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 2018

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately RMB519,403,000, representing an increase of approximately 45.3% from approximately RMB357,563,000 for the year ended 31 December 2017.

- The gross profit margin of cement segment increased from approximately 19.1% for the year ended 31 December 2017 to approximately 26.6% for the Reporting Period. The gross profit margin of sewage and sludge treatment operation and construction services segment was approximately 3.8% for the Reporting Period, and the gross loss margin was approximately 38.9% for the corresponding period of the last year.

- Profit attributable to equity holders of the Company increased to approximately RMB90,334,000 during the Reporting Period from approximately RMB25,899,000 for the year ended 31 December 2017.

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 2018 (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 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
			(Re-presented)
Revenue	*5*	**519,403**	357,563
Cost of sales		**(381,901)**	(289,475)
Gross profit		**137,502**	68,088
Distribution expenses		**(4,065)**	(3,324)
Administrative expenses		**(44,860)**	(39,398)
Other income		**45,480**	16,300
Other gain/(loss) – net		**(1,293)**	4,700
Operating income		**132,764**	46,366
Finance income		**1,005**	552
Finance expenses		**(4,426)**	(3,434)
Finance expenses – net		**(3,421)**	(2,882)
Share of results of an associate		**1,860**	–
Profit before income tax expense	*6*	**131,203**	43,484
Income tax expense	*8*	**(41,533)**	(18,388)
Profit for the year		**89,670**	25,096
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(2,466)**	–
Other comprehensive income, net of tax		**(2,466)**	–
Total comprehensive income for the year		**87,204**	25,096

	Notes	Year ended 31 December **2018** ***RMB'000***	 2017 *RMB'000* (Re-presented)
Profit for the year attributable to:			
– Owners of the Company		**90,334**	25,899
– Non-controlling interests		**(664)**	(803)
		89,670	25,096
Total comprehensive income for the year attributable to:			
– Owners of the Company		**87,868**	25,899
– Non-controlling interests		**(664)**	(803)
		87,204	25,096
Earnings per share			
– Basic and diluted (RMB per share)	*7*	**0.164**	0.047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
			(Re-presented)
ASSETS			
Non-current assets			
Property, plant and equipment		**119,440**	107,648
Land use rights		**15,296**	15,700
Goodwill		**–**	9,396
Intangible assets		**403**	5,630
Deposit paid for acquisition of a subsidiary	*9*	**–**	4,066
Deposit paid for acquisition of a property	*9*	**20,500**	–
Loans and other receivables	*9*	**51,000**	41,760
Investment in an associate		**25,860**	24,000
Amount due from grantor for contact work	*9*	**5,470**	6,372
Financial assets at fair value through other comprehensive income		**6,534**	–
Total non-current assets		**244,503**	214,572
Current assets			
Inventories		**27,188**	25,306
Trade and other receivables	*9*	**357,248**	326,985
Short-term bank deposits		**44,400**	2,240
Cash and cash equivalents		**35,726**	28,597
Total current assets		**464,562**	383,128
Current liabilities			
Trade and other payables	*11*	**101,194**	93,930
Income tax payable		**21,884**	14,983
Borrowings	*12*	**71,553**	64,910
Total current liabilities		**194,631**	173,823
Net current assets		**269,931**	209,305

	Note	As at 31 December 2018 RMB'000	2017 RMB'000 (Re-presented)
Total assets less current liabilities		**514,434**	423,877
Non-current liabilities			
Deferred tax liabilities		**17,018**	10,749
Total non-current liabilities		**17,018**	10,749
Net assets		**497,416**	413,128
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**4,490**	4,490
Reserves		**479,264**	394,312
		483,754	398,802
Non-controlling interests		**13,662**	14,326
Total equity		**497,416**	413,128

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	**Other reserves** *RMB'000*	**Fair value through other comprehensive income reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2017	4,490	323,009	–	45,404	372,903	15,129	388,032
Profit/(loss) and total comprehensive income for the year	–	–	–	25,899	25,899	(803)	25,096
Appropriations to statutory reserves	–	4,465	–	(4,465)	–	–	–
Balance at 31 December 2017 as originally presented	4,490	327,474	–	66,838	398,802	14,326	413,128
Initial application of HKFRS 9	–	–	–	(2,916)	(2,916)	–	(2,916)
Restated balance as at 1 January 2018	4,490	327,474	–	63,922	395,886	14,326	410,212
Profit/(loss) for the year	–	–	–	90,334	90,334	(664)	89,670
Other comprehensive income							
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	(2,466)	–	(2,466)	–	(2,466)
Total comprehensive income	–	–	(2,466)	90,334	87,868	(664)	87,204
Appropriations to statutory reserves	–	9,497	–	(9,497)	–	–	–
At 31 December 2018	4,490	336,971	(2,466)	144,759	483,754	13,662	497,416

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
			(Re-presented)
Cash flows from operating activities			
Profit before income tax expense		**131,203**	43,484
Adjustments for:			
Depreciation of property, plant and equipment	*6*	**15,099**	14,187
Amortisation of land use rights		**404**	404
Amortisation of intangibles assets		**1,969**	1,667
(Reversal of)/provision for impairment for trade receivables, net	*9*	**(1,468)**	3,162
Provision for impairment for amounts due from customers for construction work, net	*9*	**1,338**	–
(Reversal of)/provision for impairment for other receivables, net	*9*	**(39)**	70
(Gains)/losses on disposal of property, plant and equipment		**(55)**	402
Finance income		**(1,005)**	(552)
Finance expenses		**4,426**	3,434
Share of results of an associate		**(1,860)**	–
Loss on forfeiture of non-refundable deposit	*9*	**1,348**	–
Gain on disposal of available-for-sale financial asset		**–**	(5,102)
Guaranteed profit from Biofit Group's former shareholder		**(24,679)**	–
Interest income from loan receivables		**(9,247)**	(8,045)
Impairment loss on goodwill	*6*	**9,396**	–
Impairment loss on intangible assets	*6*	**3,258**	–
Impairment loss on amounts due from grantor for contract work	*6*	**902**	–
Operating profit before working capital changes		**130,990**	53,111
Increase in inventories		**(1,882)**	(2,603)
Decrease/(increase) in trade and other receivables		**41,704**	(60,855)
Increase in trade and other payables		**6,659**	27,248
Cash generated from operating activities		**177,471**	16,901
Interest paid		**(3,367)**	(3,084)
Income tax paid		**(27,391)**	(2,558)
Net cash generated from operating activities		**146,713**	11,259

