



**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



**2016**  
Interim Report

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## DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings:

associated corporation(s)	has the same meaning ascribed to it under the SFO
associate(s)	has the same meaning ascribed to it under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of Directors of the Company
Capital Increase	the capital increase under the Capital Increase Agreement
Capital Increase Agreement	the agreement dated 7 March 2016 and entered into between Shanghai Dong Xi, Xi Hua Shanghai and Shanghai Biofit in relation to the Capital Increase
Company	Dongwu Cement International Limited, a company incorporated in the Cayman Islands with limited liability and listed on the main board of the Stock Exchange
Concord	Concord Ocean Ltd, a substantial shareholder of the Company, wholly-owned by Mr. Jin Chungen, an executive Director
controlling shareholder(s)	has the same meaning ascribed to it under the Listing Rules
Corporate Governance Code	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
Director(s)	the director(s) of the Company

Eastwest	Eastwest Holdings Group Ltd., a company wholly-owned by Mr. Ling Chao, an executive Director of the Company
Goldview	Goldview Development Limited, a controlling shareholder and an associated corporation of the Company, wholly-owned by Mr. Tseung Hok Ming, a non-executive Director
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
IPO	the initial public offering of the Shares by the Company on 13 June 2012
Latest Practicable Date	6 September 2016
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
Reporting Period	the six months ended 30 June 2016
RMB or Renminbi	Renminbi, the lawful currency of the PRC
PRC or China	The People's Republic of China, which only for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the prospectus of the Company dated 1 June 2012 in relation to its IPO
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Shareholder(s)	holder(s) of Shares
Shares	shares of the Company in issue, all of which are listed on the main board of the Stock Exchange
Shanghai Biofit	Shanghai Biofit Environmental Technology Co., Ltd.* (上海百菲特環保科技有限公司), a company incorporated in the PRC with limited liability on 5 July 2011
Shanghai Dong Xi	Shanghai Dong Xi Investment Development Company Limited* (上海東熙投資發展有限公司), a company incorporated in the PRC, and Mr. Ling is the sole shareholder of Shanghai Dong Xi
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder(s)	has the same meaning ascribed to it under the Listing Rules
Suzhou Dongwu	Suzhou Dongwu Cement Co., Ltd.* (蘇州東吳水泥有限公司), a company incorporated in the PRC with limited liability on 5 June 2003 and an indirectly wholly-owned subsidiary of the Company
Xi Hua Shanghai	Xi Hua Shanghai Investment Management Company Limited* (熙華(上海)投資管理有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of the Company
%	per cent

\* For identification purpose only

## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Xie Yingxia (*Chairlady*)

Jin Chungen

Ling Chao

#### *Non-executive Director*

Tseung Hok Ming

#### *Independent non-executive Directors*

Cao Guoqi

Cao Kuangyu

Lee Ho Yiu Thomas

### Company Secretary

Sun Xin

### Auditor

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

### Authorized Representatives

Xie Yingxia

Sun Xin

### Audit Committee

Lee Ho Yiu Thomas (*Chairman*)

Cao Guoqi

Cao Kuangyu

### Remuneration Committee

Cao Guoqi (*Chairman*)

Cao Kuangyu

Lee Ho Yiu Thomas

### Nomination Committee

Cao Guoqi (*Chairman*)

Cao Kuangyu

Lee Ho Yiu Thomas

### Stock Code

695

### Registered office

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

### Principal place of business in the PRC

Lili Town, Wujiang District

Suzhou City, Jiangsu Province, the PRC

### Principal place of business in Hong Kong

Unit 8505B-06A, Level 85

International Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

### **Share Registrar**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

### **Hong Kong Legal Advisor**

Li & Partners  
22nd Floor, World-Wide House  
Central, Hong Kong

### **Contacts Details**

Tel: (852) 2520 0978  
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### **Company Website**

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

#### *Cement Segment*

From January to June 2016, all major macro-economic indicators showed that the economic growth rate in China has slowed down. During the Reporting Period, the gross domestic product recorded an increase of 6.7%, as compared to 7% of the corresponding period last year, whereas the fixed asset investment recorded a nominal growth of 9% year on year during the Reporting Period, as compared to a growth of 11.4% of the corresponding period last year. Among which, the total fixed asset investment in construction industry was RMB234.3 billion, representing an increase of 8.1% as compared to RMB216.7 billion of the corresponding period last year. (Source: National Bureau of Statistics)

From January to June 2016, the domestic cement production in China recorded an increase of 3.25% year on year to 1.109 billion tonnes, as compared to a decline of 5.33% of the corresponding period last year. Affected by the weak market demand, both gross profit margin and the sales profit of the general cement industry decreased in the first half of 2016 as compared with the corresponding period in 2015. (Source: Digital Cement Net)

Affected by the slowdown of macro-economic growth rate, the Eastern China region, where the Group operated, saw decrease in price of cement in the first half of 2016 as compared with the corresponding period last year. Take the prices of cement in the capital cities of the Group's main sales zone (such as Jiangsu Province, Zhejiang Province and Shanghai City) as examples, from January to June 2016, the average price of cement in all of the above three provinces/cities increased in March and April but then decreased in May and June. Take the prices in June as examples, the average prices of PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai being RMB240 per tonne, RMB252.5 per tonne and RMB255 per tonne respectively, representing a decrease of 2.8%, 16.1% and 13.6% respectively as compared with the corresponding period last year. (Source: Digital Cement Net)

Affected by the slowdown of macro-economic growth rate, the sales volume and operating revenue of the Group in the first half of 2016 have decreased as compared with the corresponding period last year. However, as the Group reduced its equipment maintenance during the Reporting Period and resulted in a decrease in costs, the gross profit margin has increased as compared with the corresponding period last year. The cement segment of the Group recorded a profit of approximately RM882,000 in the first half of 2016.

