income		**(585)**	(873)
Finance expenses		**3,511**	3,442
Share of results of associates		**163**	(1,059)
Gain on disposal of equity interests in an associate		**–**	(6,760)
Gain on disposal of available-for-sale financial asset		**(4,188)**	–
Interest income from non-current other receivable		**(6,306)**	(152)
Operating (loss)/profit before working capital changes		**(5,652)**	29,652
Decrease/(Increase) in inventories		**10,720**	(7,019)
Decrease in trade and other receivables		**41,854**	4,209
Decrease in trade and other payables		**(6,480)**	(7,376)
Cash generated from operating activities		**40,442**	19,466
Interest paid		**(3,511)**	(3,453)
Income tax paid		**(250)**	(824)
Net cash generated from operating activities		**36,681**	15,189

	Notes	Year ended 31 December **2015** **_RMB'000_**	2014 _RMB'000_
Cash flows from investing activities			
Interest received		**585**	1,301
Purchases of property, plant and equipment		**(20,691)**	(13,505)
Proceeds from disposal of property, plant and equipment		**–**	30
Proceeds from disposal of available-for-sale financial asset		**5,554**	–
Addition in short-term bank deposits		**(10,000)**	(20,000)
Payment for acquisition of subsidiaries (net of cash and cash equivalent acquired)	*14*	**(20,872)**	–
Payment for acquisition of associates		**–**	(75,000)
Net cash used in investing activities		**(45,424)**	(107,174)
Cash flows from financing activities			
Proceeds from issues of shares		**40,622**	–
Proceeds from bank borrowings		**60,000**	50,000
Repayment for bank borrowings		**(59,900)**	(50,000)
Net cash generated from financing activities		**40,722**	–
Net increase/(decrease) in cash and cash equivalents		**31,979**	(91,985)
Cash and cash equivalents at beginning of the year		**20,120**	112,105
Cash and cash equivalents at end of the year		**52,099**	20,120

NOTE TO CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

Dongwu Cement International Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 June 2012. The Company's registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the directors' opinion, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in British Virgin Island (the "**BVI**").

The Company is an investing holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operation and construction services (a new business segment during the year). The principal place of the Group's business is Fenbu Economic Development Zone, Wujiang, Jiangsu Province, the People's Republic of China (the "**PRC**").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) Adoption of new/revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]

[1] Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:
• Step 1: Identify the contract(s) with a customer
• Step 2: Identify the performance obligations in the contract
• Step 3: Determine the transaction price
• Step 4: Allocate the transaction price to each performance obligation
• Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs, but other than as described above, the directors anticipated that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and position and/or on the disclosures set out in this report.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the disclosure requirement of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis.

(c) 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**"), and all values are rounded to the nearest thousand except when otherwise indicated. The consolidated financial statements are presented in Renminbi ("**RMB**") since majority of the Group's operation are carried out in RMB. The Company's functional currency is Hong Kong Dollars ("**HK$**") since majority of the activities of the Company are conducted in HK$.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified by the Board. During the year, the Group established, among others, new business segment, resulting in a change in composition of reportable operating segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's product and service lines identified as reportable operating segments are as follow:

(i) Production and sales of cements;

(ii) Provision of sewage and sludge treatment operation and construction services (a new business segment during the year).

All of the revenue from external customers and non-current assets of the Group are derived from activities located in the PRC. Accordingly, no geographical information is presented.

Corresponding items of segment information for the year ended 31 December 2014, during which, the Board considered the Group had one reporting segment, have been restated for consistent presentation with current year's segment information.

Year ended 31 December 2015

	Production and sales of cements *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Segment revenue	**207,410**	**15,102**	**222,512**
Segment results	**(11,879)**	**(1,536)**	**(13,415)**
Unallocated expenses			**(2,695)**
Income tax credit	**3,981**	**392**	**4,373**
Loss for the year			**(11,737)**
As at 31 December 2015			
Segment assets	**429,010**	**63,740**	**492,750**
Unallocated assets			**10,049**
Total assets			**502,799**
Segment liabilities	**103,512**	**34,630**	**138,142**
Unallocated liabilities			**840**
Total liabilities			**138,982**

Year ended 31 December 2014 (restated)

	Production and sales of cements *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Segment revenue	340,093	–	340,093
Segment results	12,652	–	12,652
Unallocated expenses			(2,763)
Income tax credit	(4,148)	–	(4,148)
Profit for the year			5,741
As at 31 December 2014			
Segment assets	433,381	–	433,381
Unallocated assets			1,546
Total assets			434,927
Segment liabilities	99,992	–	99,992
Unallocated liabilities			3
Total liabilities			99,995

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. The revenue derived from one of the external customers amounted to 23% of the Group's revenue for the year ended 31 December 2015 (2014: 12%).

