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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 2016

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately RMB255,914,000, representing an increase of approximately 15.0% from approximately RMB222,512,000 for the year ended 31 December 2015.
- The gross profit margin of cement segment increased from approximately -4.4% for the year ended 31 December 2015 to approximately 6.9% for the Reporting Period. The gross profit margin of the segment of environmental protection was 28.3%.
- Profit attributable to equity holders of the Company increased to approximately RMB2,564,000 during the Reporting Period from loss attributable to equity holders of the Company of approximately RMB11,737,000 for the year ended 31 December 2015.

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 2016 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with the comparative figures for the corresponding period of 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**255,914**	222,512
Cost of sales		**(231,164)**	(226,382)
Gross profit/(loss)		**24,750**	(3,870)
Distribution expenses		**(2,702)**	(1,763)
Administrative expenses		**(25,400)**	(22,194)
Other income		**11,506**	10,628
Other gains – net		**478**	4,178
Operating income/(loss)		**8,632**	(13,021)
Finance income		**402**	585
Finance expenses		**(3,377)**	(3,511)
Finance expenses – net		**(2,975)**	(2,926)
Share of results of associates		**–**	(163)
Profit/(loss) before income tax (expense)/credit	*6*	**5,657**	(16,110)
Income tax (expense)/credit	*8*	**(1,442)**	4,373
Profit/(loss) and total comprehensive income for the year		**4,215**	(11,737)
Profit/(loss) and total comprehensive income for the year attributable to:			
– Owners of the Company		**2,564**	(11,737)
– Non-controlling interests		**1,651**	–
		4,215	(11,737)
Earning/(loss) per share	*7*		
– Basic and diluted (RMB per share)		**0.005**	(0.021)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**111,441**	127,862
Land use rights		**16,104**	16,508
Goodwill		**9,396**	9,396
Intangible assets		**6,894**	7,944
Available-for-sale financial assets		**–**	2,898
Amount due from grantor for contract work	*9*	**6,372**	–
Other receivables	*9*	**–**	60,123
Total non-current assets		**150,207**	224,731
Current assets			
Available-for-sale financial assets		**2,898**	–
Inventories		**22,703**	22,649
Trade and other receivables	*9*	**282,133**	173,320
Short-term bank deposits		**31,000**	30,000
Cash and cash equivalents		**18,949**	52,099
Total current assets		**357,683**	278,068
Current liabilities			
Trade and other payables	*11*	**55,956**	70,509
Income tax payable		**3,388**	3,388
Borrowings	*12*	**54,000**	60,000
Total current liabilities		**113,344**	133,897
Net current assets		**244,339**	144,171
Total assets less current liabilities		**394,546**	368,902

		As at 31 December	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Deferred tax liabilities		**6,514**	5,085
Total non-current liabilities		**6,514**	5,085
Net assets		**388,032**	363,817
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**4,490**	4,490
Reserves		**368,413**	359,327
		372,903	363,817
Non-controlling interests		**15,129**	–
Total equity		**388,032**	363,817

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to owners of the Company					
		Share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		4,174	282,252	48,506	334,932	–	334,932
Issue of shares		316	40,306	–	40,622	–	40,622
Loss and total comprehensive income for the year		–	–	(11,737)	(11,737)	–	(11,737)
At 31 December 2015 and 1 January 2016		4,490	322,558	36,769	363,817	–	363,817
Profit and total comprehensive income for the year		–	–	2,564	2,564	1,651	4,215
Appropriations to statutory reserves		–	451	(451)	–	–	–
Capital contribution from a non-controlling interest in a subsidiary		–	–	6,522	6,522	13,478	20,000
At 31 December 2016		4,490	323,009	45,404	372,903	15,129	388,032

