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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (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 relevant comparative figures for the corresponding period of 2019.

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately RMB174,805,000, representing a decrease of approximately RMB76,934,000 or 30.6% from approximately RMB251,739,000 for the six months ended 30 June 2019.

- Gross profit margin of cement segment decreased to approximately 16.7% during the Reporting Period from approximately 20.7% for the six months ended 30 June 2019.

- Profit attributable to owners of the Company decreased to approximately RMB10,809,000 during the Reporting Period from profit of approximately RMB32,076,000 for the six months ended 30 June 2019.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited and re-presented)
Revenue	*7*	**174,805**	251,739
Cost of sales		**(145,571)**	(199,615)
Gross profit		**29,234**	52,124
Distribution expenses		**(2,122)**	(1,720)
Administrative expenses		**(17,213)**	(13,555)
Other income		**7,322**	9,998
Operating income		**17,221**	46,847
Finance income		**1,466**	898
Finance expenses		**(1,718)**	(1,690)
Finance expenses – net		**(252)**	(792)
Share of results of an associate		**1,217**	1,893
Profit before income tax expense	*9(a)*	**18,186**	47,948
Income tax expense	*8*	**(7,490)**	(15,793)
Profit for the period from continuing operations		**10,696**	32,155
Discontinued operation			
Loss for the period from discontinued operation, after tax	*26*	**87**	(127)
Profit for the period		**10,783**	32,028
Other comprehensive income for the period, 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 period		**10,783**	34,494

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited and re-presented)
Profit/(loss) for the period attributable to:			
Owners of the Company			
– From continuing operations		**10,696**	32,155
– From discontinued operation		**113**	(79)
		10,809	32,076
Non-controlling interests			
– From discontinued operation		**(26)**	(48)
		(26)	(48)
		10,783	32,028
Total comprehensive income for the period attributable to:			
Owners of the Company			
– From continuing operations		**10,696**	34,621
– From discontinued operation		**113**	(79)
		10,809	34,542
Non-controlling interests			
– From discontinued operation		**(26)**	(48)
		(26)	(48)
		10,783	34,494
Earnings per share from continuing and discontinued Operations			
– Basic and diluted (RMB per share)	*20*	**0.020**	0.058
Earnings per share from continuing operations			
– Basic and diluted (RMB per share)	*20*	**0.019**	0.058

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 *RMB'000* (Unaudited)**	31 December 2019 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**173,967**	169,102
Intangible assets	*11*	**403**	403
Investment in an associate	*13*	**31,404**	30,187
Deposits	*14*	**4,000**	–
Financial assets at fair value through profit and loss	*12*	**–**	110,000
Total non-current assets		**209,774**	309,692
Current assets			
Inventories		**36,156**	27,906
Trade and other receivables	*14*	**239,053**	272,053
Short-term bank deposits		**94,200**	49,180
Cash and cash equivalents		**187,194**	81,826
		556,603	430,965
Assets of discontinued operation classified as held for sale		**–**	63,256
Total current assets		**556,603**	494,221
Current liabilities			
Trade and other payables	*16*	**144,508**	161,039
Lease liabilities	*22*	**1,156**	63
Income tax payables		**7,619**	19,047
Borrowings	*17*	**56,114**	37,028
		209,397	217,177
Liabilities of discontinued operation classified as held for sale		**–**	33,648
Total current liabilities		**209,397**	250,825
Net current assets		**347,206**	243,396
Total assets less current liabilities		**556,980**	553,088

	Notes	30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
Non-current liabilities			
Deferred tax liabilities	*18*	**27,363**	26,559
Total non-current liabilities		**27,363**	26,559
Net assets		**529,617**	526,529
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**4,490**	4,490
Reserves		**525,127**	514,344
		529,617	518,834
Non-controlling interests		**–**	7,695
Total equity		**529,617**	526,529