	Note	Year ended 31 December 2018 *RMB'000*	 2017 *RMB'000* (Re-presented)
Cash flows from investing activities			
Interest received		**1,005**	552
Interest received from loans to Dongtong		**–**	19,470
Investment in an associate		**–**	(24,000)
Investment in financial asset at fair value through other comprehensive income		**(9,000)**	–
Purchases of property, plant and equipment		**(26,948)**	(10,557)
Purchases of intangible assets		**–**	(403)
Proceeds from disposal of property, plant and equipment		**112**	107
Proceeds from disposal of available-for-sale financial asset		**–**	8,000
Loans to third parties		**(51,000)**	(40,000)
(Addition)/withdrawal of short-term bank deposits		**(42,160)**	28,760
Deposit refunded/(paid) for acquisition of a subsidiary		**2,718**	(4,066)
Deposit paid for acquisition of a property		**(20,500)**	–
Deposit received for disposal of subsidiaries		**3,541**	–
Net cash used in investing activities		**(142,232)**	(22,137)
Cash flows from financing activities			
Proceeds from borrowings		**62,528**	64,910
Repayments of borrowings		**(55,885)**	(54,000)
(Repayment to)/advance from a non-controlling shareholder of a subsidiary		**(3,995)**	7,929
Advance from a director of a subsidiary		**–**	1,687
Net cash generated from financing activities		**2,648**	20,526
Net increase in cash and cash equivalents		**7,129**	9,648
Cash and cash equivalents at beginning of the year		**28,597**	18,949
Cash and cash equivalents at end of the year		**35,726**	28,597
Represented by:			
Cash and bank balances		**35,726**	28,597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 amendments to HKFRSs – first effective on 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

A. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 January 2018 as follows:

	RMB'000
Retained earnings	
Retained earnings as at 31 December 2017	66,838
Increase in expected credit losses ("ECLs") in other receivables (note 2(a)A(ii) below), net of tax	(2,916)
Restated retained earnings as at 1 January 2018	63,922

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Financial assets at FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *RMB'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *RMB'000*
Loan receivables	Loans and receivables	Financial assets at amortised cost	106,400	102,512
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	258,045	258,045
Short-term bank deposits	Loans and receivables	Financial assets at amortised cost	2,240	2,240
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	28,597	28,597

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for loan receivables, trade and other receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Short-term bank deposits and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables and contract asset. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables.

No additional impairment for trade receivables as at 1 January 2018 is recognised under HKFRS 9 as the amount of additional impairment measured under ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group includes loan and other receivables. Applying the ECL model, additional impairment for loan and other receivables of approximately RMB3,888,000 upon the transition to HKFRS 9 as of 1 January 2018 is recognised. There was no change of loss allowance for loan and other receivables during the year ended 31 December 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

B. HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Directors consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts from (i) production and sale of cement; and (ii) provision of sewage and sludge treatment operation and construction services upon its initial adoption because the Directors are of the view that the Group's inputs are expected to be proportionate, in material aspect, to the progress in satisfying the performance obligation in rendering the services with reference to the Group's typical contracts.

The Group has elected to use the cumulative effect transition method. Based on the assessment of the Group, no adjustments to the opening balance of equity at 1 January 2018 have been made on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Cement products	Customers obtain control of the cement products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the cement products. There is generally only one performance obligation. Invoices are generally payable within 90 days.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies.
(b)	Sewage and sludge treatment construction services	The Group has determined that for contracts with customers under construction, there may be one or more than one performance obligation, which include the provision of service and the construction. For the provision of service, the Group has determined that the customers simultaneously receive and consume the benefits of the Group's performance and thus the Group concludes that the service should be recognised overtime. For the performance obligation related to the construction, the Group determines that the customers control all the work in progress as the infrastructure is being constructed, in the course of the construction, the work in progress is being enhanced during the terms of the contracts. Therefore, revenue from these contracts are recognised over time. Invoices are issued according to contractual terms and are usually payable within 30-90 days. Uninvoiced amounts are presented as amounts due from customers for construction work.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies.
(c)	Sewage and sludge treatment operation services	Revenue is recognised over time as those services are provided. Invoices for sewage and sludge treatment operation services are issued on a monthly basis and are usually payable within 90 days.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies.

Except for as discussed above, 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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for the financial assets at fair value through other comprehensive income which are measured at fair value.

(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 as the Board of Directors. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's product and service lines identified as reportable operating segments are as follow:

(i) Production and sale of cements;

(ii) Provision of sewage and sludge treatment operation and construction services; and

(iii) Money lending and financial services.