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Profit/(loss) before income tax (expense)/credit		**5,657**	(16,110)
Adjustment for:			
Depreciation of property, plant and equipment		**14,251**	15,516
Amortisation of land use rights		**404**	404
Amortisation of intangibles assets		**1,841**	1,243
Provision for impairment for trade receivables	*9*	**852**	690
Provision for impairment for other receivables	*9*	**558**	–
Loss on disposal of property, plant and equipment		**33**	10
Gain on disposal of a subsidiary		**(511)**	–
Finance income		**(402)**	(585)
Finance expenses		**3,377**	3,511
Share of results of associates		**–**	163
Gain on disposal of available-for-sale financial asset		**–**	(4,188)
Interest income from loans receivable		**(6,313)**	(6,306)
Operating profit/(loss) before working capital changes		**19,747**	(5,652)
(Increase)/decrease in inventories		**(54)**	10,720
(Increase)/decrease in trade and other receivables		**(59,279)**	41,854
Decrease in trade and other payables		**(5,637)**	(6,480)
Cash (used in)/generated from operating activities		**(45,223)**	40,442
Interest paid		**(3,377)**	(3,511)
Income tax refund/(paid)		**8**	(250)
Net cash (used in)/generated from operating activities		**(48,592)**	36,681
Cash flows from investing activities			
Interest received		**402**	585
Purchases of property, plant and equipment		**(2,975)**	(20,691)
Proceeds from disposal of property, plant and equipment		**33**	–
Proceeds from disposal of available-for-sale financial asset		**–**	5,554
Proceeds from disposal of a subsidiary (net of cash and cash equivalent disposed)	*14*	**4,982**	–
Additional short-term bank deposits made		**(1,000)**	(10,000)
Payments for acquisition of subsidiaries (net of cash and cash equivalent acquired)		**–**	(20,872)
Net cash generated from/(used in) investing activities		**1,442**	(45,424)

		Year ended 31 December	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Cash flows from financing activities			
Proceeds from issues of shares		**–**	40,622
Proceeds from bank borrowings		**55,000**	60,000
Repayments for bank borrowings		**(61,000)**	(59,900)
Capital contribution from a non-controlling interest in a subsidiary		**20,000**	–
Net cash generated from financing activities		**14,000**	40,722
Net (decrease)/increase in cash and cash equivalents		**(33,150)**	31,979
Cash and cash equivalents at beginning of the year		**52,099**	20,120
Cash and cash equivalents at end of the year		**18,949**	52,099
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**18,949**	52,099

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

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 since 13 June 2012. The Company's registered office is at the office 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 the British Virgin Islands (the "**BVI**").

The Company is an investing holding company. The Group is principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operation and construction services. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, 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 2016

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 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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Statement of Cash Flows

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

HKFRS 9 – 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.

Amendments to HKFRS 15 – Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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 requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules 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 for application of HKFRS 8 is identified by the Board. 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 follows:

(i) Production and sale of cement;

(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 located in the PRC. Accordingly, no geographical information is presented.

Year ended 31 December 2016

	Production and sale of cement *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Segment revenue	**222,543**	**33,371**	**255,914**
Segment results	**9,233**	**512**	**9,745**
Unallocated expenses			**(4,088)**
Income tax (expense)/credit	**(1,698)**	**256**	**(1,442)**
Profit for the year			**4,215**
As at 31 December 2016			
Segment assets	**433,251**	**67,997**	**501,248**
Unallocated assets			**6,642**
Total assets			**507,890**
Segment liabilities	**101,057**	**18,119**	**119,176**
Unallocated liabilities			**682**
Total liabilities			**119,858**

Year ended 31 December 2015

	Production and sale of cement *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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. Revenue derived from one of the external customers amounted to 17.2% of the Group's revenue for the year ended 31 December 2016 (2015: 19.7%).

5. REVENUE

An analysis of revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sale of Ordinary Portland cement strength class 42.5	**121,004**	95,560
Sale of Composite Portland cement strength class 32.5	**99,811**	111,850
Sale of Clinker	**1,728**	–
Provision of sewage and sludge treatment operation and construction services	**24,915**	15,102
Sewage treatment construction services - financial asset	**7,431**	–
Sewage treatment construction services - intangible asset	**1,025**	–
	255,914	222,512

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

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**206,604**	215,791
Depreciation of property, plant and equipment	**14,251**	15,516
Amortisation of land use rights	**404**	404
Amortisation of intangible assets	**1,841**	1,243
Provision for impairment for trade receivables	**852**	690
Provision for impairment for other receivables	**558**	–
Minimum lease payments under operating leases for buildings	**2,069**	798
Research and development expenses	**31**	439
Employee expenses (including directors' remuneration)		
– wages and salaries	**13,366**	13,452
– pension scheme contribution	**2,869**	2,745
Auditors' remuneration	**994**	960

7. EARNING/ (LOSS) PER SHARE

Basic earning/(loss) per share is calculated by dividing the earning/(loss) attributable to owners of the Company of earning RMB2,564,000 (2015: loss RMB11,737,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2015: 547,148,000) excluding ordinary shares purchased by the Group and held as treasury shares if any.