### ***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 for long term development. With the publication 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 “13th Five-year Plan” intends to invest up to RMB6 trillion on air, water and soil environment protection, representing an increase of RMB1 trillion as compared to RMB5 trillion during the “12th Five-year Plan” period, among which, RMB4.6 trillion is to be invested in the prevention and control of water pollution. It is intended to implement overall control on the total amount of pollutants such as the total nitrogen and phosphorus in the key areas, including areas around rivers, lakes and coastal sea area 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 the focus of environment improvements, thereby generating 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 is a country that lacks water resources, with average ownership per capita only accounts for one-fourth 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 progress, 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, sewage and sludge treatment in cities and towns is currently in a stage of rapid development. At this stage, with the increase of investment in projects and the promotion by national strategy, enterprises merchants and investors in capital markets are paying more and more attention to the environmental protection industry.

## Business and Financial Review

### Turnover

During the Reporting Period, the Group's turnover amounted to approximately RMB104,700,000, representing a decrease of approximately RMB4,711,000 or 4.3% from approximately RMB109,411,000 in the corresponding period in 2015.

Turnover of the cement segment amounted to approximately RMB100,980,000, representing a decrease of approximately RMB8,144,000 or 7.5% from approximately RMB109,124,000 in the corresponding period in 2015. The decrease was primarily attributable to the decrease in average selling price of cement.

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

	For the six months ended 30 June					
	2016			2015		
	Sales	Average		Sales	Average	
	Volume	Selling	Turnover	Volume	Selling	Turnover
	Thousand	Price	RMB'000	Thousand	Price	RMB'000
	tonnes	RMB/ tonne		tonnes	RMB/ tonne	
PO 42.5 Cement	297.9	188.58	56,179	233.6	224.34	52,405
PC 32.5 Cement	261.7	171.19	44,801	286.0	198.32	56,719

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 559.6 thousand tonnes, representing an increase of approximately 7.7% year on year, while the sales revenue of cement products decreased by approximately 7.5% year on year to approximately RMB100,980,000.

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

	For the six months ended 30 June			
	2016		2015	
	Turnover RMB'000	% of total turnover	Turnover RMB'000	% of total turnover
<b>Jiangsu Province</b>	<b>87,406</b>	<b>86.6%</b>	96,211	88.2%
Wujiang District	<b>75,744</b>	<b>75.0%</b>	77,572	71.1%
Suzhou (excluding Wujiang District)	<b>11,662</b>	<b>11.6%</b>	18,639	17.1%
<b>Zhejiang Province</b>	<b>10,529</b>	<b>10.4%</b>	10,971	10.0%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	<b>10,529</b>	<b>10.4%</b>	10,768	9.8%
Jiaxing	–	N/A	203	0.2%
<b>Shanghai</b>	<b>3,045</b>	<b>3.0%</b>	1,942	1.8%
<b>Total</b>	<b>100,980</b>	<b>100.0%</b>	109,124	100.0%

During the Reporting Period, due to the slowdown of macro-economic growth rate, the selling prices of the Group's cement products have decreased. The sales amount of respective regions have recorded different extents of decrease as compared to the corresponding period last year.

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

As of 30 June 2016, a total of twelve projects have been completed or are in progress. No new projects have been initiated since 31 December 2015. Among the three uncompleted projects on hand, two have 90% of their work finished, and one has 42% of its work finished.

Shaoxing XiangYu Environmental Technology Co., Ltd.\* (紹興祥禹環保科技有限公司), a company affiliated to Shanghai Biofit, is a third-party professional operator committed to industrial park environment, with a focus on the professional third-party operation of facilities for wastewater treatment in the dyeing industry, and receives services fees through providing third-party operation services.

\* For identification purpose only

During the Reporting Period, the environmental protection segment achieved turnover of approximately RMB3,720,000. During the period from 30 April to 30 June 2015, the environmental protection segment achieved turnover of approximately RMB287,000.

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

During the Reporting Period, the gross profit of cement segment business amounted to approximately RMB3,931,000, representing an increase of approximately RMB10,435,000 or 160.4% as compared to the gross loss of approximately RMB6,504,000 in the corresponding period last year, while the gross profit margin amounted to approximately 3.9%, representing an increase of approximately 9.9% as compared to approximately -6.0% in the corresponding period last year. The increase was mainly attributable to the decrease in cost resulting from the decrease of equipment maintenance of the Company during the Reporting Period.

As to environmental protection segment, during the period from 1 January to 30 June 2016, the gross loss amounted to approximately RMB41,000, and the gross profit margin amounted to approximately -1.1%. During the period from 30 April to 30 June 2015, the gross profit amounted to approximately RMB73,000 and the gross profit margin amounted to approximately 25.4%. The substantial decrease in gross profit margin was mainly attributable to the following two reasons:

- 1) As for income by category, the income of Shanghai Biofit comprises income from construction-type projects and income from third-party operation services. During the Reporting period, no income has been recognized for construction-type projects, which have higher gross profit margin, according to the requirements of accounting standards; and
- 2) During the Reporting Period, the cost in relation to third-party operation services projects, which have lower gross profit margin, has increased due to the unstable water quality, resulting in further decrease in gross profit margin.

#### ***Other Income***

During the Reporting Period, the Group's other income amounted to approximately RMB4,854,000, representing an increase of approximately 18.0% as compared to approximately RMB4,113,000 in the corresponding period last year. The increase was mainly due to the increase in income from government grants during the Reporting Period.