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

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

Year ended 31 December 2018

	Production and sale of cement *RMB'000*	Money lending and financial services *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Timing of revenue recognition				
At a point in time	**514,963**	**–**	**–**	**514,963**
Transferred over time	**1,074**	**–**	**3,366**	**4,440**
Segment revenue	**516,037**	**–**	**3,366**	**519,403**
Segment results	**137,815**	**(1,439)**	**7,378**	**143,754**
Unallocated expenses				**(12,551)**
Income tax expense	**(39,245)**	**–**	**(2,288)**	**(41,533)**
Profit for the year				**89,670**
As at 31 December 2018				
Segment assets	**627,311**	**428**	**78,727**	**706,466**
Unallocated assets				**2,599**
Total assets				**709,065**
Segment liabilities	**158,986**	**–**	**27,675**	**186,661**
Unallocated liabilities				**24,988**
Total liabilities				**211,649**

Year ended 31 December 2017

	Production and sale of cement *RMB'000*	Money lending and financial services *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Timing of revenue recognition				
At a point in time	356,982	–	–	356,982
Transferred over time	–	–	581	581
Segment revenue	356,982	–	581	357,563
Segment results	63,416	–	(4,297)	59,119
Unallocated expenses				(15,635)
Income tax (expense)/credit	(18,769)	–	381	(18,388)
Profit for the year				25,096
As at 31 December 2017				
Segment assets	518,787	4,485	73,108	596,380
Unallocated assets				1,320
Total assets				597,700
Segment liabilities	142,520	–	27,144	169,664
Unallocated liabilities				14,908
Total liabilities				184,572

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer within the scope of HKFRS 15. There were no inter-segment sales for both years. Revenue derived from the single largest external customer amounted to 10.0% of the Group's revenue for the year ended 31 December 2018 (2017: 7.9%).

5. REVENUE

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Sale of Ordinary Portland cement strength class 42.5	**310,846**	204,429
Sale of Composite Portland cement strength class 32.5R	**204,117**	152,553
Solid waste processing income	**1,074**	–
Provision of sewage and sludge treatment operation and construction services	**3,366**	581
	519,403	357,563

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**374,801**	288,031
Depreciation of property, plant and equipment	**15,099**	14,187
Amortisation of land use rights	**404**	404
Amortisation of intangible assets	**1,969**	1,667
(Reversal of)/provision for impairment for trade receivables, net	**(1,468)**	3,162
Provision for impairment for amounts due from customers for construction work, net	**1,338**	–
(Reversal of)/provision for impairment for other receivables, net	**(39)**	70
Provision for impairment for goodwill	**9,396**	–
Provision for impairment for intangible assets	**3,258**	–
Provision for impairment for amounts due from grantor for contract work	**902**	–
Minimum lease payments under operating leases for buildings	**2,450**	4,540
Research and development expenses	**6**	14
Employee expenses (including directors' remuneration)		
– wages and salaries	**21,366**	19,474
– pension scheme contribution	**3,665**	3,165
Auditors' remuneration		
– audit services	**1,130**	912
– non-audit services	**–**	337

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB90,334,000 (2017: RMB25,899,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2017: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2018 and 2017, diluted earnings per share is the same as basic earnings per share.

8. INCOME TAX EXPENSE

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2018 and 2017 except for 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 Reporting Period (2017: 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 2018 (2017: 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 (2017: Nil).

Income tax expense charged to the consolidated statement of comprehensive income represents:

	2018	2017
	RMB'000	*RMB'000*
		(Re-presented)
Current tax	**34,292**	14,153
Deferred tax	**7,241**	4,235
Income tax expense	**41,533**	18,388

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

	2018	2017
	RMB'000	*RMB'000*
Profit before income tax expense	**131,203**	43,484
Tax calculated at the PRC profits tax rate of 25% (2017: 25%)	**32,801**	10,871
Effect of different tax rates in other jurisdictions	**(1,463)**	1,326
Tax effect of share of results of an associate	**(465)**	–
Tax effect of expenses not deductible for tax purposes	**4,010**	2,604
Utilisation of tax losses previously not recognised	**(14)**	–
Tax effect of tax loss not recognised	**992**	513
Tax effect of income not assessable for tax purposes	**(2,764)**	(1,272)
Income tax on concession rates	**176**	188
Deferred taxation on withholding tax	**8,260**	4,158
Income tax expense	**41,533**	18,388

9. TRADE AND OTHER RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000* (Re-presented)
Trade and bills receivables from third parties	**132,662**	213,128
Less: provision for impairment of trade receivables *(note (iv))*	**(3,853)**	(5,380)
Trade and bills receivables, net *(note (i))*	**128,809**	207,748
Amounts due from customers for construction work other than that under the build-operate-transfer ("**BOT**") arrangement *(note 10)*	**30,483**	30,783
Less: provision for impairment *(note (iv))*	**(1,338)**	–
Amounts due from customers for other construction work, net *(note 10)*	**29,145**	30,783
Amounts due from grantor for contract work *(note (ii))*	**6,974**	7,876
Prepayments	**55,424**	14,738
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
Loans receivable *(note (vi))*	**91,000**	40,000
Advances to suppliers	**2,000**	2,000
Other receivables	**37,860**	10,266
Deposit paid for acquisition of a property *(note (vii))*	**20,500**	–
Less: provision for impairment of other receivables *(note (iv))*	**(6)**	(628)
Less: provision for impairment of loans to Dongtong *(note (iv))*	**(3,888)**	–
Prepayments, deposits and other receivables	**269,290**	132,776
Total trade and other receivables	**434,218**	379,183
Less: non-current portion		
– Amounts due from grantor for contract work *(note (ii))*	**(5,470)**	(6,372)
– Deposit paid for acquisition of a subsidiary *(note (v))*	**–**	(4,066)
– Deposit paid for acquisition of a property *(note (vii))*	**(20,500)**	–
– Loans receivable *(note (vi))*	**(51,000)**	(40,000)
– Other receivables	**–**	(1,760)
	(76,970)	(52,198)
Trade and other receivables – current portion	**357,248**	326,985

As at 31 December 2018 and 2017, 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 date.