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2016 and 2015, diluted earning/(loss) per share is the same as basic earning/(loss) per share.

8. INCOME TAX EXPENSE/(CREDIT)

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 2016 and 2015 except for 上海百菲特環保科技有限公司 (Shanghai Biofit Environmental Technology Co., Ltd., "**Shanghai Biofit**") charged at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the year ended 31 December 2016 (2015: 15%).

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2016 (2015: 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 Reporting Period (2015: Nil).

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

	2016	2015
	RMB'000	*RMB'000*
Current tax		
– Current year	**–**	–
– (Over)/under provision in respect of prior years	**(8)**	114
	(8)	114
Deferred tax	**1,450**	(4,487)
Income tax expense/(credit)	**1,442**	(4,373)

Income tax expense/(credit) for the year can be reconciled to the Group's profit/(loss) before income tax expense/(credit) in the consolidated statement of comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) before income tax expense/(credit)	**5,657**	(16,110)
Tax calculated at the PRC profits tax rate of 25% (2015: 25%)	**1,414**	(4,028)
Effect of different tax rates in other jurisdictions	**298**	594
Tax effect of expenses not deductible for tax purposes	**897**	228
Utilisation of tax losses previously not recognised	**(447)**	(284)
Tax effect of tax loss not recognised	**248**	1,529
Tax effect of income not taxable for tax purposes	**(1,179)**	(992)
Tax effect of share of results of associates	**–**	41
Income tax on concession rates	**(187)**	–
Effect of temporary difference not recognised	**–**	(392)
Under provision in respect of prior years	**(8)**	114
Deferred taxation on withholding tax	**406**	(1,183)
Income tax expense/(credit)	**1,442**	(4,373)

9. TRADE AND OTHER RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade and bills receivables due from third parties	**156,196**	124,313
Less: provision for impairment of trade receivables *(note (iv))*	**(2,218)**	(1,366)
Trade and bills receivables, net *(note (i))*	**153,978**	122,947
Amounts due from customers for other construction work *(Note 10)*	**32,534**	16,137
Amount due from grantor for contract work *(note (ii))*	**7,431**	–
Prepayments	**10,604**	13,672
Loans to 蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*, "**Dongtong**") *(note (iii))*	**66,400**	66,400
Advances to suppliers	**2,489**	5,230
Other receivables	**15,627**	9,057
Less: provision for impairment of other receivables *(note (iv))*	**(558)**	–
Prepayments, deposits and other receivables	**94,562**	94,359
Total trade and other receivables	**288,505**	233,443
Less: non-current portion		
– Amount due from grantor for contract work *(note (ii))*	**(6,372)**	–
– Loans to Dongtong *(note (iii))*	**–**	(60,123)
	(6,372)	(60,123)
Trade and other receivables – current portion	**282,133**	173,320

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

As at 31 December 2016 and 2015, no trade and bills receivable were 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 terms given to its customers in cement segment and sewage and sludge treatment segment generally range from 30 to 90 days (2015: 30 to 90 days). For major 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 RMB50 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) by invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**76,394**	53,253
From 91 days to 180 days	**17,726**	32,636
From 181 days to 1 year	**34,196**	21,462
From 1 year to 2 years	**20,052**	13,694
Over 2 years	**5,610**	1,902
	153,978	122,947

As at 31 December 2016, trade receivables of RMB2,218,000 (2015: RMB1,366,000) had been impaired. The amount of the provision for individuals impaired trade receivables was RMB852,000 (2015: RMB690,000). 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 is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a))*	**112,215**	62,691
1 to 90 days past due *(note (b))*	**21,060**	23,198
91 to 180 days past due *(note (b))*	**7,972**	21,462
181 to 1 year past due *(note (b))*	**7,121**	13,694
More than 1 year past due *(note (b))*	**5,610**	1,902
	153,978	122,947

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 the trade receivables amounted to approximately RMB1,456,000 as at 31 December 2016 (2015: RMB4,359,000) are indemnified by the former owners of the Biofit Group (i.e. Shanghai Biofit and its subsidiaries acquired by the Group on 30 April 2015) for any loss due to non-settlement, the Group does not hold any collateral or other credit enhancements over these balances.