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						
	Share capital *RMB'000* *(Note 19)*	**Other reserves** *RMB'000*	**Fair value through other comprehensive income reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2020 (audited)	**4,490**	**346,503**	**–**	**167,841**	**518,834**	**7,695**	**526,529**
Profit/(loss) for the period	**–**	**–**	**–**	**10,809**	**10,809**	**(26)**	**10,783**
Disposal of a subsidiary	**–**	**–**	**–**	**(26)**	**(26)**	**(7,669)**	**(7,695)**
Appropriation to statutory reserve	**–**	**1,760**	**–**	**(1,760)**	**–**	**–**	**–**
At 30 June 2020 (unaudited)	**4,490**	**348,263**	**–**	**176,864**	**529,617**	**–**	**529,617**
At 1 January 2019 (re-presented)	4,490	336,971	(2,466)	144,750	483,745	13,662	497,407
Profit/(loss) for the period	–	–	–	32,219	32,219	(48)	32,171
Other comprehensive income							
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	2,466	(143)	2,323	–	2,323
Total comprehensive income	–	–	2,466	31,076	34,399	(48)	34,494
Appropriation to statutory reserve	–	4,088	–	(4,088)	–	–	–
At 30 June 2019 (unaudited)	4,490	341,059	–	172,738	518,287	13,614	531,901

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and represented)
Cash flows from operating activities		
Cash (used in)/generated from operating activities	**(64,672)**	63,195
Income tax paid	**(18,113)**	(15,207)
Government grant received	**98**	–
Interest paid	**(1,718)**	(1,841)
Net cash (used in)/generated from operating activities	**(84,405)**	46,147
Cash flows from investing activities		
Interest received	**1,466**	899
Purchase of property, plant and equipment	**(14,844)**	(19,469)
Proceeds from disposal of financial assets at fair value through profit or loss	**112,455**	–
Net cash proceeds from disposal of subsidiaries	**21,977**	–
Deposit for purchase of property, plant and equipment	**4,000**	–
Loans to third parties	**(8,000)**	(10,000)
Repayments from third parties	**99,000**	30,000
Invest in short-term bank deposits	**(45,020)**	(4,780)
Net cash generated from/(used in) investing activities	**171,034**	(3,350)
Cash flows from financing activities		
Proceeds from borrowings	**97,086**	42,240
Repayment of borrowings	**(78,000)**	(55,025)
Repayment of principal portion of the lease liabilities	**(347)**	(368)
Advance from a non-controlling shareholder of a subsidiary	**–**	20,000
Net cash generated from financing activities	**18,739**	6,847
Net increase in cash and cash equivalents	**105,368**	49,644
Cash and cash equivalents at the beginning of the period	**81,826**	35,726
Cash and cash equivalents at the end of the period	**187,194**	85,370

1. GENERAL INFORMATION

Dongwu Cement International Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in the production and sales of 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, the People's Republic of China (the "**PRC**").

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial information (the "**Financial Information**"). have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were approved by the Board of Directors (the "**Board**") for issue on 21 August 2020.

The Financial Information has been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. Details of any changes in accounting policies are set out in note 3.

The preparation of the Financial Information in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

The Financial Information is presented in Renminbi ("**RMB**"), unless otherwise stated. The Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The Financial Information does not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") and should be read in conjunction with the 2019 consolidated financial statements.

The Financial Information has been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are measured at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

– Amendments to HKFRS 3: Definition of a Business

– Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

– Amendments to HKAS 1 and HKAS 8: Definition of Material

– Conceptual Framework for Financial Reporting (Revised)

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

Amendments to HKFRS 3: Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

3.2 Current income tax

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

3.3 Other new HKAS, amendments and interpretations

The Group has not applied any new HKFRSs or amendments that is not yet effective for the current accounting period.

4. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing these Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

5.2 Liquidity risk

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

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

5.3 Seasonality of operations

There is no obvious seasonality of operations noted for the Group for the six months ended 30 June 2019 and 2020.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

(i) Production and sales of cements;

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

(iii) Money lending and financial services.

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

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 segment.