(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 (2017: 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 RMB1,000,000 and RMB50,000,000 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.

Bills receivable represent bills received from customers for settlement of trade receivables. Bills receivables are normally due within 180 days.

The trade and bills receivable are inclusive of value-added tax. Ageing analysis of trade and bills receivables (net of impairment losses) by invoice date and issuance date of bills are as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**86,320**	106,743
From 91 days to 180 days	**16,874**	59,733
From 181 days to 1 year	**22,076**	35,407
From 1 year to 2 years	**2,206**	3,473
Over 2 years	**1,333**	2,392
	128,809	207,748

As at 31 December 2018, trade receivables of RMB3,853,000 (2017: RMB5,380,000) had been impaired. The amount of reversal of provision for individually impaired trade receivables was RMB1,468,000 (2017: provision of RMB3,162,000). The impaired receivables mainly related to the management's lifetime ECL measurement.

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

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a))*	**95,072**	134,253
1 to 90 days past due *(note (b))*	**27,941**	61,101
91 to 180 days past due *(note (b))*	**2,257**	6,529
181 to 1 year past due *(note (b))*	**2,206**	3,473
More than 1 year past due *(note (b))*	**1,333**	2,392
	128,809	207,748

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. Other than trade receivables amounting to approximately RMB1,456,000 as at 31 December 2018 (2017: RMB1,456,000) that are indemnified by the former owners of the Biofit Group (i.e. Shanghai Biofit and its subsidiaries) for any loss due to non-settlement, the Group does not hold any collateral or other credit enhancements over these balances.

(ii) Amounts due from grantor for contract work

The Group recognised a financial asset – amounts due from grantor for contract work in respect of a 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 grantor for contract work represents revenue from construction service under the BOT arrangement to the extent that the Group has an unconditional right to receive cash and bear interest at effective interest 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.

Provision for impairment loss of approximately RMB902,000 was recognised during the year ended 31 December 2018 (2017: Nil).

(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% 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.

Pursuant to an agreement with Dongtong entered into by the Group in December 2017, the maturity date of the loans were deferred to 31 December 2018 with the annual interest rate and other terms unchanged.

Pursuant to an agreement with Dongtong entered into by the Group in December 2018, the maturity date of the loans were further deferred to 31 December 2019 with the annual interest rate and other terms unchanged.

The management has made bad debt provision of the loan and accrued interest receivable from Dongtong of RMB3,888,000 as at 1 January 2018 and 31 December 2018 respectively as Dongtong has further deferred the maturity date of the loan to 31 December 2019.

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

	2018	2017
	RMB'000	*RMB'000*
Trade receivables:		
Beginning of year	**5,380**	2,218
Provision for the year	**241**	3,162
Balance recovered for the year	**(1,709)**	–
Write off	**(59)**	–
End of year	**3,853**	5,380

	2018	2017
	RMB'000	*RMB'000*
Amounts due from customers for construction work:		
Beginning of year	**–**	–
Provision for the year	**1,338**	–
End of year	**1,338**	–

	2018	2017
	RMB'000	*RMB'000*
Other receivables:		
Beginning of year	**628**	558
Provision for the year	**92**	70
Balance recovered for the year	**(131)**	–
Write off	**(583)**	–
End of year	**6**	628

	2018	2017
	RMB'000	*RMB'000*
Loan receivables:		
Beginning of year	**–**	–
Initial application of HKFRS 9	**3,888**	–
End of year	**3,888**	–

The origination and release of provision for impairment of trade receivables, other receivables and loan receivables have 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.

(v) Deposit for acquisition of a subsidiary

On 2 August 2017, the Company entered into a conditional sale and purchase agreement for a proposed acquisition of the entire issued share capital of a company which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the Securities and Futures Ordinance at a total cash consideration of HK$16,000,000 subject to consideration adjustments determined by the net asset value of the target company as at the date of completion of the sale and purchase agreement.

As at 31 December 2017, an amount of approximately RMB4,066,000 has been paid as a deposit. The details of this acquisition are set out in the Company's announcement dated 2 August 2017.

On 25 May 2018, as the requirements stipulated in the sales and purchase agreement could not be fulfilled upon the expiry of the long stop period, the sales and purchase agreement was terminated. As the result of termination of the sales and purchase agreement, the first deposit amounting to approximately RMB1,348,000 as defined in the sales and purchase agreement paid by the Company is non-refundable and the remaining deposits has been refunded to the Company.

(vi) Loans receivable

In 2017, the Group entered into loan agreements to lend to an independent third party an aggregate principal amount of RMB40,000,000 for a period of two years at a fixed interest rate of 6% per annum. The loan principal of RMB30,000,000 and RMB10,000,000 together with interest thereon are repayable on 24 January 2019 and 13 November 2019 respectively. The loans receivable were secured by corporate guarantees given by independent third parties.

In 2018, the Group entered into new loan agreements to lend to independent third parties an aggregate principal amount of RMB51,000,000 for a period of two years at a fixed interest rate from 7% to 12% per annum. The loan principal of RMB22,000,000, RMB9,000,000 and RMB20,000,000 together with interest thereon are repayable on 1 August 2020, 1 December 2020 and 21 December 2020 respectively.

(vii) Deposit paid for acquisition of a property

On 29 June 2018, the Group, as purchaser, entered into a property sale and purchase agreement with Suzhou Tailong Real Estate Development Company Limited (the "**Property Vendor**"), pursuant to which the Group agreed to acquire a property at a total consideration of RMB23,000,000. The Group has paid RMB20,500,000 in 2018 and the remaining RMB2,500,000 is payable upon the completion of the transfer of title of the property. Mr. Tseung Hok Ming, the non-executive director and controlling shareholder of the Company, indirectly held 71% equity interests in Dongfang Hengxin Assets Holdings Company Limited which held 100% equity interests in the Property Vendor.