(ii) Amount due from grantor for contract work

The Group recognised a financial asset – amount due from grantor for contract work in respect of a Build-Operate-Transfer (the "**BOT**") arrangement with a private sector entity (the "**Grantor**"). Under the BOT arrangement, the Group carries out construction work of the sewage treatment plant for the Grantor and receives in return a right to operate such plant for a period of eight years (the "**Operation Period**") and is entitled to a guaranteed minimum sewage treatment service income over the Operation Period. The plant will be transferred to the Grantor at nil consideration at the end of the Operation Period.

Amounts due from the Grantor for contract work represents revenue from construction services under the BOT arrangement to the extent that the Group has an unconditional right to receive cash, and bear interest at rate of 6% per annum. The amount is not yet due for payment and will be settled by revenue to be generated during the Operation period of the BOT arrangement.

(iii) Loans to Dongtong

On 22 December 2014, in order to stabilise the annual return to the Group, after approval by the board of directors of Dongtong, the Group agreed to receive a fixed annual payment for the period from 23 December 2014 up to 31 December 2017 under the guarantees of two other shareholders of Dongtong. The fixed annual income (which is interest income at a fixed rate of 10.68% (2015: 10.68%) per annum) is receivable on 31 December each year and the loan principal of RMB60,000,000 is to be repaid on 31 December 2017. In return, the Group agreed to terminate all its shareholder's rights associated to the investments and the assigned director from the Group to the board of Dongtong has resigned from the directorship. Loans due from Dongtong amounting to RMB66,400,000 are thus initially recognised at fair value and subsequently carried at amortised cost using effective interest method.

As at 31 December 2016, interest receivable from Dongtong of approximately RMB6,458,000 (2015: RMB152,000) was past due over 1 year. The interest receivable was fully settled in March 2017.

(iv) Movements of the provision for impairment of trade and other receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
Trade receivables:		
Beginning of year	**1,366**	676
Provision for the year	**852**	690
End of year	**2,218**	1,366

	2016	2015
	RMB'000	*RMB'000*
Other receivables:		
Beginning of year	**–**	–
Provision for the year	**558**	–
End of year	**558**	–

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 OTHER CONSTRUCTION WORK

	2016	2015
	RMB'000	*RMB'000*
Contracts in progress at the end of year:		
Contract cost incurred	**48,896**	30,610
Recognised profits less recognised losses	**17,497**	309
	66,393	30,919
Progress billings	**(33,859)**	(14,782)
	32,534	16,137
Represented by:		
Due from customers included in current assets	**32,534**	16,137

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**44,795**	56,452
Advances from customers	**3,394**	1,047
Salary payables	**1,955**	1,569
VAT payables *(note (a))*	**3,257**	2,153
Other payables	**2,555**	3,630
Amount due to a director of subsidiary	**–**	5,658
	55,956	70,509

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2015: 30 to 90 days), while those granted in the sewage and sludge treatment segment is ranged from 30 to 90 days (2015: 30 to 90 days).

Ageing analysis of trade payables by invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**24,158**	12,212
From 31 to 90 days	**10,975**	14,044
From 91 days to 180 days	**3,986**	9,881
From 181 days to 1 year	**1,375**	5,131
From 1 year to 2 year	**3,502**	14,325
Over 2 years	**799**	859
	44,795	56,452

Note:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2015: 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 balances at 31 December 2016 and 2015 are all bank borrowings repayable within one year. Interest is charged on the outstanding balances of these borrowings at rates ranged between 5.66% and 6.00% (2015: 5.58% to 6.53%) per annum. As at 31 December 2016, bank borrowings of approximately RMB4,000,000 (2015: RMB5,000,000) was secured by personal guarantees from the Director, Mr. Ling Chao and his close family member.