***Sales and Distribution Expenses***

As to the cement segment, the distribution costs amounted to approximately RMB1,177,000, representing an increase of approximately 36.4% as compared to approximately RMB863,000 in the corresponding period last year. The increase was mainly due to the increase in sales volume of cement products during the Reporting Period. Sales and distribution expenses accounted for approximately 1.1% of the consolidated turnover of the Group, which has increased as compared to approximately 0.8% in the corresponding period last year.

As to the environmental protection segment, during the period from 1 January to 30 June 2016, the distribution costs amounted to approximately RMB nil.

***Administrative Expenses***

During the Reporting Period, the Group's general and administrative expenses amounted to approximately RMB11,447,000, representing an increase of approximately 14.7% as compared to approximately RMB9,981,000 in the corresponding period last year.

As to the cement segment, the general and administrative expenses amounted to approximately RMB7,592,000, representing a decrease of approximately 1.7% as compared to approximately RMB7,723,000 in the corresponding period last year. The decrease in the general and administrative expenses was primarily due to decrease in insurance costs and office expenses during the Reporting Period.

As to the environmental protection segment, the administrative expenses amounted to approximately RMB3,855,000. During the period from 30 April to 30 June 2015, the administrative expenses amounted to approximately RMB2,258,000.

***Income Tax Expense***

During the Reporting Period, the Group's income tax credit amounted to approximately RMB951,000, representing a significant decrease from approximately RMB1,430,000 in the corresponding period last year, which is mainly attributable to the decrease in losses incurred during the Reporting Period.

Details of the Group's income tax are set out in note 9 to the condensed consolidated financial statements in this report.

### *Net Profit Margin*

During the Reporting Period, the Group's net profit margin was approximately -4.1%.

As to the cement segment, the net profit margin was approximately 0.9%, representing a significant increase as compared to approximately -9.23% in the corresponding period last year. The increase was mainly attributable to the decrease in production cost due to the reasons as described in the section "Gross Profit and Gross Profit Margin" above. During the Reporting Period, the cement segment achieved a net profit of approximately RMB882,000, as compared to a net loss of approximately RMB11,904,000 in the corresponding period last year.

As to the environmental protection segment, during the period from 1 January to 30 June 2016, the net loss amounted to approximately RMB2,944,000 and the net profit margin was approximately -79.1%.

### **Liquidity and Capital Resources**

The Group planned to meet its working capital requirements primarily through cash flow from operating activities, bank loans and the use of trade and other payables as well as the proceeds from the IPO of the Company.

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Cash and cash equivalents	<b>24,436</b>	52,099
Borrowings	<b>59,000</b>	60,000
Debt to equity ratio	<b>16.4%</b>	16.5%
Debt to asset ratio	<b>11.9%</b>	11.9%

### *Cash Flow*

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately RMB24,436,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB22,891,000, representing a decrease of approximately 55.4% from approximately RMB51,307,000 as at 31 December 2015. The decrease was primarily due to the decrease in payables during the Reporting Period.

As to the environmental protection segment, the cash and cash equivalents amounted to approximately RMB1,545,000, representing an increase of approximately 95.1% from approximately RMB792,000 as at 31 December 2015.

### ***Borrowings***

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Current:		
Bank borrowings		
– Cement segment	<b>50,000</b>	50,000
– Environmental protection segment	<b>9,000</b>	10,000
	<b><u>59,000</u></b>	<u>60,000</u>

During the Reporting Period, the bank borrowings of the Group decreased by 1.7% from approximately RMB60,000,000 as at 31 December 2015, which was mainly due to the repayment of loans during the Reporting Period. Bank borrowings of the Group as at 30 June 2016, bearing fixed interest rate, amounted to approximately RMB59,000,000, remained unchanged compared to that as at 31 December 2015.

The aforesaid borrowings were not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bill receivables and restricted bank deposits (as at 31 December 2015: approximately RMB60,000,000 was not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bill receivables and restricted bank deposits).

Details of the Group's borrowings due are set out in note 17 to the condensed consolidated interim financial statements.

As at 30 June 2016, the Group had unutilized bank financing facilities of RMB50,000,000.

### ***Debt to Equity Ratio***

As at 30 June 2016, the Group's debt to equity ratio was 16.4%.

Among others, the debt to equity ratio of the cement segment was 15.4%, remained broadly flat compared to 15.4% as at 31 December 2015.

As to the environmental protection segment, the debt to equity ratio was 34.4%, remained broadly flat compared to 34.4% as at 31 December 2015.

The debt to equity ratio is calculated by dividing the debt by the difference between total assets and total liabilities.

#### *Capital Expenditure and Capital Commitments*

As at 30 June 2016, the Group's capital expenditure amounted to approximately RMB2,516,000.

Among others, the capital expenditure of the cement segment amounted to approximately RMB1,258,000, representing a notable decrease from approximately RMB39,916,000 in the corresponding period last year. The decrease was primarily due to consideration of approximately RMB26,603,000 paid to acquire Shanghai Biofit in 2015.

As to the environmental protection segment, the capital expenditure amounted to approximately RMB1,258,000, representing a notable increase as compared to approximately RMB300,000 during the period from 30 April to 30 June 2015.

As at 30 June 2016, the Group did not have any material capital commitments.