For the six months ended 30 June 2020 (Unaudited)

	Continuing operation		Discontinued operation	
	Production and sales of cements	**Money lending and financial services**	**Provision of sewage and sludge treatment operation and construction services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Time of revenue Recognition				
At a point in time	**174,805**	**–**	**–**	**174,805**
Segment revenue *(Note 7)*	**174,805**	**–**	**–**	**174,805**
Segment results	**22,195**	**(20)**	**87**	**22,262**
Unallocated expenses				**(3,989)**
Income tax expense	**(7,490)**	**–**	**–**	**(7,490)**
Profit for the period				**10,783**
As at 30 June 2020 (Unaudited)				
Segment assets	**739,952**	**415**	**–**	**740,367**
Unallocated assets				**26,010**
Total assets				**766,377**
Segment liabilities	**204,407**	**44**	**–**	**204,451**
Unallocated liabilities				**32,309**
Total liabilities				**236,760**

For the six months ended 30 June 2019 (Unaudited)

	Continuing operation		Discontinued operation	
	Production and sales of cements *RMB'000*	Money lending and financial services *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Time of revenue Recognition				
At a point in time	251,739	–	–	251,739
Segment revenue *(Note 7)*	251,739	–	–	251,739
Segment results	54,209	(18)	(133)	54,058
Unallocated expenses				(6,242)
Income tax (expense)/credit	(15,794)	–	6	(15,788)
Profit for the period				32,028
As at 31 December 2019 (Audited)				
Segment assets	737,687	445	63,256	801,388
Unallocated assets				2,525
Total assets				803,913
Segment liabilities	210,911	44	33,648	244,603
Unallocated liabilities				32,781
Total liabilities				277,384

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer. There were no inter-segment sales for both periods. Revenue derived from the single largest external independent customers amounted to 2.86% of the Group's revenue for the period (30 June 2019: 9.25%).

7. REVENUE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Continuing operations		
Sale of ordinary Portland cement strength class 42.5	**108,867**	157,314
Sale of composite Portland cement strength class 32.5R	**65,445**	93,444
Solid waste processing income	**493**	981
	174,805	251,739
Discontinued operation		
Provision of sewage and sludge treatment operation and construction services	**–**	–
	174,805	251,739

All of the Group's revenue is derived from contracts with customers.

The following table provides information about trade receivables, bill receivables, contract assets and contract liabilities from contracts with customers.

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Trade and bills receivables, net *(Note 14)*	**92,676**	102,628
Contract liabilities	**(25,600)**	(16,597)
Discontinued operation		
Trade receivables, net	**–**	2,243
Contract assets, net	**–**	27,692
Contract liabilities	**–**	(6,690)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of construction services. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

The contract liabilities mainly relate to the advance consideration received from customers. RMB16,597,000 (30 June 2019: RMB6,084,000) of the contract liabilities as of 1 January 2020 has been recognised as revenue for the six months ended 30 June 2020 from performance obligations satisfied in current period.

The Group has applied the practical expedient to its sales contracts for sales of cement products and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of cement products that had an original expected duration of one year or less.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and re-presented)
Continuing operations		
Current tax		
– Enterprise Income Tax ("**EIT**")	**6,686**	11,922
Deferred tax *(Note 18)*	**804**	3,871
	7,490	15,793
Discontinued operation		
Deferred tax *(Note 18)*	**–**	(6)
	–	(6)
Income tax expense	**7,490**	15,787

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

Hong Kong profits tax rate is calculated by applying the estimated weighted average income tax rate expected for the full financial period of 16.5% (2019: 16.5%) to the six months ended 30 June 2020. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the period (30 June 2019: Nil).

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 six months ended 30 June 2020 except for Shanghai Biofit Environmental Technology Co., Ltd changed at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the period (30 June 2019: 15%).

9. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and Re-presented)
Cost of inventories sold	**144,708**	197,215
Depreciation of property, plant and equipment	**11,418**	8,849
Provision for impairment on trade receivables, net	**1,352**	2,352
Provision for impairment on other receivables, net	**68**	311
Provision/(reversal of provision) on impairment on loan receivables, net	**229**	(2,156)
Employee expenses (including directors' remuneration)		
– wages and salaries	**7,015**	9,818
– pension scheme contribution	**849**	1,838
Auditor remuneration	**140**	140
Minimum lease payments under operating leases for buildings	**–**	1,417

(b) Discontinued operation

On 16 December 2019, the Board resolved to dispose of Shanghai Biofit Environmental Technology Co. Ltd. ("**Shanghai Biofit**") and its subsidiaries (together the "**Biofit Group**") by disposal of the investment holding company of the Biofit Group (together the "**Disposal Group**"). The Biofit Group is principally engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services.

The disposal was completed in March 2020 and the Disposal Group's operation was classified as a discontinued operation.

Revenue, results and cash flows of the Disposal Group were as follows:

	Paid from 1 January to 23 March 2020 (Date of disposal)	Six month ended 30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and Re-presented)
Revenue	**–**	–
Administrative expenses	**–**	(519)
Other income	**–**	535
Finance cost – net	**(68)**	(149)
Loss before income tax expenses	**(68)**	(133)
Income tax credit	**–**	6
Loss for the period from a discontinued operation	**(68)**	(127)
Loss for the period from a discontinued operation attributable to:		
Owner of the company	**(42)**	(79)
Non-controlling interests	**(26)**	(48)
	(68)	(127)

	From 1 January to 23 March 2020 (Date of disposal) *RMB'000* (Unaudited)	Six month ended 30 June 2019 *RMB'000* (Unaudited and Re-presented)
Operating cash outflows	–	1,083
Investing cash inflows	–	(6)
Financing cash inflows	–	(2,000)
Total cash outflows	–	(923)

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment *RMB'000*
Six months ended 30 June 2020	
Net book value	
Carrying amount as at 31 December 2019 and 1 January 2020 (Audited)	**169,102**
Additions	**16,281**
Depreciation	**(11,418)**
Exchange realignment	**2**
Carrying amount as at 30 June 2020 (Unaudited)	**173,967**
Six months ended 30 June 2019	
Carrying amount as at 1 January 2019 (Re-presented)	**135,533**
Additions	**19,469**
Depreciation	**(8,849)**
Exchange realignment	**(8)**
Carrying amount as at 30 June 2019 (Unaudited)	**146,145**

Note: The following table summarized the right-of-use assets capitalised by nature of underlying assets that included in the property, plant and equipment:

Right-of-use assets	**Land use right** *RMB'000*	**Land and buildings** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	**14,888**	**61**	**14,949**
Addition	**–**	**1,437**	**1,437**
Depreciation	**(202)**	**(362)**	**(564)**
Exchange differences	**–**	**2**	**2**
At 30 June 2020	**14,686**	**1,138**	**15,824**
At 1 January 2019	15,296	797	16,093
Depreciation	(204)	(358)	(562)
Exchange differences	–	(8)	(8)
At 30 June 2019	15,092	431	15,523

11. INTANGIBLE ASSETS

The balance related to the cost of money lending licence is considered by the directors of the Company as having indefinite useful lives because it is expected that the money lending licence can be renewed continuously at minimal cost and it will contribute net cash inflows for the Group in the foreseeable future. The money lenders licence will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, the recoverable amount of the money lenders licence has been determined based on fair value less costs of disposal estimated by the management.

12. FINANCIAL ASSETS

(a) Financial assets at fair value through other comprehensive income

On 4 April 2018, the Group entered into an equity transfer agreement with Orient Hengxin Capital Holdings Limited (the "**Vendor**") which was owned as to 70% by Mr. Tseung Hok Ming, the non-executive director and controlling shareholder of the Company ("**Mr. Tseung**"), 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.

The investment is classified as fair value through other comprehensive income. On 30 December 2019, the investment is sold to an independent third party for a cash consideration of RMB9,000,000. Fair value gain of this investment of approximately RMB2,466,000 for the period ended 30 June 2019 was recognised in other comprehensive income.