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	100,000	81,520
Issued:			
Ordinary shares of HK$0.01 each as at 1 January 2015	512,000,000	5,120	4,174
Placing of shares *(note)*	40,000,000	400	316
As at 31 December 2015, 1 January 2016 and 31 December 2016	552,000,000	5,520	4,490

Note:

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 to subscribe of 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 shares 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. DISPOSAL OF SUBSIDIARY

On 20 July 2016, the Group disposed of its wholly-owned subsidiary, 上海富誠環保科技有限公司 (Shanghai Fu Cheng Environmental Technology Co., Ltd. "**Shanghai Fu Cheng**"), which is engaged in the provision of sewage treatment operation and construction services in the PRC. Net assets of Shanghai Fu Cheng at the date of disposal were as follows:

	RMB'000
Intangible assets	234
Trade receivables	3,076
Prepayments, deposits, and other receivables	5,605
Amount due from customers for contract work	4,493
Cash and bank balances	18
Trade payables	(2,595)
Accruals and other payables	(6,315)
Deferred tax liabilities recognised upon fair value adjustments	(21)
Other tax payable	(6)
	4,489
Gain on disposal of subsidiary included in profit or loss in the consolidated statement of comprehensive income	511
Total consideration	5,000
Net cash inflow arising on disposal:	
Cash consideration	5,000
Cash and bank balances disposed of	(18)
Net cash inflow	4,982

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:

	2016	2015
	RMB'000	*RMB'000*
Basic salaries and benefits in kind	**1,863**	1,207

The remuneration of the Group's key management personnel fell within the band of nil to HK$1,000,000 for the years ended 31 December 2016 and 2015.

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2016 (2015: Nil).

16. DIVIDENDS

No dividends were declared by the Board for the years ended 31 December 2016 and 2015.

17. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2017, the Group fully disposed of its available-for-sale financial assets for a cash consideration of RMB8,000,000, giving rise to a gain before tax of approximately RMB5,102,000 recognised in the comprehensive income statement of the Company.

On 1 March 2017, the Group entered into a joint venture agreement (the "**Joint Venture Agreement**") with Suzhou Dongfang Jiujiu Industry Co., Ltd. ("**Dongfang Jiujiu**"), a company wholly owned by Mr. Tseung Hok Ming, the non-executive Director and the controlling shareholder of the Company, to establish a limited liability company in the PRC (the "**JV Company**") to utilise the Group's cement kiln to co-process solid waste. The registered capital of the JV Company amounted to RMB50,000,000, of which the Group agreed to pay RMB24,000,000 after obtaining the business licence and on or before 31 December 2018. Upon completion of the Joint Venture Agreement, the JV Company will be owned as to 48% and 52% by the Group and Dongfang Jiujiu, respectively. The establishment of the JV Company constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2016, China's major macroeconomic indicators have shown signs of stable growth. The gross domestic product for the year amounted to RMB74,412.7 billion, representing a growth of 6.7% over the corresponding period last year (2015: 6.3%); fixed asset investment of China (excluding rural households) reached RMB59,650.1 billion, representing a nominal growth of 8.1% (the real growth was 8.8% after deducting the price factor) over the corresponding period last year, but a decrease in growth rate by 1.9 percentage points as compared to 2015. National property development and investment reached RMB10,258.1 billion, representing a year-on-year nominal growth of 6.9% (the real growth was 7.5% after deducting the price factor), up by 5.9 percentage points as compared to 2015 (Source: website of PRC National Statistics Bureau).

The production of cement companies over a designated size amounted to 2.4 billion tonnes in 2016, posting a year-on-year increase of 2.5% (2015: a year-on-year decrease of 5.3%). In 2016, the implementation of the 13th Five-Year Plan for the national economy had a good start. Driven by the stable growth in infrastructure investment and the recovery of the real estate market, cement production maintained growth at a slow pace. Overall, the national economy saw a moderate but stable and sound growth. Meanwhile, the demand for cement has a relatively strong support, demonstrating a steady but upward trend (Source: Digital Cement Net).