#### *The Use of Proceeds from Placing*

Upon the completion of placing on 13 February 2015, the net proceeds of the Company amounted to approximately RMB41,064,000. As of 30 June 2016, approximately RMB34,760,000 of the proceeds had been applied in the manner set out in the Company's announcements dated 23 January 2015 and 13 February 2015, primarily for the acquisition of 100% equity interests in Biofit and the Group's general working capital.

<b>Use</b>	<b>Percentage</b>	<b>Net proceeds RMB'000</b>	<b>Utilized amount RMB'000</b>	<b>Unutilized amount RMB'000</b>
Acquisition of Biofit	74%	30,254	30,254	–
Working capital	26%	10,810	4,506	6,304
<b>Total</b>	<b>100%</b>	<b>41,064</b>	<b>34,760</b>	<b>6,304</b>

As of 30 June 2016, the unutilized net proceeds from placing were deposited with licensed banks in Hong Kong and China as short-term current savings in Hong Kong dollars or RMB.

#### *Pledge of Assets*

As at 30 June 2016, the Group did not pledge any assets during the Reporting Period.

#### *Contingent Liabilities*

As at 30 June 2016, 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 Hong Kong dollars of the Company deposited with the offshore banks recorded a foreign exchange loss of approximately RMB544,000 due to the depreciation of Hong Kong dollars.

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As of 30 June 2016, HK\$39,001,000 of the net proceeds from the placing completed on 13 February 2015 had been exchanged into deposits in Renminbi while the remaining balance was still deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in the PRC and/or abroad, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of Renminbi against foreign currencies resulting from the Company's exchange of its remaining balance of IPO net proceeds into Renminbi may have a positive or negative impact on the Company's financial position. The management will closely monitor the foreign exchange exposures and will consider taking appropriate measures on hedging foreign currency risks when necessary.

### **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

During the Reporting Period, the Group did not conduct any material acquisitions or disposals of its subsidiaries or associated companies, except for the capital increase stated below.

As disclosed in the announcements of the Company dated 7 March 2016 and 8 March 2016 regarding the connected transaction in relation to the Capital Increase Agreement and deemed disposal, Shanghai Dong Xi, Xi Hua Shanghai and Shanghai Biofit entered into the Capital Increase Agreement, pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20,000,000 to Shanghai Biofit. Approximately RMB7,350,000 will be contributed to the registered capital of Shanghai Biofit, and the remaining of approximately RMB12,650,000 will be contributed to the capital reserve of Shanghai Biofit. As at the date of this report, the capital increase was completed and Shanghai Biofit is held as to approximately 62.25% by Xi Hua Shanghai and 37.75% by Shanghai Dong Xi, respectively. The registered capital of Shanghai Biofit increased from approximately RMB12,120,000 to approximately RMB19,470,000. For further details of the capital increase, please refer to the announcements of the Company dated 7 March 2016 and 8 March 2016.

### **Interim Dividend**

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2016.

### **Employees and Remuneration Policies**

As at 30 June 2016, the Group had a total of 236 employees. The total remuneration of our employees amounted to approximately RMB5,248,000 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 the second half of 2016, the Group will continue to reduce costs in an effective manner through improving its internal management; expand market share and increase product profitability by refining customer services; continue to conduct prudent research and promote the businesses in environmental protection field; and make attempts in capital operation to enhance operation efficiency and improve comprehensive competitiveness.

## OTHER INFORMATION

### Share Capital

As at 30 June 2016, the Company's issued share capital was HK\$5,520,000, divided into 552,000,000 Shares with a par value of HK\$0.01 each.

### Interests and Short Positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2016, the interests of the Directors, chief executive or their respective associates in the Shares and underlying Shares of the Company and its associated corporations which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company are as follows:

Name	Capacity	Long position/ Short position	Number of Shares held	Approximate percentage of shareholding
Tseung Hok Ming <sup>1</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Jin Chungen <sup>2</sup>	Interest of controlled corporation	Long position	77,500,000	14.04%
Ling Chao <sup>3</sup>	Interest of controlled corporation	Long position	212,000	0.04%

Notes:

1. Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of Part XV of the SFO. Goldview is also an associated corporation of the Company.
2. Concord is wholly-owned by Mr. Jin Chungen, an executive Director. Accordingly, Mr. Jin is deemed to be interested in the same Shares of the Company held by Concord by virtue of Part XV of the SFO.
3. Eastwest is wholly-owned by Mr. Ling Chao, an executive Director. Accordingly, Mr. Ling is deemed to be interested in the same Shares of the Company held by Eastwest by virtue of Part XV of the SFO.

Save as disclosed in the above, as at 30 June 2016, so far as is known to the Directors, no Directors or chief executive of the Company or their respective associates had or were deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations by virtue of Part XV of the SFO which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

As at 30 June 2016, none of the Directors and chief executive of the Company (including their respective spouses and children under the age of 18) had or were granted any rights to subscribe for the securities and share options of the Company and its associated corporations, nor had they exercised any such rights.