5. REVENUE

Revenue, which is also the Group's turnover, mainly represents the income from sale of cement products and clinker, provision of sewage and sludge treatment operation and construction services. An analysis of revenue is as follows:

	2015	2014
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**95,560**	197,783
Composite Portland cement strength class 32.5	**111,850**	141,307
Clinker	**–**	1,003
Sewage and sludge treatment operation and construction services	**15,102**	–
	222,512	340,093

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE CREDIT/(EXPENSE)

The Group's (loss)/profit before income tax credit/(expense) is arrived at after charging/(crediting):

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**227,033**	320,521
Depreciation	**15,516**	24,511
Amortisation of land use rights	**404**	404
Amortisation of intangible assets	**1,243**	–
Provision for impairment/(reversal of provision) for trade receivables	**690**	(1,281)
Minimum lease payments under operating leases for building	**798**	–
Research and development expenses	**439**	–
Employee expenses (including directors' remuneration)		
– wages and salaries	**13,452**	14,043
– pension scheme contribution	**2,745**	1,914

7. (LOSS)/EARNING PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares if any.

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity shareholders of the Company *(RMB'000)*	**(11,737)**	5,741
Weighted average number of ordinary shares in issue *('000 share)*	**547,178**	512,000
Basic and diluted (loss)/earnings per share *(RMB)*	**(0.021)**	0.011

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2015 and 2014, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

8. INCOME TAX (CREDIT)/EXPENSE

Taxes on profits assessable in the PRC have been calculated at the applicable tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of all the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2015 and 2014.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2015 (2014: nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil).

The amount of income tax credit/(expense) charged to the consolidated statement of comprehensive income represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax on profit for the year		
– Current year	**–**	1,876
– Under provision in respect of prior years	**114**	–
Deferred tax on origination and reversal of temporary differences	**(4,487)**	2,361
Income tax (credit)/expense	**(4,373)**	4,237

9. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade and bills receivables due from third parties	**124,313**	119,202
Less: provision for impairment of trade receivables	**(1,366)**	(676)
Trade and bills receivables, net *(note (i))*	**122,947**	118,526
Amounts due from customers for construction work *(Note 10)*	**16,137**	–
Prepayments	**13,672**	16,446
Loans to Suzhou Dongtong Construction and Development Co. Ltd. ("Suzhou Dongtong")	**66,400**	66,400
Amount due from a third party company	**–**	16,600
Deposits	**5,230**	–
Other receivables	**9,057**	571
Prepayments, deposits and other receivables	**94,359**	100,017
Total trade and other receivables	**233,443**	218,543
Less: non-current portion		
– Prepayments for acquisition of machinery	**–**	(1,030)
– Loans to Suzhou Dongtong	**(60,123)**	(60,320)
	(60,123)	(61,350)
Trade and other receivables – current portion	**173,320**	157,193

As at 31 December 2015 and 2014, no trade and bills receivable was pledged for the borrowings. All non-current receivables are due within five years from the end of the reporting period.

(i) Trade and bills receivables

Credit term given to its customers in cement segment is generally ranged from 30 to 90 days (2014:30 to 90 days), while those given to those in the sewage and sludge treatment segment (new segment) is generally ranged from 30 to 90 days. For ready-mixed cement stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a credit limit of between RMB1 million and RMB3.5 million with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

Ageing analysis of trade and bills receivables (net of impairment losses) is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**53,253**	77,991
From 91 days to 180 days	**32,636**	35,098
From 181 days to 1 year	**21,462**	4,263
From 1 year to 2 years	**13,694**	1,140
Over 2 years	**1,902**	34
	122,947	118,526

As at 31 December 2015, trade receivables of RMB1,366,000 (2014: RMB676,000) had been impaired. The amount of the provision was RMB690,000 (2014: RMB186,000). The individually impaired receivables mainly related to certain customers, which are in unexpectedly difficult economic situations.