The Group operates in a market in Eastern China. The price of cement fluctuated from January to December in 2016, and saw an upward trend in general. The Group sells cement in main capital cities of provinces, including Jiangsu, Zhejiang and Shanghai. In early December 2016, the average selling price of PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB299 per tonne, RMB289 per tonne and RMB295 per tonne respectively, representing an increase of 30%, 11% and 15.7% as compared with the corresponding period last year (Source: Digital Cement Net).

In 2016, the sales volume, revenue and gross profit margin of the Group all exhibited an upward movement as compared with the corresponding period of last year as a result of steadily improving macroeconomics and rising cement price. Hence, the revenue and gross profit margin of the Group for 2016 increased as compared with the corresponding period of last year. The Group recorded a profit of approximately RMB7,535,000 from the cement segment in 2016.

Environmental Protection Segment

The PRC government and all parties from the society are paying concern to the 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 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 in the environmental protection industry will increase rapidly. "The Thirteen Five Year Plan" intends to invest RMB6 trillion on environment protection in term of air, water and soil, 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 prevention and control. 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 environmental improvements, and generate more return on investment.

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 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 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 sewage and sludge market.

Recently, China has imposed 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 investment in projects and the promotion under the national strategies, enterprises, merchants and investors in capital markets are paying more concern to environmental protection industry.

In view of this, the Group acquired the Biofit Group in 2015, aiming to explore 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

During the Reporting Period, the Group's turnover amounted to approximately RMB255,914,000, representing an increase of approximately RMB33,402,000 or 15% from approximately RMB222,512,000 in 2015.

In particular, turnover of cement segment amounted to approximately RMB222,543,000, representing an increase of approximately RMB15,133,000 or 7.3% from approximately RMB207,410,000 in 2015. The increase was primarily attributable to the increase in sales volume driven by stronger support of cement demand during the Reporting Period.

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

	2016			2015		
	Sales Volume	**Average selling price**	**Turnover**	Sales Volume	Average selling price	Turnover
	Thousand Tonnes	***RMB/Tonne***	***RMB'000***	*Thousand Tonnes*	*RMB/Tonne*	*RMB'000*
PO 42.5 Cement	**618.9**	**195.51**	**121,004**	455.7	209.70	95,560
PC 32.5R Cement	**555.7**	**179.61**	**99,811**	584.1	191.49	111,850
Clinker	**7.9**	**218.73**	**1,728**	–	–	–

Categorized by product type, the sales volume of cement products in 2016 amounted to approximately 1,174.6 thousand tonnes, representing an increase of approximately 13.0% from 2015, while the sales income of cement products was approximately RMB220,815,000, representing an increase of approximately 6.5% from 2015. The sales income of clinker amounted to approximately RMB1,728,000 in 2016. All of the clinker produced by the Group was used for cement production without external sales in the corresponding period of last year.

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

	2016		2015	
	Turnover	**% of total**	Turnover	% of total
	RMB'000	***turnover***	*RMB'000*	*turnover*
Jiangsu Province	**191,786**	**86.18%**	180,857	87.2%
Wujiang District	**174,833**	**78.56%**	153,490	74.0%
Suzhou District (excluding Wujiang District)	**16,953**	**7.62%**	27,367	13.2%
Zhejiang Province	**25,368**	**11.40%**	23,243	11.2%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**24,715**	**11.11%**	22,698	10.9%
Jiaxing	**653**	**0.29%**	545	0.3%
Shanghai	**5,389**	**2.42%**	3,310	1.6%
Total	**222,543**	**100%**	207,410	100.0%

During the Reporting Period, due to improved sales volume, the sales income and the sales volume of cement products increased as compared to the corresponding period of last year. The sale amount of respective region has generally recorded different extents of increase as compared to the corresponding period of last year.

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

As of 31 December 2016, a total of five projects have been completed or are in progress. Two new projects have been initiated since 1 January 2016. During the Reporting Period, four projects have 100% completed, and one has 68% of its work finished.

Shao Xing Yu Environmental Technology Co., Ltd., 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 the third-party operation services.

During the Reporting Period, the environmental protection segment achieved turnover of approximately RMB33,371,000. During the period from 30 April 2015 to 31 December 2015, the turnover of the environmental protection segment amounted to approximately RMB15,102,000.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit amounted to approximately RMB24,750,000.