### Interests and Short Positions of Substantial Shareholders in the Shares of the Company

As at 30 June 2016, so far as is known to the Directors, the person(s), not being the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register kept under section 336 of the SFO are set out below:

Name	Capacity	Long position/ Short position	Number of shares held	Approximate percentage of shareholding
Goldview <sup>1</sup>	Beneficial owner	Long position	297,500,000	53.89%
Tseung Hok Ming <sup>1</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Laiwu Steel Group Limited <sup>3</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Shandong Iron & Steel Group Co., Ltd <sup>3</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Zhongtai Financial Investment Limited <sup>3</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Zhongtai Financial International Limited <sup>3</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Zhongtai Securities Company Limited <sup>3</sup>	Interest of controlled corporation	Long position	297,500,000	53.89%
Concord <sup>2</sup>	Beneficial owner	Long position	77,500,000	14.04%
Jin Chungen <sup>2</sup>	Interest of controlled corporation	Long position	77,500,000	14.04%

## Notes:

1. Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of Part XV of the SFO.
2. Concord is wholly-owned by Mr. Jin Chungen, an executive Director. Accordingly, Mr. Jin is deemed to be interested in the same Shares of the Company held by Concord by virtue of Part XV of the SFO.
3. Shandong Iron & Steel Group Co., Ltd owns 45.71% interest in Zhongtai Securities Company Limited through Laiwu Steel Group Limited, in which Shandong Iron & Steel Group Co., Ltd holds 100% equity interest. Zhongtai Securities Company Limited owns 100% interest in Zhongtai Financial Investment Limited through Zhongtai Financial International Limited, in which Zhongtai Securities Company Limited holds 100% equity interest. Each of Zhongtai Financial International Limited, Zhongtai Securities Company Limited, Laiwu Steel Group Limited and Shandong Iron & Steel Group Co., Ltd is deemed to be interested in the Shares of the Company held by Zhongtai Financial Investment Limited by virtue of Part XV of the SFO.

Save as disclosed in the above, as at 30 June 2016, so far as is known to the Directors, no other persons had any interests or short positions in the Shares and underlying Shares of the Company which had to be disclosed to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under section 336 of the SFO.

### Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 28 May 2015. Please refer to the circular of the Company dated 27 April 2015 for details.

The Company did not grant any share options under the Share Option Scheme during the Reporting Period.

### Purchase, Sale or Redemption of Listed Securities of the Company

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 Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code as its own code on corporate governance.

The Company has complied with the Corporate Governance Code during the Reporting Period.

## Compliance with the Model Code

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

## Audit Committee

The Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2016 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

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

Hong Kong, 19 August 2016

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF DONGWU CEMENT INTERNATIONAL LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 24 to 44, which comprises the condensed consolidated interim statement of financial position of Dongwu Cement International Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **BDO Limited**

*Certified Public Accountants*

### **Chan Wing Fai**

Practising Certificate no. P05443

Hong Kong, 19 August 2016

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	8	104,700	109,411
Cost of sales		<u>(100,810)</u>	<u>(115,842)</u>
<b>Gross profit/(loss)</b>		<b>3,890</b>	(6,431)
Distribution expenses		(1,177)	(863)
Administrative expenses		(11,447)	(9,981)
Other income		4,854	4,113
Other losses		<u>(32)</u>	<u>(395)</u>
<b>Operating loss</b>		<b>(3,912)</b>	(13,557)
Finance income		352	90
Finance expenses		(1,692)	(1,924)
Financial expenses – net		(1,340)	(1,834)
Share of result of an associate		<u>–</u>	<u>(168)</u>
<b>Loss before income tax credit</b>	10	<b>(5,252)</b>	(15,559)
Income tax credit	9	<u>951</u>	<u>1,430</u>
<b>Loss and total comprehensive income for the period</b>		<b><u>(4,301)</u></b>	<b><u>(14,129)</u></b>
Loss per share			
– Basic and diluted (RMB per share)	20	<b><u>(0.008)</u></b>	<b><u>(0.026)</u></b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	122,209	127,862
Land use rights	11	16,306	16,508
Goodwill	12	9,396	9,396
Intangible assets	12	7,012	7,944
Available-for-sale financial assets	13	2,898	2,898
Other receivables	14	60,123	60,123
<b>Total non-current assets</b>		<b>217,944</b>	<b>224,731</b>
<b>Current assets</b>			
Inventories		23,151	22,649
Trade and other receivables	14	201,466	173,320
Short-term bank deposits		30,000	30,000
Cash and cash equivalents		24,436	52,099
<b>Total current assets</b>		<b>279,053</b>	<b>278,068</b>
<b>Current liabilities</b>			
Trade and other payables	16	70,950	70,509
Income tax payable		3,388	3,388
Borrowings	17	59,000	60,000
<b>Total current liabilities</b>		<b>133,338</b>	<b>133,897</b>
<b>Net current assets</b>		<b>145,715</b>	<b>144,171</b>
<b>Total assets less current liabilities</b>		<b>363,659</b>	<b>368,902</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	4,143	5,085
<b>Total non-current liabilities</b>		<b>4,143</b>	<b>5,085</b>
<b>NET ASSETS</b>		<b>359,516</b>	<b>363,817</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	4,490	4,490
Reserves		355,026	359,327
<b>TOTAL EQUITY</b>		<b>359,516</b>	<b>363,817</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital RMB'000 (Note 19)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
<b>At 1 January 2016 (audited)</b>	<u>4,490</u>	<u>322,558</u>	<u>36,769</u>	<u>363,817</u>
Loss and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>(4,301)</u>	<u>(4,301)</u>
<b>At 30 June 2016 (unaudited)</b>	<u>4,490</u>	<u>322,558</u>	<u>32,468</u>	<u>359,516</u>
<b>At 1 January 2015 (audited)</b>	<u>4,174</u>	<u>282,252</u>	<u>48,506</u>	<u>334,932</u>
Issue of shares	316	40,306	–	40,622
Loss and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>(14,129)</u>	<u>(14,129)</u>
<b>At 30 June 2015 (unaudited)</b>	<u>4,490</u>	<u>322,558</u>	<u>34,377</u>	<u>361,425</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(22,844)	11,348
Income tax refund/(paid)	9	(136)
Interest paid	(1,692)	(1,924)
	<u>(24,527)</u>	<u>9,288</u>
Net cash (used in)/generated from operating activities	<u>(24,527)</u>	<u>9,288</u>
<b>Cash flows from investing activities</b>		
Interest received	352	90
Payment for acquisition of subsidiaries (net of cash and cash equivalent acquired)	-	(17,221)
Proceeds from disposal of property, plant and equipment	28	-
Purchase of property, plant and equipment	(2,516)	(13,313)
	<u>(2,136)</u>	<u>(30,444)</u>
Net cash used in investing activities	<u>(2,136)</u>	<u>(30,444)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	59,000	55,000
Repayment for bank borrowings	(60,000)	(59,900)
Proceeds from issues of shares	-	40,622
	<u>(1,000)</u>	<u>35,722</u>
Net cash (used in)/generated from financing activities	<u>(1,000)</u>	<u>35,722</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(27,663)</b>	<b>14,566</b>
Cash and cash equivalents at the beginning of the period	<u>52,099</u>	<u>20,120</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>24,436</u></u>	<u><u>34,686</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its 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.