Ageing analysis of the Group's trade and bills receivables that were past due but not impaired as at the end of each of the reporting periods is as follows:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a))*	**62,691**	98,535
1 to 90 days past due *(note (b))*	**23,198**	14,554
91 to 180 days past due *(note (b))*	**21,462**	4,263
181 to 1 year past due *(note (b))*	**13,694**	1,140
More than 1 year past due *(note (b))*	**1,902**	34
	122,947	118,526

Notes:

(a) The balances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Except for trade receivables amounted to approximately RMB4,359,000 is guaranteed by the former owners of Biofit Group, the Group does not hold any collateral or other credit enhancements over these balances.

Movements of the provision for impairment of trade receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
Beginning of year	**676**	6,756
Provision for the year	**690**	186
Release of provision upon collection during the year	**–**	(1,467)
Receivables written off during the year as uncollectible	**–**	(4,799)
End of year	**1,366**	676

The origination and release of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash.

10. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

	2015	2014
	RMB'000	*RMB'000*
Contracts in progress at the end of year:		
Contract cost incurred	**30,610**	–
Recognised profits less recognised losses	**309**	–
	30,919	
Less: Progress billings	**(14,782)**	–
	16,137	–
Represented by:		
Due from customers included in current assets	**16,137**	–

11. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**56,452**	33,274
Advances from customers	**1,047**	1,288
Salary payables	**1,569**	1,165
Other tax payables *(Note (a))*	**2,153**	1,001
Other payables	**3,360**	2,609
Amount due to a director of subsidiary	**5,658**	–
	70,509	39,337

The credit period granted by the Group's principal suppliers in cement segment is generally ranged from 30 to 90 days (2014: 30 to 90 days), while those granted by those in the sewage and sludge treatment segment (new segment) is generally ranged from 30 to 90 days.

Ageing analysis of trade payables is as follows:

	2015	2014
	RMB'000	*RMB'000*
Below 30 days	**12,212**	14,947
From 31 to 90 days	**14,044**	14,246
From 91 days to 180 days	**9,881**	1,795
From 181 days to 1 year	**5,131**	1,018
From 1 year to 2 year	**14,325**	495
Over 2 years	**859**	773
	56,452	33,274

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2014: 17%). Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

12. BORROWINGS

The balance of bank borrowings as at 31 December 2015 and 2014 are all unsecured bank borrowings repayable within one year. Interest is charged on the outstanding balance of those borrowings at the rate of ranged between 5.58% and 6.53% (2014: 6.44% to 6.90%) per annum.

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$'000	*RMB'000*
Authorized:			
Ordinary shares of HK$0.01 each as at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	10,000,000,000	100,000	81,520
Issued:			
Ordinary shares of HK$0.01 each as at 1 January 2014, 31 December 2014, 1 January 2015	512,000,000	5,120	4,174
Issue of shares	40,000,000	400	316
As 31 December 2015	552,000,000	5,520	4,490

On 23 January 2015, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has agreed to place, to not less than six places who are independent third parties to subscribe up to 40,000,000 new shares at a price of HK$1.30 per placing share. The placing was completed on 13 February 2015 and the independent third parties did not become substantial shareholders of the Company after the completion of placing. Total proceeds of the placing share issued were HK$52,000,000 (equivalent to approximately RMB40,622,000) of which HK$400,000 (equivalent to approximately RMB316,000) and HK$51,600,000 (equivalent to approximately RMB40,306,000) were credited to share capital and share premium respectively.

14. BUSINESS COMBINATION

On 30 April 2015, the Group acquired entire equity interest in Shanghai Biofit Environmental Technology Co. Ltd ("**Biofit**") and its subsidiaries (together the "**Biofit Group**") at a consideration of approximately RMB30,254,000. The Biofit Group is principally engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services.