10. AMOUNTS DUE FROM CUSTOMERS FOR OTHER CONSTRUCTION WORK

	2018 RMB'000	2017 RMB'000
Contracts in progress at the end of year:		
Contract costs incurred	**49,477**	49,477
Recognised profits less recognised losses	**17,497**	17,497
	66,974	66,974
Progress billings	**(36,491)**	(36,191)
Provision for impairment	**(1,338)**	–
	29,145	30,783
Represented by:		
Due from customers included in current assets *(note 9)*	**29,145**	30,783

11. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000 (Re-presented)
Trade payables	**62,284**	52,645
Advances from customers *(note (c))*	**12,774**	11,631
Salary and bonus payables	**4,190**	3,983
VAT payables *(note (a))*	**7,441**	7,713
Other payables *(note (b))*	**14,505**	17,958
	101,194	93,930

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2017: 30 to 90 days), while those granted in the sewage and sludge treatment segment is ranged from 30 to 90 days (2017: 30 to 90 days).

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

	2018 RMB'000	2017 RMB'000
Within 30 days	**40,973**	30,490
From 31 to 90 days	**9,410**	11,105
From 91 days to 180 days	**3,487**	1,674
From 181 days to 1 year	**679**	1,493
From 1 year to 2 years	**7,343**	5,264
Over 2 years	**392**	2,619
	62,284	52,645

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2017: 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.

(b) As at 31 December 2018, other payables includes interest of approximately RMB18,000 payable to Mr. Tseung Hok Ming, the non-executive director and controlling shareholder of the Company, accrued on borrowings drawn down under the facility granted Mr. Tseung Hok Ming as disclosed in Note 12. It also includes amount due to a non-controlling shareholder of a subsidiary of approximately RMB4,005,000 (2017: RMB8,000,000).

(c)

	31 December 2018	**1 January 2018**	**31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers arising from:			
– Sales of cement products	6,084	9,621	–
– Provision of sewage and sludge treatment operation and construction services	6,690	2,010	–
	12,774	11,631	–

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sales of cement products

The Group required receipt in advance from some customers before delivery of cement products.

Provision of sewage and sludge treatment operation and construction services

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in advance from customers

	Sales of cement products	**Provision of sewage and sludge treatment operation and construction services**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Balance as at 1 January	9,621	2,010	11,631
– Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(9,475)	(2,010)	(11,485)
– Increase as a result of receipt in advance	5,938	6,690	12,628
	6,084	6,690	12,774

12. BORROWINGS

The balances at 31 December 2018 and 2017 are borrowed from banks, independent third parties and Mr. Tseung Hok Ming *(Note 14)* and repayable within one year. Interest is charged on the outstanding balances of these borrowings at rates ranged between 5.66% and 13% (2017: 5.66% to 9%) per annum. As at 31 December 2018, bank borrowings of approximately RMB5,000,000 (2017: RMB5,000,000) were secured by personal guarantees from a director of the Company, Mr. Ling Chao and his close family members and borrowings of approximately RMB2,656,000 was secured by corporate guarantees from the Company (2017: Nil).

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares** *HK$'000*	**Equivalent nominal value of ordinary shares** *RMB'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000	81,520
Issued:			
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	552,000,000	5,520	4,490

14. 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:

	2018 ***RMB'000***	2017 *RMB'000*
Basic salaries and benefits in kind	**4,426**	4,408

There are three, one and one (2017: three, two and nil) key management personnel of the Group with remuneration fell within the band of nil to HK$1,000,000, the band of HK$1,000,000 to HK$1,500,000, and the band of HK$1,500,000 to HK$2,000,000 in 2018 respectively.

On 4 April 2018, the Group entered into an equity transfer agreement with Orient Hengxin Capital Holdings Limited* which was owned as to 70% by Mr. Tseung Hok Ming, the non-executive director and controlling shareholder of the Company, to acquire 18% equity interests in Suzhou Dongfang Kangtan New Energy Technology Company Limited ("Dongfang Kangtan") at a cash consideration of RMB9,000,000. Dongfang Kangtan, a limited liability company incorporated in the PRC, is principally engaged in the solar power and electric heating, and application of grapheme and carbon fiber for heating generation and transmission; the manufacture of floor, under-floor heating and far infrared products; technology transfer and cooperation on intellectual property as well as other operations.

As disclosed in Note 9(vii), acquisition of the property by the Group for a consideration of RMB23,000,000 was a related party transaction as 100% equity interests in the Property Vendor was owned by Dongfang Hengxin Assets Holdings Company Limited* of which 71% equity interests are indirectly held by Mr. Tseung Hok Ming.

As disclosed in Note 12, on 1 November 2018, Mr. Tseung Hok Ming (as the lender) has entered into a loan facility agreement with the Group (as borrower) to grant a loan facility up to HK$1,500,000 to a subsidiary of the Group at an interest rate of 8% per annum and repayable within one year together with accrued interest and subject to the lender's overriding right of repayment on demand. As at 31 December 2018, borrowing of approximately RMB1,328,000 and interest payable of RMB18,000 was due to Mr. Tseung Hok Ming and interest expense of approximately RMB18,000 was recognised.

Guaranteed profit of RMB24,679,000 from Biofit Group's former shareholder, Shanghai Dong Xi Investment Development Company Limited ("Shanghai Dongxi"), was a related party transaction as Mr. Ling Chao, the executive director of the Company, is also a director and controlling shareholder of Shanghai Dongxi.

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2018 (2017: Nil).