(b) Financial assets of fair value through profit or loss

On 23 December 2019, the Group entered into an investment agreement to subscribe a perpetual bond with the principal amount of RMB110,000,000 from an unlisted issuer, Chongqing International Construction Corporation. The perpetual bonds were purchased for broadening the Group's revenue stream and achieve better returns from the idle cash resources of the Group. Distributions on the perpetual bond are paid annually in arrears from 30 December 2019 and can be deferred at the discretion of the issuer. The perpetual bonds have no fixed maturity and are redeemable at the issuer's option on or after 30 December 2019 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the issuer cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the issuer.

The investment is classified as fair value through profit or loss. In May 2020, the issuer had fully redeemed the bond and repaid approximately RMB112,455,000 to the Group.

13. INTEREST IN AN ASSOCIATE

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Unlisted equity investment:		
As at the beginning	**30,187**	24,000
Share of results of an associate	**1,217**	6,187
As at the end of period ended and year ended	**31,404**	30,187

The Group has a 43.2% (31 December 2019: 43.2%) interest in an associate, Suzhou Dongtong Environment and Technology Company Limited (蘇州東通環保科技有限公司,"**Dongtong Environment and Technology**"), which was incorporated and operates in the PRC. The principal activity of Dongtong Environment and Technology is research and development on environmental technology and provision of related services.

14. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables from third parties	**95,828**	104,428
Less: provision for impairment *(Note (iv))*	**(3,152)**	(1,800)
Trade and bills receivables, net *(Note (i))*	**92,676**	102,628
Prepayments *(Note (ii))*	**89,464**	23,490
Loans to 蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*,"**Dongtong**")	**–**	66,400
Loan receivables *(Note (iii))*	**30,000**	61,000
Other receivables	**32,540**	19,865
Less: provision for impairment on other receivables *(Note (iv))*	**(331)**	(263)
Less: provision for impairment on loans receivables *(Note (iv))*	**(1,296)**	(1,067)
Prepayments, deposits and other receivables	**150,377**	169,425
Total trade and other receivables	**243,053**	272,053
Less: non-current portion		
Prepayments *(Note (ii))*	**(4,000)**	–
Trade and other receivables-current portion	**239,053**	272,053

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

As at 30 June 2020 and 31 December 2019, no trade and bills receivable were pledged for the borrowings.

(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 (31 December 2019: 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.

Ageing analysis of trade and bills receivables (net of provision) by invoice date and issuance date of bills are as follows:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**67,006**	55,195
From 91 days to 180 days	**13,121**	34,308
From 181 days to 1 year	**7,759**	10,789
From 1 year to 2 years	**4,439**	1,990
Over 2 years	**351**	346
	92,676	102,628

(a) 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. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) Prepayments

As at 30 June 2020, included in the Group's prepayments were mainly represented by the prepayment amounted RMB89,464,000 and RMB4,000,000 (31 December 2019: RMB14,394,000 and nil) paid to the suppliers for the raw material purchase and equipment purchase respectively.

(iii) Loans receivables

As at 30 June 2020, the Group's loan receivables represent an unsecured loan receivables of RMB22,000,000 (31 December 2019: RMB22,000,000) from a third party with interest at a fixed rate of 7% per annum repayable in October 2020; and an unsecured loan receivables of RMB8,000,000 (31 December 2019: RMB nil) from a third party with interest at a fixed rate of 7% per annum repayable in March 2021. Unsecured loan receivables of RMB39,000,000 from third parties with interest at a fixed rate of 8-12% per annum was received in March 2020.