Goodwill of RMB9,396,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The fair value of identifiable assets and liabilities of the Biofit Group as at the date of acquisition were:

	RMB'000
Property, plant and equipment	1,141
Intangible assets	9,187
Trade receivables	6,685
Amount due from customers for contract work	16,896
Prepayments, deposits and other receivables	27,557
Bank and cash balances	9,382
Trade payables	(35,096)
Accruals and other payables	(2,556)
Borrowings	(9,900)
Deferred tax liabilities recognised upon fair value adjustments	(2,438)
Net assets attributed to the Group acquired	20,858
Bank and cash balances acquired	9,382
Cash consideration paid	(30,254)
Net cash outflow	(20,872)

Since the acquisition, the Biofit Group has contributed RMB15,102,000 and RMB1,536,000 to Group's revenue and loss respectively. If the acquisition had occurred on 1 January 2015, the Group's revenue and loss would have been RMB18,557,000 and RMB3,356,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future performance.

The acquisition-related costs of RMB190,000 have been expensed and are included in administrative expenses.

Following the acquisition of subsidiaries, the Group adopted the following accounting policies:

(a) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGUs**") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(b) Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives as follows:

Patent	5 years
Software	5 years

(c) Revenue recognition

Revenue from provision of sewage and sludge treatment is recognised when services are rendered.

Revenue from sewage and sludge treatment construction service is recognised by reference to the percentage of completion of the contracts at the reporting date. The stage of completion is measured by reference to the contract cost incurred as a percentage of total actual or estimated project cost.

(d) Construction contracts

The balances of construction contracts represent the net amount of construction costs incurred to date and recognised profits (less recognised losses), less progress billings and provision for foreseeable contract losses. Construction contract costs are valued at actual cost, and comprise direct materials, direct labour costs, construction machinery costs, other direct costs and construction overheads. For an individual contract whose costs incurred to date plus recognised profits (less recognised losses) exceed progress billings, the gross amount due from customers for contract work in inventories is presented as amounts due from customers for construction work. For an individual contract whose progress billings exceed costs incurred to date plus recognised profits (less recognised losses), the gross amount due to customers for contract work in advance from customers is presented as advances from customers.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

15. RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employees service is shown below:

	2015	2014
	RMB'000	*RMB'000*
Basic salaries and benefit in kind	**1,207**	1,813

The remuneration of the Group's key management personal fell within the band of nil to RMB1,000,000 for the years ended 31 December 2015 and 2014.

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2015 (31 December 2014: Nil).

16. DIVIDENDS

No dividends were declared by the Board of the Company for the years ended 31 December 2015 and 2014.

17. EVENT AFTER THE REPORTING PERIOD

On 7 March 2016, Shanghai Dong Xi Investment Development Company Limited ("**Shanghai Dong Xi**"), being a company wholly owned by an executive director of the Company, Xihua Shanghai Investment Management Co. Ltd. ("**Xihua Investment**") and the Biofit, being subsidiaries of the Company, entered into a capital increase agreement (the "**Capital Increase**") pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20 million to the Biofit.

Approximately RMB7.35 million will be contributed to the registered capital of Biofit, and the remaining of approximately RMB12.65 million will be contributed to capital reserve of Biofit. Upon completion of the Capital Increase, Biofit will be held as to approximately 62.26% by Xihua Investment and 37.74% by Shanghai Dong Xi respectively. The registered capital of Biofit will be increased from approximately RMB12.12 million to approximately RMB19.47 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2015, China's major macro-economic indicators have shown signs of growing slowly. The gross domestic product for the year amounted to approximately RMB67,670.8 billion, representing a growth of 6.3% over the corresponding period of last year (2014: 7.4%); fixed asset investment of the country (excluding rural households) reached approximately RMB55,159.0 billion, representing a nominal growth of 10% (the actual growth was 12% after deducting the price factor) over the corresponding period of last year, decrease by 5.7 percentage points as compared to 2014. National property development and investment reached RMB9,597.9 billion, representing a year-on-year nominal growth of 1.0% (the actual growth was 2.8% after deducting the price factor), down by 9.5 percentage points as compared to 2014. (Source: website of PRC National Statistics Bureau)

In 2015, the cement production of cement companies over a designated size amounted to 2.348 billion tons, representing a decrease of 5.3% as compared to the same period of last year (2014: a year-by-year increase of 1.8%). Under the background of that Chinese economy is in an adjustment period and the macro economy continuously declined, the growth in property investment recorded a significant decrease, and the demand for cement recorded the first significant decrease in 24 years in 2015. The average price of cement decreased significantly as compared with the same period of last year. (Source: Digital Cement Net)