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

15. DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of HK$0.0725 per share (tax exclusive) (2017: Nil) was proposed pursuant to a resolution passed by the board of Directors on 28 March 2019 and subject to the approval of the shareholders at the annual general meetings of the Company to be held on 15 May 2019 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2018, China's various macroeconomic indicators experienced steady growth. The gross domestic product for the year amounted to RMB90,030.9 billion, representing a growth of 6.6% over the corresponding period of last year (2017: 6.8%). According to the statistics announced by National Bureau of Statistics (NBS) on 13 March 2019, in 2018, fixed asset investment of China (excluding rural households) reached RMB63,563.6 billion, representing a year-on-year growth of 5.9%. National property development and investment reached RMB12,026.4 billion, representing a year-on-year nominal growth of 9.5% (Source: website of NBS of the PRC).

According to the NBS, accumulated domestic cement production and clinker production in 2018 amounted to 2,177 million tonnes and 1,422 million tonnes, representing a year-on-year increase of 3.0% and 3.56%, respectively. The growth of the cement production and clinker production was characterized by substantial lower production in northwest and northeast regions, rising production in north China and southwest regions represented by the Beijing-Tianjin-Hebei region, and steady growth in east China and south-central region as a whole. Among 31 provinces in our country, 11 of them recorded a negative growth on a year-on-year basis, of which 6 provinces were located in north region. Xinjiang, Ningxia, Heilongjiang and Jilin recorded a decrease of 10% or above, while Xizang, Shanxi, Zhejiang and Hainan recorded an increase of over 10% driven by rising demands. According to Digital Cement of China Cement Association, domestic price of PO42.5 cement increased by RMB77 per tonne from RMB350 per tonne in 2017 to RMB427 per tonne in 2018, representing a year-on-year increase of 22%. It also reached a new record, representing an increase of RMB20 per tonne as compared to RMB407 per tonne in 2011, being the second highest price. In the view of the trend throughout the year, the overall price remained at a stable and high level for the first three quarters, ranging from RMB400 to RMB430 per tonne, and then commenced to grow sharply in the fourth quarter, with average domestic price in December reaching to RMB464 per tonne (Source: Digital Cement).

According to Digital Cement of China Cement Association, domestic price of PO42.5 cement increased by RMB77 per tonne from RMB350 per tonne in 2017 to RMB427 per tonne in 2018, representing a year-on-year increase of 22%. It also reached a new record, representing an increase of RMB20 per tonne as compared to RMB407 per tonne in 2011, being the second highest price. In the view of the trend throughout the year, the overall price remained at a stable and high level for the first three quarters, ranging from RMB400 to RMB430 per tonne, and then commenced to grow sharply in the fourth quarter, with average domestic price in December reaching to RMB464 per tonne. From the region perspective, the east China region where the Group locates deserved the leading position among all regions across China whatsoever for the price or amounts of increase. The average price in east China was RMB472 per tonne in 2018, representing an increase of 30% as compared to that of 2017. Its highest price of RMB553 per tonne in history was recorded in December, and the price of some regions even exceeded RMB600 per tonne. The south-central region ranked the second place, with the average price of RMB453 per tonne in 2018, representing an increase of 25% as compared to that of 2017, which also reached a new record of RMB504 per tonne in December. For the southwest region, the average price was RMB422 per tonne in 2018, representing an increase of 25% as compared to that of 2017. Though the overall prices in north China, northeast and northwest for the year were all higher than that in 2017, the absolute values and the amounts of increase were not comparable to the south regions, and the average prices were generally lower than RMB400 per tonne (Source: Digital Cement).

As a result of increased cement price, revenue and gross profit margin of cement segment of the Group for 2018 increased markedly as compared with the corresponding period of last year. The Group recorded a profit of approximately RMB98,570,000 from the cement segment in 2018.

Environmental Protection Segment

The PRC government and all parties from the society are paying more 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 environmental protection in terms 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 resource, 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.

With the consideration and approval of the Board, the Group entered into a sale and purchase agreement with an independent third-party on 5 January 2018 to dispose the entire equity interests it holds in Shanghai Biofit (representing approximately 62.26% of equity interests of Shanghai Biofit) at the consideration of HK$40 million. For details of the above transaction, please refer to the Company's announcement dated 5 January 2018. On 14 December 2018 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into a termination deed (the "Termination Deed"), details of which please refer to the Company's announcement dated 14 December 2018. In addition to the existing business, the Group has been proactively exploring other aspects of environmental protection, including disposal of iron and steel dust and nonferrous solid waste.

Money Lending and Financial Services Segment

In December 2017, the Group entered into the money lending business through the acquisition of Golden Stars Assets Management Limited ("Golden Stars") from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Golden Stars holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the Reporting Period, the money lending operation had not commenced yet. The management will formulate a fundamental policy to establish its internal control systems. The Group will adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer in order to maximise the return of the money lending business as well as diversify the credit risk. In August 2017, (i) a direct wholly-owned subsidiary of the Company, as the purchaser; (ii) third parties independent of the Company and its connected persons (as defined under the Listing Rules), as the vendor; and (iii) the Company (being the guarantor) entered into a conditional sales and purchase agreement for a proposed acquisition to acquire the entire issued share capital in Goldenway Securities Company Limited ("Goldenway"), which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong) at a total consideration of HK$16,000,000 (subject to adjustments determined by the net asset value of Goldenway as at the date of completion of the sales and purchase agreement). On 25 May 2018, as the requirements stipulated in the sales and purchase agreement could not be fulfilled upon the expiry of the long stop period, the sales and purchase agreement was terminated. For details of the above transaction, please refer to the Company's announcement dated 28 May 2018. The Group is looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

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 RMB519,403,000, representing an increase of approximately RMB161,840,000 or 45.3% from approximately RMB357,563,000 in 2017.

In particular, turnover of cement segment amounted to approximately RMB516,037,000, representing an increase of approximately RMB159,055,000 or 44.6% from approximately RMB356,982,000 in 2017. The increase was primarily attributable to the significant increase of cement prices during the Reporting Period.