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

	As at 30 June 2020	**As at** 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
Beginning of period/year	**1,800**	3,853
Provision for the period/year	**1,548**	896
Balance recovered for the period/year	**(196)**	(2,949)
End of period/year	**3,152**	1,800
Contract assets:		
Beginning of period/year	**–**	2,240
Write off	**–**	(902)
Attributable to held for sale	**–**	(1,338)
End of period/year	**–**	–
Other receivables:		
Beginning of period/year	**263**	6
Provision for the period/year	**252**	257
Balance recovered for the period/year	**(184)**	–
End of period/year	**331**	263
Loan receivables:		
Beginning of period/year	**1,067**	3,888
Provision for the period/year	**229**	1,067
Balance recovered for the period/year	**–**	(3,888)
End of period/year	**1,296**	1,067

The origination and release of provision for impairment of trade receivables, contract assets, other receivables and loan receivables have been included in administrative expenses in the profit or loss. Amounts charged to impairment account are generally written off, when there is no expectation of recovering additional cash. The Group recognised impairment loss on individual assessment in accordance with the accounting policy.

15. CONTRACT ASSETS

	As at 30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
Contracts in progress at the end of period/year:		
Contract costs incurred	**–**	65,521
Recognised profits less recognised losses	**–**	–
	–	65,521
Progress billings	**–**	(36,491)
Provision for impairment	**–**	(1,338)
	–	27,692
Represented by:		
Assets of a discontinued operation classified as held for sale	**–**	27,692

16. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
Trade payables	**76,245**	72,311
Bill payables	**33,000**	40,000
Contract liabilities	**25,600**	16,597
Salary and bonus payables	**824**	3,964
VAT payables	**5,762**	2,916
Other payables	**3,077**	14,251
Deposit received for sale of the Biofit Group	**–**	11,000
	144,508	161,039

The credit period granted by the Group's principal suppliers is 30 to 90 days. Most of the Group's trade and other payables are denominated in RMB.

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

Aging analysis of trade payables are as follows:

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Below 30 days	**35,722**	47,293
From 31 days to 90 days	**30,510**	18,362
From 91 days to 180 days	**5,697**	4,177
From 181 days to 1 year	**1,762**	1,170
From 1 year to 2 years	**1,339**	571
Over 2 years	**1,215**	738
	76,245	72,311

17. BORROWINGS

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings *(note (a),(b))*	**26,900**	25,000
Other loan *(note (c),(d))*	**27,681**	13,700
Other loan, unsecured *(note (e))*	**1,533**	1,328
Less: Attributable to held for sale *(note (b))*	**–**	(3,000)
Total bank loans	**56,114**	37,028
Carrying amount of borrowings repayable:		
On demand or within one year	**56,114**	37,028

Notes:

(a) As at 30 June 2020, bank borrowing of approximately RMB26,900,000 (31 December 2019: RMB22,000,000) was secured by corporate guarantees from the Company.

(b) As at 31 December 2019, another bank borrowings of approximately RMB3,000,000 was secured by personal guarantees from an executive director of the Company, Mr. Ling Chao and his close family member with interest at a fixed rate of 5.65% per annum and repayable on June 2020. Due to the completion of disposal of the Biofit Group, this borrowing was transferred to an independent third party (Note 26).

(c) As at 30 June 2020, the Group's other loan represented (i) an other loan of RMB15,750,000 (31 December 2019: RMB1,769,000) from one third party was secured by corporate guarantees from the Company; (ii) an other loan of RMB1,231,000 (31 December 2019: RMB1,231,000) from another third party was secured by corporate guarantees from the Company.

(d) As at 30 June 2020, unsecured other loan of approximately HKD11,865,000 (equivalent to approximately RMB10,700,000) (31 December 2019: HKD11,000,000, equivalent to approximately RMB10,700,000) with a fixed interest rate of 8% per annum were secured by personal guarantees from Mr. Tseung.

(e) As at 30 June 2020, unsecured other loan of RMB1,533,000 (31 December 2019: RMB1,328,000) with a fixed interest rate of 8% per annum provided by Mr. Tseung.

18. DEFERRED TAX LIABILITIES

Deferred tax liabilities	**Withholding tax for attributable profit relating to equity holders** *RMB'000* *(Note (a))*
As at 31 December 2019 and 1 January 2020 (Audited)	26,559
Charged to profit or loss	804
As at 30 June 2020 (Unaudited)	27,363
As at 1 January 2019 (Audited)	17,018
Charged to profit or Loss	3,865
As at 30 June 2019 (Unaudited)	20,883

(a) Pursuant to the PRC Corporate Income Tax Law, effective from 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of their earnings generated from 1 January 2008.