In the eastern region where the Group is located, cement price experienced continuous decline from January to December 2015. For cement prices in early December 2015 in the capital cities of the Group's major markets (being the capital cities of Jiangsu province, Zhejiang province and Shanghai), prices of PO 42.5 Cement in Nanjing (capital city of Jiangsu province), Hangzhou (capital city of Zhejiang province) and Shanghai reported RMB230 per tonne, RMB260 per tonne and RMB255 per tonne, respectively, down by 17.9%, 21.2% and 20.3% as compared with the corresponding period of last year. (Source: Digital Cement Net)

Affected by the factors such as slowdown of macro-economic growth, rainy season and large-scale equipment maintenance, the sales volume, revenue and gross profit margin of the Group in 2015 have decreased substantially compared to the corresponding period last year.

Operating income and gross profit margin of the Group for 2015 decreased as compared with the corresponding period of last year due to the decline of cement price and the pressure on costs. The Group recorded a loss of approximately RMB11,737,000 in 2015.

Environmental Protection Segment

The PRC government and all parties from the society are paying more and more attention to environmental protection issues, and have listed the environmental protection industry as one of the strategic industries in the long term development. With the promulgation of the Action Plan on Prevention and Control of Water Pollution (the "**Ten Measures for Water Pollution**") by the State Council on 16 April 2015, it is proposed that by 2020, China's water environment quality will gradually improve, the quality of drinking water will be safeguarded and the underground water pollution will be under strict control. It is expected that the external investment on environmental protection industry will increase rapidly. "The Thirteen Five Year Plan" intends to invest RMB6 trillion on air, water and soil environment protection, representing an increase of RMB1 trillion as compared to RMB5 trillion in the "Twelfth Five Year Plan", among which, RMB4.6 trillion is to be invested in water pollutant protection. It is intended to implement overall control on pollutants such as the total nitrogen and phosphorus in the key areas, including areas around rivers, lakes and seas and in the key industries. The environmental protection industry in the PRC will continue to expand in the near future, with sewage and sludge treatment as focus on environment improvements, and generate more investment gains.

According to the annual report issued by the United Nations on 20 March 2015, 40% of the countries and regions around the world will face drought issues by 2030. China lacks water resources, the average ownership per capita only accounts for one forth of the average level of the world, ranking one of the 13 most water-deficient countries in the world. Therefore, advocating scientific water consumption is urgent. With the continuous development of the economy, increase in population, and the urbanization process, emission of sewage and sludge in China has been increasing in successive years. Industries related to traditional fossil energy and water-usage intensive industries usually consume plenty of water resources and cause pollution accordingly. The development of these industries provides good opportunities for the development of the market of sewage and sludge.

In recent years, China has set up high standards for sewage and sludge treatment, strictly monitoring environmental pollution and protection while increasing environmental protection subsidy for enterprises, as a result of which, sewage and sludge treatment in cities and towns is currently in a stage of rapid development. In this stage, with the increasing of investment in projects and the promotion by national strategy, enterprises merchants and investors in capital markets are paying more and more attention to environmental protection industry.

In view of this, the Group acquired the Biofit Group in 2015, aiming to expand to the environmental protection segment market. The Biofit Group is devoted to such niches as sludge treatment and disposal, reclaimed water treatment, and dyeing wastewater treatment. The operation of environmental protection segment of the Group has been incorporated into the consolidated statement of the Group on 30 April 2015.

Business Review

Set out below is a detailed discussion and analysis of the performance of the Group during the financial year, as well as the major factors affecting its results of operations and financial position:

Turnover

In 2015, the Group's turnover amounted to approximately RMB222,512,000.

Among which, the turnover of the cement segment amounted to approximately RMB207,410,000, representing a decrease of approximately RMB132,683,000 or approximately 39.0% from approximately RMB340,093,000 in 2014. The decrease was primarily attributable to: 1. the effects by slowdown of macro-economic growth, the gloomy cement industry and the substantial drop in the price of cement in Eastern China; and 2. rainy season in the year lasted for more than one month, thus significantly affecting the demand for cement during the Reporting Period.