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cements and provision of sewage and sludge treatment operation and construction services. The principal place of the Group's business is Fenu Economic Development Zone, Wujiang, Jiangsu Province, the PRC.

As at 30 June 2016, the Company has direct or indirect interests in the subsidiaries as set out below:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/ paid-in capital	Equity interest held	
				Direct	Indirect
Dongwu International Investment Limited	British Virgin Islands ("BVI")/PRC	Investment holding	USD50,000	100%	-
Dongwu Cement (Hong Kong) Limited	Hong Kong	Investment holding	HK\$1	-	100%
Suzhou Dongwu	PRC	Production and sales of cement	USD29,000,000	-	100%
Dongwu Science & Technology Investment Company Limited	Hong Kong	Science and technology Investment	HK\$1	-	100%
Xi Hua Shanghai	PRC	Investment management and consultation	USD10,000,000	-	100%

## 1 GENERAL INFORMATION (CONTINUED)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/ paid-in capital	Equity interest held	
				Direct	Indirect
Shanghai Biofit	PRC	Provision of sewage and sludge treatment operation and construction services	RMB12,121,200	-	100%
濟寧百菲特環保科技有限公司 (Jining Biofit Environmental Technology Co., Ltd.*)	PRC	Provision of sewage and sludge treatment operation and construction services	RMB10,000,000	-	100%
上海富誠環保科技有限公司 (Shanghai Fu Cheng Environmental Technology Co., Ltd.*)	PRC	Provision of sewage and sludge treatment operation and construction services	RMB5,000,000	-	100%
紹興祥禹環保科技有限公司 (Shao Xing Xiang Yu Environmental Technology Co., Ltd.*)	PRC	Provision of sewage and sludge treatment operation and construction services	RMB3,000,000	-	100%

\* The English translation of the entity name is for reference only. The official name of this entity is in Chinese.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 13 June 2012.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated.

This condensed consolidated interim financial information was approved by the Board for issue on 19 August 2016.

This condensed consolidated interim financial information (the “Financial Information”) for the Reporting Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Financial Information has been prepared under the historical cost convention, except that certain financial assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing the Financial Information are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements, except for the adoption of the following new standards and interpretations as of 1 January 2016 and the policies stated in 3.1 below:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above new standards and interpretations has no significant impact to the Group’s results of operations and financial position.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Current income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### 3.2 Other new HKAS, amendments and interpretations

The Hong Kong Institute of Certified Public Accountants has issued the following new HKAS, amendments and interpretations which are related to the Group's operation but not yet effective for the accounting period beginning 1 January 2016 and which have not been early adopted.

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrecognised Losses <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

The Group has commenced an assessment of the impact of the above amendment to the standard and interpretation but is not yet in a position to state whether the above amendment to the standard and interpretation would have a significant impact to the Group's results of operations and financial position.

### 4 ESTIMATES

The preparation of Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, and commodity price risk), credit risk and liquidity risk.

The Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

### 5.2 Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, short-term bank borrowings and the financial support provided by the equity holders.

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 5.3 Fair value estimation

None of the Group's assets are subsequently measured at fair value at 30 June 2016 (30 June 2015: None).

## 6 SEASONALITY OF OPERATIONS

There is no obvious seasonality of operations noted for the Group for the six months ended 30 June 2016 and 2015.

## 7 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The segments are managed separately as each business offers different products and services and requires different business strategies. The Board has identified the Group's product and service lines as reportable operating segments as follow:

- (i) Production and sales of cements;
- (ii) Provision of sewage and sludge treatment operation and construction services.

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

7 **SEGMENT INFORMATION** (CONTINUED)

For the six months ended 30 June 2016 (unaudited)

	Production and sales of cements RMB'000	Provision of sewage and sludge treatment operation and construction services RMB'000	Total RMB'000
Segment revenue	<u>100,980</u>	<u>3,720</u>	<u>104,700</u>
Segment results	<u>986</u>	<u>(3,999)</u>	(3,013)
Unallocated income			–
Unallocated expenses			(2,239)
Income tax (expenses)/credit	(104)	1,055	<u>951</u>
Loss for the period			<u>(4,301)</u>
<b>As at 30 June 2016 (unaudited)</b>			
Segment assets	<u>420,610</u>	<u>68,578</u>	489,188
Unallocated assets			<u>7,809</u>
Total assets			<u>496,997</u>
Segment liabilities	<u>95,070</u>	<u>42,411</u>	137,481
Unallocated liabilities			–
Total liabilities			<u>137,481</u>

**7 SEGMENT INFORMATION (CONTINUED)**

For the six months ended 30 June 2015 (unaudited)