As to cement segment, the gross profit amounted to approximately RMB15,302,000, representing an increase of approximately RMB24,336,000 compared to a gross loss of approximately RMB9,034,000 in 2015; while the gross profit margin amounted to approximately 6.9% in 2016, representing an increase of approximately 11.3% compared to the approximately -4.4% in 2015. The increase was mainly due to the decrease in cost of equipment maintenance.

As to environmental protection segment, during the Reporting Period, the gross profit amounted to approximately RMB9,448,000, and the gross profit margin amounted to approximately 28.3%. During the period from 30 April 2015 to 31 December 2015, the gross profit was approximately RMB5,164,000 and the gross profit margin was approximately 34.2%.

Other Income

The Group's other income amounted to approximately RMB11,506,000 during the Reporting Period, representing an increase of approximately RMB878,000 or approximately 8.3% compared to approximately RMB10,628,000 in 2015. The increase was mainly due to the increase in subsidies by the government for energy saving and emission reduction, resulting in an increase in government subsidies of approximately RMB1,139,000 as compared to the same period of last year.

Sales and Distribution Expenses

The Group's sales and distribution expenses amounted to approximately RMB2,702,000 during the Reporting Period, representing an increase of approximately RMB939,000 or approximately 53.3% compared to approximately RMB1,763,000 in 2015, which were all generated from cement segment. The increase was mainly due to the increase in sales volume in 2016. Sales and distribution expenses accounted for approximately 1.2% of the consolidated turnover of the cement segment, which has increased slightly as compared to approximately 0.9% in 2015.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately RMB25,400,000 during the Reporting Period.

As to the cement segment, the general and administrative expenses amounted to approximately RMB15,636,000, representing a decrease of approximately RMB229,000 or approximately 1.4% from approximately RMB15,865,000 in 2015. The decrease in the general and administrative expenses was primarily due to the fact that the provision for depreciation of certain fixed assets was completed during the Reporting Period, resulting in a decrease in depreciation charge of approximately RMB1,265,000.

As to the environmental protection segment, during the Report Period, the general and administrative expenses amounted to approximately RMB9,764,000. During the period from 30 April 2015 to 31 December 2015, the general and administrative expenses amounted to approximately RMB6,329,000.

Tax

The Group's income tax expense amounted to approximately RMB1,442,000 during the Reporting Period.

As to the cement segment, the income tax expense amounted to approximately RMB1,698,000 in 2016, representing a significant increase from approximately RMB3,981,000 of income tax credit in 2015, which was primarily attributable to the recorded profit of the Group in 2016.

As to the environmental protection segment, during the Reporting Period, the income tax credit amounted to approximately RMB256,000. During the period from 30 April 2015 to 31 December 2015, the income tax credit was approximately RMB392,000.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 1.6%.

As to the cement segment, the net profit margin was approximately 3.4%, representing a significant increase as compared to approximately -3.8% in 2015. The increase was mainly attributable to the increase in both sales volume and price driven by the improving cement market in the Reporting Period, resulting in an increase from a net loss of approximately RMB7,898,000 in 2015 to a net profit of approximately RMB7,535,000 in 2016.

As to the environmental protection segment, during the Reporting Period, the net profit amounted to approximately RMB768,000, the net profit margin was approximately 2.3%.

During the period from 30 April to 30 December 2015, the net loss amounted to approximately RMB1,144,000, the net profit margin was approximately -7.6%.

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 offering, and part of proceeds from the placement of new shares.

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Cash and cash equivalents	**18,949**	52,099
– Cement Segment	**18,860**	51,307
– Environmental Protection Segment	**89**	792
Borrowings	**54,000**	60,000
– Cement Segment	**50,000**	50,000
– Environmental Protection Segment	**4,000**	10,000
Debt to equity ratio	**13.9%**	16.5%
– Cement Segment	**14.8%**	14.9%
– Environmental Protection Segment	**8.0%**	34.4%
Debt to asset ratio	**23.6%**	27.6%
– Cement Segment	**23.1%**	23.8%
– Environmental Protection Segment	**26.6%**	54.3%

Cash Flow

As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB18,949,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB18,860,000, representing a decrease of approximately 63.2% from approximately RMB51,307,000 as at 31 December 2015. The decrease was primarily due to increase in trade receivables balances during the credit terms.