The table below sets forth the analysis of the Group's turnover by product type:

	2015			2014		
	Sales Volume	**Average selling price**	**Revenue**	Sales Volume	Average selling price	Revenue
	Thousand Tonnes	***RMB/Tonne***	***RMB'000***	*Thousand Tonnes*	*RMB/Tonne*	*RMB'000*
PO 42.5 Cement	**455.7**	**209.70**	**95,560**	732.4	270.0	197,783
PC 32.5 Cement	**584.1**	**191.49**	**111,850**	628.4	224.9	141,307
Clinker	**–**	**–**	**–**	3.8	263.9	1,003

Categorized by product type, the sales volume of cement products in 2015 amounted to approximately 1,039.8 thousand tonnes, representing a decrease of approximately 23.6% from 2014, while the sales income of cement products was RMB207,410,000, representing a decrease of approximately 39.0% from 2014. All the clinker produced in 2015 were consumed in cement producing and none of them were sold. The sales income of clinker was approximately RMB1,003,000 as compared to the corresponding period last year.

The table below sets forth an analysis of the Group's turnover by geographical region:

	2015		2014	
	Turnover *RMB'000*	**% of total** *revenue*	Turnover *RMB'000*	% of total *revenue*
Jiangsu Province	**180,857**	**87.2%**	300,220	88.3%
Wujiang City	**153,490**	**74.0%**	251,369	73.9%
Suzhou City (excluding Wujiang District)	**27,367**	**13.2%**	48,851	14.4%
Zhejiang Province	**23,243**	**11.2%**	32,809	9.6%
South Zhejiang Province (Taizhou City, Zhoushan City and Ningbo City)	**22,698**	**10.9%**	27,676	8.1%
Jiaxing City	**545**	**0.3%**	5,133	1.5%
Shanghai City	**3,310**	**1.6%**	7,064	2.1%
Total	**207,410**	**100.0%**	340,093	100.0%

In 2015, due to unsatisfactory sales volume, the sales income and the sales volume of cement products decreased dramatically as compared to the corresponding period of last year. The turnover of respective regions has decreased significantly as compared to the corresponding period last year.

As to the environmental protection segment, the Biofit Group is mainly devoted to such niches as sludge treatment and disposal, reclaimed water treatment, and dyeing wastewater treatment.

As of 31 December 2015, a total of twelve projects have been completed or are in progress. Three new projects have been initiated since 30 June 2015. Among the five uncompleted projects, one having 100% of its work finished, two have 90% of their work finished, and two have 30% of their work finished.

Shao Xing Yu Environmental Technology Co., Ltd., a company affiliated to Biofit, is a third-party professional operator committed to industrial park environment, with a focus on facilities for wastewater treatment in the dyeing industry, and get services fees through providing the third-party operation services.

During the period from 30 April to 31 December 2015, the environmental protection segment achieved turnover of approximately RMB15,102,000.

Gross Profit and Gross Profit Margin

In 2015, the Group recorded a gross loss of approximately RMB3,870,000.

The gross loss of cement segment was approximately RMB9,034,000, representing a decrease of approximately RMB27,450,000 or approximately 149.1% as compared to approximately RMB18,416,000, in 2014, and the gross profit margin was approximately -4.4% in 2015, representing a decrease of approximately 9.8% as compared to approximately 5.4% in 2014. which was mainly due to the above mentioned obvious decline in price and demand of cement, as well as the cost pressure arising from the equipment rebuilding of energy saving equipments conducted by the Company in 2015:

As to the environmental protection segment, the gross profit was approximately RMB5,164,000, and gross profit margin was approximately 34.2% during the period from 30 April to 31 December 2015.

Other Income

In 2015, the Group's other income amounted to approximately RMB10,628,000, representing an increase of approximately RMB5,624,000 or approximately 112.4% compared to approximately RMB5,004,000 in 2014, the increase was mainly due to the interest income of approximately RMB6,306,000 arising from approximately RMB60,000,000 from circulation of loans to Suzhou Dongtong during the Reporting Period.