	Production and sales of cements RMB'000	Provision of sewage and sludge treatment operation and construction services RMB'000	Total RMB'000
Segment revenue	<u>109,124</u>	<u>287</u>	<u>109,411</u>
Segment results	<u>(11,386)</u>	<u>(2,337)</u>	(13,723)
Unallocated income			-
Unallocated expenses			(1,836)
Income tax credit	1,318	112	<u>1,430</u>
Loss for the period			<u>(14,129)</u>
<b>As at 30 June 2015 (unaudited)</b>			
Segment assets	<u>436,508</u>	<u>67,530</u>	504,038
Unallocated assets			<u>14,214</u>
Total assets			<u>518,252</u>
Segment liabilities	<u>113,189</u>	<u>39,501</u>	152,690
Unallocated liabilities			<u>4,137</u>
Total liabilities			<u>156,827</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both period. The revenue derived from one of the external customers amounted to 20.47% of the Group's revenue for the period (30 June 2015: 17.04%).

**8 REVENUE**

The Company is an investment holding company. Its subsidiaries in PRC are principally engaged in the manufacture and sales of cements and provision of sewage and sludge treatment operation and construction services. Revenue is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Ordinary Portland cement strength class 42.5	<b>44,801</b>	52,405
Composite Portland cement strength class 32.5	<b>56,179</b>	56,719
Sewage and sludge treatment operation and construction services	<b>3,720</b>	287
	<b>104,700</b>	109,411

**9 INCOME TAX CREDIT**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax	<b>9</b>	–
Deferred tax on origination and reversal of temporary differences (Note 18)	<b>942</b>	1,430
	<b>951</b>	1,430

Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

Hong Kong profits tax rate is 16.5% for the period (30 June 2015: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the Reporting Period (30 June 2015: Nil).

Under the Law of the PRC on Corporate Income Tax and Implementation Regulation of the PRC on Corporate Income Tax, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

Tax loss incurred by Dongwu Cement can be carried forward for five accounting years.

**10 LOSS BEFORE INCOME TAX CREDIT**

The Group's loss before income tax credit is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>97,049</b>	102,411
Depreciation	<b>8,109</b>	8,779
Amortisation	<b>1,134</b>	583
Research and development expenses	<b>425</b>	190
Employee expenses (including directors' remuneration)		
– wages and salaries	<b>5,492</b>	5,027
– pension scheme contribution	<b>1,387</b>	1,083
Auditor remuneration	<b>120</b>	120
Operating lease rental expenses	<b>387</b>	155
Provision of doubtful debt (Note 14)	<b>802</b>	377
	<b>802</b>	377

**11 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS**

	<b>Property, plant and equipment</b>	<b>Land use Rights</b>
	RMB'000	RMB'000
<b>Six months ended 30 June 2016</b>		
<b>Net book value</b>		
<b>Opening amount as at 1 January 2016 (audited)</b>	<b>127,862</b>	<b>16,508</b>
Additions	<b>2,516</b>	–
Depreciation and amortisation	<b>(8,109)</b>	<b>(202)</b>
Disposals	<b>(60)</b>	–
<b>Closing amount as at 30 June 2016 (unaudited)</b>	<b>122,209</b>	<b>16,306</b>
<b>Six months ended 30 June 2015</b>		
<b>Net book value</b>		
<b>Opening amount as at 1 January 2015 (audited)</b>	121,556	16,911
Additions	13,313	–
Addition from acquired of subsidiaries	1,141	–
Depreciation and amortisation	<b>(8,779)</b>	<b>(272)</b>
<b>Closing amount as at 30 June 2015 (unaudited)</b>	<b>127,231</b>	<b>16,639</b>

## 12 GOODWILL AND INTANGIBLE ASSETS

	<b>Goodwill</b> RMB'000	<b>Intangible assets</b> RMB'000
<b>Six months ended 30 June 2016</b>		
<b>Net book value</b>		
Opening amount as at 1 January 2016 (audited)	9,396	7,944
Amortisation	<u>—</u>	<u>(932)</u>
<b>Closing amount as at 30 June 2016 (unaudited)</b>	<b><u>9,396</u></b>	<b><u>7,012</u></b>
<b>Six months ended 30 June 2015</b>		
<b>Net book value</b>		
Opening amount as at 1 January 2015 (audited)	—	—
Addition from acquired of subsidiaries	11,364	9,187
Amortisation	<u>—</u>	<u>(311)</u>
<b>Closing amount as at 30 June 2015 (unaudited)</b>	<b><u>11,364</u></b>	<b><u>8,876</u></b>

## 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>As at</b>	
	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Unlisted equity securities, at cost	<b><u>2,898</u></b>	<u>2,898</u>

The amount represented 5.887% unlisted equity interest over GinkgoPharma Co. Ltd. and is measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant. Accordingly, the directors of the Company are of the opinion that fair value cannot be reliably measured.

## 14 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade and bills receivables due from third parties	138,384	124,313
Less: provision for impairment of trade receivables	(2,168)	(1,366)
Trade and bills receivables, net	136,216	122,947
Amounts due from customers for construction work (Note 15)	18,958	16,137
Prepayments	22,445	13,672
Loans to Suzhou Dongtong Construction and Development Co. Ltd ("Dongtong")	66,400	66,400
Advance to suppliers	5,200	5,230
Other receivables	12,370	9,057
Prepayments, deposits and other receivables	106,415	94,359
<b>Total trade and other receivables</b>	<b>261,589</b>	<b>233,443</b>
Less: non-current portion		
– Loans to Dongtong	(60,123)	(60,123)
Trade and other receivables – current portion	201,466	173,320

As at 30 June 2016 and 31 December 2015, no bills receivable was pledged for the borrowings.