Borrowings

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Current:		
Bank borrowings		
– Cement segment	**50,000**	50,000
– Environmental protection segment	**4,000**	10,000
Bank borrowings	**54,000**	60,000

As at 31 December 2016, the Group's bank borrowings amounted to approximately RMB54,000,000, representing a decrease of approximately 10% from approximately RMB60,000,000 as at 31 December 2015, which was mainly due to the fact that the bank borrowings for environmental protection segment decreased by approximately RMB6,000,000.

As at 31 December 2016 and 31 December 2015, the aforesaid borrowings 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 2016, bank borrowings of approximately RMB4,000,000 (31 December 2015: approximately RMB5,000,000) was secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family member.

As at 31 December 2016, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 31 December 2016, the Group's debt to equity ratio was 13.9%.

Among others, the debt to equity ratio of the cement segment was 14.8%, which remained in line with 14.9% as at 31 December 2015.

As to the environmental protection segment, the debt to equity ratio was 8.0%, representing a decrease from 34.4% as at 31 December 2015. The decrease was mainly attributable to the decrease in liabilities as a result of the repayment of bank borrowings.

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

Capital Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately RMB2,975,000 in 2016.

Among others, the capital expenditure of the cement segment amounted to approximately RMB2,973,000, representing a significant decrease from approximately RMB45,866,000 in 2015, which was primarily due to the capital expenditure of approximately RMB30,254,000 for the acquisition of Shanghai Biofit by the Group on 16 February 2015. As to the environmental protection segment, the capital expenditure amounted to approximately RMB5,079,000 during the period from 30 April 2015 to 31 December 2015. During the Reporting Period, the capital expenditure of the environmental protection segment amounted to RMB2,000.

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

As at 31 December 2016, the Group did not have capital commitments.

Pledge of Assets

As at 31 December 2016, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 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 Group was not materially affected in operating business and working capital due to fluctuations in foreign exchange rates.

During the Reporting Period, the Group did not expose to any currency exchange risks, nor did the Group implement any hedging measures for such 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 consider taking appropriate measures on hedging foreign currency exposure when necessary.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Reporting Period, the Group did not conduct any material acquisitions or disposals of other 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, 上海東熙投資發展有限公司 Shanghai Dong Xi Investment Development Company Limited ("**Shanghai Dong Xi**"), 熙華（上海）投資管理有限公司 Xi Hua Shanghai Investment Management Company Limited ("**Xi Hua Shanghai**", a wholly-owned subsidiary of the Company) and Shanghai Biofit entered into the capital increase agreement on 7 March 2017(after trading hous), pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20,000,000 to Shanghai Biofit. Approximately RMB7,350,000 would 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 announcement, the capital increase was completed and Shanghai Biofit is held as to approximately 62.26% by Xi Hua Shanghai and 37.74% 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 aforesaid capital increase, please refer to the announcements of the Company dated 7 March 2016 and 8 March 2016.

Dividend

The Board does not recommend payment of any final dividend for the year ended 31 December 2016

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group has a total of 254 employees. The total remuneration amounted to approximately RMB16,235,000 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 2017, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase profitability of our products 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 operating efficiency and improve overall 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 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 (the "**Code**") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance.

During the Reporting Period, the Company has complied with the Code, saved as deviations disclosed in this announcement (where deviation reasons are set out).

Code Provision A.1.1

Code Provision A.1.1 stipulates that board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held 2 regular meetings. The Board considers that during the Reporting Period, the Group had no significant matters which required to convene formal Board meetings for discussion. Nevertheless, 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 as and when required. During the Reporting Period, the Board held 2 provisional meetings for the purposes of approving and passing (among others matters) the appointments of Mr. Peng Cheng, Mr. Wong Hin Shek and Mr. Wang Jun as executive Directors of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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, 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 2016 and has discussed the financial statements issues with the management of the Company. 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 THE ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2016 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2016 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, 28 March 2017

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Ling Chao, Mr. Peng Cheng, Mr. Wong Hin Shek and Mr. Wang Jun as executive Directors; Mr. Tseung Hok Ming as non-executive Director; and Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.