Sales and Distribution Expenses

The Group's sales and distribution expenses amounted to approximately RMB1,763,000 in 2015 are contributed from cement segment, representing a decrease of approximately RMB669,000 or approximately 27.5% compared to approximately RMB2,432,000 in 2014. The decrease was mainly due to decrease turnover in 2015. In 2015, sales and distribution expenses accounted for approximately 0.8% of the consolidated revenue of the Group which is equal with that of approximately 0.7% in 2014.

As to the environmental protection segment, sales and distribution expenses was RMB nil during the period from 30 April to 31 December 2015.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately RMB22,194,000 in 2015.

As to the cement segment, the general and administrative expenses amounted to approximately RMB15,865,000, representing an increase of approximately RMB1,066,000 or approximately 7.2% from approximately RMB14,799,000 in 2014. The increase in the general and administrative expenses was primarily due to the bad debts provision of approximately RMB638,000 during the Reporting Period.

As to the environmental protection segment, general and administrative expenses was approximately RMB6,329,000 during the period from 30 April to 31 December 2015.

Taxation

The Group's income tax credit amounted to approximately RMB4,373,000 in 2015.

As to the cement segment, the income tax credit amounted to approximately RMB3,981,000 in 2015, representing a significant decrease compared to the income tax expense of RMB4,237,000 in 2014, which was primarily due to the loss of the Group in 2015.

As to the environmental protection segment, the income tax credit amounted to approximately RMB392,000 during the period from 30 April to 31 December 2015.

Details of the Group's income tax are set out in note 8 to the condensed consolidated financial statements of this announcement.

Net Profit Margin

The Group's net profit margin was approximately -5.3% in 2015.

As to the cement segment, the net profit margin was approximately -3.9%, representing a significant decrease as compared to approximately 1.69% in 2014. The decrease was mainly due to the decrease in sales revenue in 2015, resulting in a decrease in net profit from approximately RMB5,741,000 in 2014 to net loss of approximately RMB7,898,000 in 2015.

As to the environmental protection segment, the net loss amounted to approximately RMB1,144,000, the net profit margin was approximately -7.6% during the period from 30 April to 31 December 2015.

Liquidity and Capital Resources

The Group planned to meet its working capital requirements primarily through cash flow from operating activities, bank loans and utilizing trade and other payables, proceeds from initial public offing, and part of proceeds from placement of new shares.

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Cash and cash equivalents	**52,099**	20,120
– Cement Segment	**51,307**	20,120
– Environmental Protection Segment	**792**	N/A
Borrowings	**60,000**	50,000
– Cement Segment	**50,000**	50,000
– Environmental Protection Segment	**10,000**	N/A
Gearing Ratio	**38.2%**	15%
– Cement Segment	**19.2%**	15%
– Environmental Protection Segment	**35.2%**	N/A
Debt to asset ratio	**27.6%**	11.4%
– Cement Segment	**23.8%**	11.4%
– Environmental Protection Segment	**54.3%**	N/A

Cash Flow

As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB52,099,000.

As to the cement segment, cash and cash equivalents amounted to approximately RMB51,307,000, representing an increase of approximately 155.0% as compared to approximately RMB20,120,000 as at 31 December 2014, which was mainly due to recovering investment amounts in Suzhou Dongtong of approximately RMB15,000,000.

Borrowing

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Current:		
Bank borrowings		
– For cement segment	**50,000**	50,000
– For environmental protection segment	**10,000**	–
Bank borrowings	**60,000**	50,000

As at 31 December 2015, the Group's bank borrowings amounted to approximately RMB60,000,000, representing an increase of approximately 20% as compared to approximately RMB50,000,000 as at 31 December 2014, which was mainly due to the additional borrowings for environmental protection segment amounted to approximately RMB10,000,000.

The aforesaid loans were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits (as at 31 December 2014: approximately RMB50,000,000 not secured, pledged, and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits or by corporate guarantee made by related parties or non-related parties).

As at 31 December 2015, the Group had unutilized bank financing facilities of RMB50,000,000.

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio was approximately 38.2%.

As to the environmental protection segment, the gearing ratio was approximately 35.2%, among others, the gearing ratio of cement segment was approximately 19.2%, representing a slightly increase compared to approximately 15% as at 31 December 2014.

Gearing ratio is calculated by dividing the debt by the difference between total assets and total liabilities.

Capital Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately RMB50,945,000 in 2015.