All non-current receivables are due within five years from the end of the period/year.

**14 TRADE AND OTHER RECEIVABLES (CONTINUED)**

The effective interest rates on non-current receivables were as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Loans to Dongtong	<b>10.45%</b>	10.45%

The fixed annual income (which is interest income) is receivable on 31 December each year and the loan principal of RMB60,000,000 is to be repaid on 31 December 2017. As at 30 June 2016, interest receivables of approximately RMB6,458,000 (31 December 2015: nil) were past due within 180 days.

The credit terms for most of the customers range from 30 to 90 days. One of the top five customers is granted a credit term of 180 days. For ready-mixed concrete stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1 million and RMB3.5 millions 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.

At 30 June 2016 and 31 December 2015, the aging analyses of the trade and bills receivables (net of impairment losses) were as follows:

	<b>As at</b>	
	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Below 90 days	<b>49,506</b>	53,253
From 91 days to 180 days	<b>25,391</b>	32,636
From 181 days to 1 year	<b>46,430</b>	21,462
From 1 year to 2 years	<b>4,841</b>	13,694
Over 2 years	<b>10,048</b>	1,902
	<b>136,216</b>	122,947

The Group's trade and other receivables are all denominated in RMB.

The carrying values of the Group's trade and other receivables approximated to their fair values.

**14 TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Opening balance	<b>1,366</b>	676
Provision for the period (Note 10)	<b>802</b>	377
	<hr/>	<hr/>
<b>Closing balance at 30 June</b>	<b>2,168</b>	1,053
	<hr/> <hr/>	<hr/> <hr/>

**15 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK**

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Contracts in progress at the end of period/year:		
Contract cost incurred	<b>30,919</b>	30,610
Recognised profits less recognised losses	<b>2,821</b>	309
	<hr/>	<hr/>
	<b>33,740</b>	30,919
Progress billings	<b>(14,782)</b>	(14,782)
	<hr/>	<hr/>
	<b>18,958</b>	16,137
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Due from customers included in current assets	<b>18,958</b>	16,137
	<hr/> <hr/>	<hr/> <hr/>

## 16 TRADE AND OTHER PAYABLES

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	48,395	56,452
Advances from customers	3,247	1,047
Salary payables	793	1,569
Other tax payables	1,586	2,153
Other payables	10,771	3,630
Amount due to a director of subsidiary	6,158	5,658
	<u>70,950</u>	<u>70,509</u>

The credit period granted by the Group's principal suppliers is 30 to 90 days.

The Group's trade and other payables are all denominated in RMB.

The carrying value of the Group's trade and other payables approximated to their fair values.

The aging analysis of the trade payables are as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Below 30 days	9,119	12,212
From 31 days to 90 days	17,168	14,044
From 91 days to 180 days	3,244	9,881
From 181 days to 1 year	6,823	5,131
From 1 year to 2 years	11,228	14,325
Over 2 years	813	859
	<u>48,395</u>	<u>56,452</u>

**17 BORROWINGS**

The Group has no secured borrowings as at 30 June 2016 and 31 December 2015.

Interest expense on borrowings for the period was RMB1,692,000 (30 June 2015: RMB1,924,000).

The carrying amounts of the Group's borrowings approximated to their fair values as at 30 June 2016 and 31 December 2015.

The Group's borrowings are denominated in RMB.

**18 DEFERRED INCOME TAX LIABILITIES**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Opening balance at 1 January (audited)	<b>5,085</b>	7,134
Acquisition through business combination	–	2,438
Credited to profit or loss (Note 9)	<b>(942)</b>	(1,430)
Closing balance at 30 June (unaudited)	<b><u>4,143</u></b>	<u>8,142</u>

**19 SHARE CAPITAL**

	<b>Number of ordinary shares (thousands)</b>	<b>Nominal value of ordinary shares HK\$'000</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>
Authorised:			
Ordinary shares of HK\$0.01 each as at 31 December 2015 and 30 June 2016	<u>10,000,000</u>	<u>100,000</u>	<u>81,520</u>
Issued and fully paid:			
At 31 December 2015 and 30 June 2016	<u>552,000</u>	<u>5,520</u>	<u>4,490</u>

**20 LOSS PER SHARE**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the period.

	<b>Six months ended 30 June</b>	
	<b>2016 (Unaudited)</b>	2015 (Unaudited)
Loss attributable to equity shareholders of the Company (RMB'000)	<b>(4,301)</b>	(14,129)
Weighted average number of ordinary shares in issue (thousand share)	<b>552,000</b>	542,444
Basic and diluted loss per share (RMB)	<b>(0.008)</b>	(0.026)

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2016 and 2015, diluted loss per share is the same as basic loss per share.

**21 LEASE COMMITMENTS**

At the end of the reporting period, the Group had commitments for future minimum lease payments under operating leases which fall due as follows:

	<b>As at</b>	
	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Within one year	<b>930</b>	953
In the second to fifth year, inclusive	<b>387</b>	852
	<b>1,317</b>	1,805

**22 RELATED-PARTY TRANSACTIONS****Key management remuneration**

Key management includes directors (executive and non-executive) and senior management.

The remuneration paid or payables to key management for employees service is shown below:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Basic salaries and benefit in kind	<b>603</b>	780

Save as disclosed of key management remuneration in the above, there are no transactions among the Group and its related parties for the six months ended 30 June 2016 (30 June 2015: Nil).