The table below sets forth an analysis of the turnover by product category:

	2018			2017		
	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	**791.2**	**392.88**	**310,846**	724.6	282.13	204,429
PC 32.5R Cement	**654.3**	**311.96**	**204,117**	651.2	234.3	152,553

Categorized by product type, the sales volume of cement products in 2018 amounted to approximately 1,445.5 thousand tonnes, representing an increase of approximately 5.1% from 2017, while the sales income of cement products was approximately RMB514,963,000, representing an increase of approximately 44.3% from 2017.

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

	2018		**2017**	
	Turnover	**% of total turnover**	Turnover	% of total turnover
	RMB'000		*RMB'000*	
Jiangsu Province	**446,213**	**86.65%**	300,130	84.07%
Wujiang District	**402,038**	**78.07%**	283,990	79.55%
Suzhou (excluding Wujiang District)	**44,175**	**8.58%**	16,140	4.52%
Zhejiang Province	**50,070**	**9.72%**	33,132	9.28%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**47,925**	**9.31%**	32,600	9.13%
Jiaxing	**2,145**	**0.41%**	532	0.15%
Shanghai	**18,680**	**3.63%**	23,720	6.65%
Total	**514,963**	**100.00%**	356,982	100.00%

During the Reporting Period, due to improved sales performance, the sales income and volume of cement products of the Group increased significantly as compared to the corresponding period of last year. The sales in substantially all regions recorded different extents of increase as compared to the corresponding period of last year.

As to the environmental protection segment, the 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 2018, a total of four projects have been completed or are in progress. One new project has been initiated in 2018. During the Reporting Period, two have 0.0% work finished, one has 100.0% work finished, and one has 68.0% work finished.

紹興祥禹環保科技有限公司 (Shaoxing XiangYu 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 RMB3,366,000, representing an increase of RMB2,785,000 or 479% as compared to approximately RMB581,000 of 2017. The increase was mainly due to constructions income recognised according to the percentage of the completed progress.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit amounted to approximately RMB137,502,000.

As to cement segment, the gross profit amounted to approximately RMB137,375,000, representing an increase of approximately RMB69,061,000 or approximately 101.1% as compared to a gross profit of approximately RMB68,314,000 in 2017; while the gross profit margin amounted to approximately 26.6% in 2018, representing an increase of approximately 7.5% compared to the approximately 19.1% in 2017. The increase was mainly due to the significant increase of cement prices.

As to environmental protection segment, the gross profit for 2018 amounted to approximately RMB127,000, and the gross profit margin for 2018 amounted to approximately 3.8%. For the corresponding period of last year, the gross loss amounted to approximately RMB226,000, and the gross loss margin amounted to approximately 38.9%. The increase was mainly due to constructions income recognised according to the percentage of the completed progress.

* *For identification purpose only*

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

Other Income

The Group's other income amounted to approximately RMB45,480,000 during the Reporting Period, representing an increase of approximately RMB29,180,000 or approximately 179.0% compared to approximately RMB16,300,000 in 2017, which was mainly due to recognition of guaranteed profit from Biofit Group's former shareholder of approximately RMB24,679,000 during the Reporting Period.

Sales and Distribution Expenses

The Group's sales and distribution expenses, all generated from cement segment, amounted to approximately RMB4,065,000 during the Reporting Period, representing an increase of approximately RMB741,000 or approximately 22.3% as compared to approximately RMB3,324,000 in 2017. The increase was mainly due to the increase in sales volume in 2018. Sales and distribution expenses in 2018 accounted for approximately 0.8% of the consolidated turnover of the cement segment, which remained about flat as compared to approximately 0.9% in 2017.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately RMB44,860,000 during the Reporting Period.

As to the cement segment, the general and administrative expenses amounted to approximately RMB26,085,000, representing a decrease of approximately RMB6,613,000 or approximately 20.2% from approximately RMB32,698,000 in 2017. The decrease in the general and administrative expenses was primarily due to a net reversal of provision for impairment of trade receivables of approximately RMB1,709,000 during the Reporting Period whereas a net provision for impairment of trade receivables of approximately RMB3,157,000 in 2017 and the decrease of professional institution services fees.

As to the environmental protection segment, the general and administrative expenses increased by approximately RMB11,977,000 or 178.8% from approximately RMB6,700,000 in 2017 to approximately RMB18,677,000 during the Reporting Period. The increase was mainly due to impairment loss on goodwill and intangible assets of approximately RMB9,396,000 and RMB3,258,000 respectively.

Tax

The Group's income tax expense amounted to approximately RMB41,533,000 during the Reporting Period.

As to the cement segment, the income tax expense amounted to approximately RMB39,245,000 in 2018, representing a significant increase from approximately RMB18,769,000 of income tax expense in 2017, which was primarily due to the recorded significant profit growth of the Group in 2018.

As to the environmental protection segment, during the Reporting Period, the income tax expense increased by approximately RMB2,669,000 or 700.5% from income tax credit of approximately RMB381,000 in 2017 to income tax expense approximately RMB2,288,000 in 2018. The increase was mainly due to the recognition of the guaranteed profit from Biofit Group's former shareholder during the Reporting Period.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 17.3%.

As to the cement segment, the net profit margin was approximately 19.1%, representing an increase as compared to approximately 12.5% in 2017. The increase was mainly attributable to the increase in sales income in 2018, resulting in an increase from a net profit of approximately RMB44,647,000 in 2017 to a net profit of approximately RMB98,570,000 in 2018.

As to the environmental protection segment, during the Reporting Period, the net profit amounted to approximately RMB5,090,000, and the net profit margin was approximately 151.2%. In 2017, the net loss amounted to approximately RMB3,916,000, and the net loss margin was approximately 674%.