Among others, the capital expenditure of the cement segment amounted to approximately RMB45,866,000, representing a significant increase from approximately RMB13,505,000 of 2014, which was primarily due to amounts of approximately RMB30,254,000 paid to acquire the Biofit Group on 16 February 2015.

As to the environmental protection segment, the capital expenditure amounted to approximately RMB5,079,000.

As at 31 December 2014, the Group did not have any material capital commitments.

As at 31 December 2015, the Group did not have any capital commitments.

Pledge of Assets

As at 31 December 2015, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. Foreign exchange debts were primarily a result of the Group's payment of offshore intermediary fees. During the Reporting Period, the Group was not materially affected in operating business and operational capital due to fluctuations in foreign exchange rates.

During the Reporting Period, the Group did not suffer from any currency exchange risks, nor did the Group implement any hedging measures for currency exchange risks.

As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical exchange rate levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic development and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. The management will closely monitor its foreign exchange exposure and will take measures on hedging foreign currency exposure when necessary.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

As disclosed in the announcement of the Company dated 16 February 2015, Xihua Investment as a purchaser entered into the acquisition agreement with Shanghai Dong Xi, Shanghai Yue Quan Industrial Company Limited and Mr. Yu Jian Zhong as the vendors, pursuant to which Xihua Investment agreed to purchase the entire equity interest of Biofit, at a consideration of approximately RMB32 million. Biofit is a company possessing tier-3 professional contractor qualification for environmental engineering, and mainly engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services. According to the report issued by the independent auditors on 27 March 2015, the consideration of the acquisition was adjusted to approximately RMB30,254,269. During the Reporting Period, the consideration has been fully paid. The acquisition of Biofit will generate synergy with the existing operations and diversify business income streams of the Group. Biofit has completed the industrial and commercial registration for its new shareholders in April 2015. For further details of the acquisition, please refer to the announcements of the Company dated 16 February 2015 and 13 April 2015.

During the Reporting Period, save for the acquisition above, the Group did not conduct any substantial acquisitions or disposals of its subsidiaries or associated companies.

ISSUANCE OF NEW SHARES

On 23 January 2015, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has agreed to place, to not less than six placees who are independent third parties up to 40,000,000 new shares of the Company at a price of HK$1.30 per placing share. The placing was completed on 13 February 2015 and the independent third parties did not become substantial shareholders of the Company after the completion of placing. The aggregate nominal value of the placing shares issued is HK$400,000 (equivalent to approximately RMB316,000).

Please refer to the announcements of the Company dated 23 January 2015 and 13 February 2015 for further details of the placing.

During the Reporting Period, save for the foregoing, the Company has not issued any new shares.

Dividend

The Board does not recommend payment of any final dividend for the year ended 31 December 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group has a total of 276 employees. The total remuneration amounted to approximately RMB16,197,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the Remuneration Committee of the Company (if applicable).

FUTURE PROSPECTS

In 2016, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase product profitability by refining customer services; conduct prudent research and actively promote business for environmental protection; and make attempts in capital operation to enhance management efficiency and improve comprehensive competitiveness.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are of the view that the Company has complied with the provisions of the Corporate Governance Code ("**Code**") as set out in Appendix 14 to the Listing Rules during the Reporting Period, saved as deviations disclosed in this announcement below (where deviation reasons are set out).

Code Provision A.1.1

Code Provision A.1.1 stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held 2 scheduled meetings at which all the Directors were present. The Board considers that during the above mentioned period, the Group had no significant matters which required the meeting and discussion of all Directors through formal meetings. Notwithstanding, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner. The Board also holds provisional meetings to review, discuss and decide specific matters related to the development and strategy of the Group. During the Reporting Period, the Board held 4 provisional meetings, to consider and pass (among others) matters on the placing and the acquisition of 100% equity interest in Biofit.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules with written terms of reference.

The Audit Committee has reviewed the Group's annual financial statements for the year ended 31 December 2015 and has discussed the financial statements issues with the management. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2015 is published on the website of Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2015 annual report will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Dongwu Cement International Limited
Xie Yingxia
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Jin Chungen and Mr. Ling Chao as executive Directors, Mr. Tseung Hok Ming as non-executive Director and Mr. Cao Guoqi, Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.