Liquidity and Capital Sources

The Group planned to meet its working capital requirements primarily through cash flow from operating activities, borrowings and utilising trade and other payables, proceeds from initial public offering, and part of the proceeds from the placement of new shares.

	31 December 2018 ***RMB'000***	31 December 2017 *RMB'000*
Cash and cash equivalents	**35,726**	28,597
– Cement Segment	**34,227**	27,738
– Environmental Protection Segment	**1,490**	852
– Money lending and financial services segment	**9**	7
Borrowings	**71,553**	64,910
– Cement Segment	**50,000**	50,000
– Environmental Protection Segment	**5,000**	5,000
– Unallocated	**16,553**	9,910
Debt to equity ratio	**14.4%**	15.7%
– Cement Segment	**10.7%**	13.3%
– Environmental Protection Segment	**9.8%**	10.9%
Debt to asset ratio	**29.8%**	30.9%
– Cement Segment	**25.3%**	27.5%
– Environmental Protection Segment	**35.2%**	37.1%

Cash Flow

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB35,726,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB34,227,000, representing an increase of approximately 23.4% from approximately RMB27,738,000 as at 31 December 2017, which was mainly due to profit generated during the year.

Borrowings

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Current:		
Borrowings		
– Cement Segment	**50,000**	50,000
– Environmental Protection Segment	**5,000**	5,000
– Unallocated	**16,553**	9,910
Borrowings	**71,553**	64,910

As at 31 December 2018, the Group's bank borrowings amounted to approximately RMB71,553,000, representing an increase of approximately 10.2% from approximately RMB64,910,000 as at 31 December 2017, which was mainly due to increase of borrowings.

As at 31 December 2018 and 31 December 2017, 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 2018, bank borrowings of approximately RMB5,000,000 (as at 31 December 2017: approximately RMB5,000,000) was secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family members and borrowings of approximately RMB2,656,000 was secured by corporate guarantees from the Company (2017: Nil).

As at 31 December 2018, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 31 December 2018, the Group's debt to equity ratio was 14.4%.

Among others, the debt to equity ratio of the cement segment was 10.7%, which decreased as compared with 13.3% as at 31 December 2017.

As to the environmental protection segment, the debt to equity ratio was 9.8%, representing a slight decrease from 10.9% as at 31 December 2017.

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 RMB47,448,000 in 2018.

Among others, the capital expenditure of the cement segment amounted to approximately RMB47,448,000, representing a significant increase from approximately RMB10,903,000 in 2017, which was mainly due to purchase of properties and fixed assets.

As to the environmental protection segment, the capital expenditure amounted to approximately RMBNil (2017: RMBNil).

As at 31 December 2018, the Group had capital commitments of approximately RMB3,140,000 (2017: Nil).

Pledge of Assets

As at 31 December 2018, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2018, 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. 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 significant 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

Except as described below, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of subsidiaries or associated companies.

As disclosed in the announcement of the Company dated 5 Janurary 2018 regarding the Sale and Purchase Agreement and the Disposal, Dongwu International Investment Limited (the "**Dongwu International**"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with Great Future Development (HK) Limited (the "**Great Future**"), pursuant to which Dongwu International agreed to sell, and Great Future agreed to purchase the entire issued share capital of Dongwu Science & Technology Investment Company Limited, an indirect wholly-owned subsidiary of the Company, at a total consideration of HK$40 million (the "**Disposal**"). For the futher details, please refer to the announcement of the Company dated 5 Janurary 2018.

As disclosed in the announcement of the Company dated 14 December 2018 regarding the termination of transaction in relation to the Disposal, Dongwu International and Great Future entered into a termination deed, pursuant to which each of the parties thereto agreed to terminate the Sale and Purchase Agreement with effect from 14 December 2018 and release and discharge each other from their respective duties, obligations and liabilities under the Sale and Purchase Agreement. For the futher details, please refer to the announcement of the Company dated 14 December 2018.

As disclosed in the announcement of the Company dated 31 July 2018 regarding the termination of the transaction in relation to the Acquistion, the Group, Sure Ocean Investments Limited, a company wholly-owned by Mr. Tseung Hok Ming, the non-Executive Director and the controlling shareholder of the Company, and Mr. Tseung Hok Ming entered into a termination deed, pursuant to which each of the parties thereto agreed to release and discharge each other from their respective duties, obligations and liabilities of the major and connected transaction in relation to the sale shares and the sale loan involving the issue of the convertible bonds of the Company as set out in the Agreement, which disclosed in the announcement of the Company dated 30 October 2017. For the futher details, please refer to the announcements of the Company dated 30 October 2017 and 14 December 2018.

DIVIDEND

A final dividend in respect of the year ended 31 December 2018 of HK$0.0725 per share (tax exclusive) (2017: Nil) was proposed pursuant to a resolution passed by the Board of Directors on 28 March 2019 and subject to the approval of the shareholders at the annual general meetings of the Company to be held on 15 May 2019 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group has a total of 238 employees. The total remuneration amounted to approximately RMB25,031,000 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 2019, 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 and as of the Lateset Practicable Date, the Company has complied with Code Provision A.1.1 of the Code, saved as deviations disclosed in this report (where deviation reasons are set out).

Code Provision A.1.1 stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held two regular meetings, all the Directors had been presented at such meetings. The Board considers that during the Reporting Period, the Group had no other 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 three provisional meetings in aggregate to consider and approve, inter alia, termination of the acquisition of a licensed corporation authorized to carry out type 1 regulated activities, acquisition of properties and termination of disposal of a subsidiary.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for 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 2018 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 2018 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2018 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 2019

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Ling Chao, Mr. Peng Cheng, Mr. Chan Ka Wing 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.