19. SHARE CAPITAL

	Number of ordinary shares *(thousands)*	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 2019, 30 June 2019, 31 December 2019 and 30 June 2020	10,000,000	100,000	81,520
Issued and fully paid:			
As at 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	552,000	5,520	4,490

20. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB10,809,000 (30 June 2019: RMB32,076,000) by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2019: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the periods ended 30 June 2020 and 2019, diluted earnings per share is the same as basic earnings per share.

From a discontinued operation

Basic and diluted earnings per share for the period from a discontinued operation is RMB0.001 per share (30 June 2019: RMB0.0001 loss per share), based on the profit for the period from a discontinued operation of RMB113,000 (30 June 2019: loss RMB79,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2019: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the period from continuing operations is RMB0.019 per share (30 June 2019: RMB0.058), based on the profit for the period from continuing operations of RMB10,696,000 (30 June 2019: RMB32,155,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2019: 552,000,000).

21. DIVIDENDS

A interim dividend in respect of the period ended 30 June 2020 of HK$0.0725 per share (tax exclusive) (2019: Nil) was proposed pursuant to a resolution passed by the Board of Directors and subject to the approval of the shareholders. This proposed dividend is not reflected as dividend payable in the condensed consolidated interim financial statements.

22. LEASE LIABILITIES

	Leasehold land and buildings *RMB'000*
At 1 January 2020 (Audited)	63
Addition	1,473
Lease payments	(383)
Exchange differences	3
At 30 June 2020 (Unaudited)	1,156

23. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries and benefits in kind	**3,305**	2,938

As disclosed in note 12(a), acquisition of 18% equity interests in Dongfang Kangtan by the Group for a cash consideration of RMB9,000,000 was a related party transaction as the Vendor was owned as to 70% by Mr. Tseung Hok Ming ("**Mr. Tseung**"), the non-executive director and controlling shareholder of the Company.

On 1 November 2018, Mr. Tseung (as the lender) has entered into a loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD1,500,000 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 30 June 2020, borrowing of approximately RMB1,533,000 (31 December 2019:RMB1,328,000) and interest payable of RMB613,000 (31 December 2019: RMB124,000) was due to Mr. Tseung and interest expense of approximately RMB489,000 (31 December 2019: RMB106,000) was recognised.

Other payables included an amount due to Mr. Tseung of approximately RMB4,618,000 (31 December 2019: RMB4,005,000), which is unsecured, interest-free and repayable on demand.

(b) Significant related party transactions

Summary of the significant related party transactions carried out by the Group during the period are follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue received from		
– an associate	**493**	981

Note:

(i) Revenue received in respect of solid waste processing income were mutually agreed by both parties

24. CAPITAL COMMITMENT

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitments for the acquisition of:		
Property, plant and equipment	**–**	1,464
	–	1,464

25. FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair value of financial assets and liabilities:

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Financial assets:		
Financial assets at fair value through profit or loss		
– Perpetual bond	**–**	110,000
Financial assets at amortised cost		
– Trade and other receivables excluding prepayments	**153,589**	248,563
– Short-term bank deposits	**94,200**	49,180
– Cash and cash equivalents	**187,194**	81,826
Total	**434,983**	489,569
Financial liabilities:		
Financial liabilities at amortised cost		
– Borrowings	**56,114**	37,028
– Trade and other payables excluding non-financial liabilities	**113,146**	130,526
Total	**169,260**	167,554

26. DISPOSAL OF SUBSIDIARIES

During the period ended 30 June 2020, the Group entered into agreement with an independent third party to dispose of its entire interest in Biofit Group, which engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services in PRC. The disposal was completed in March 2020 and the Group recognised a gain on disposal of subsidiary of approximately RMB87,000.

Fair value of net assets at the date of completion of the disposal are as follows:

	(Unaudited) *RMB'000*
Property, plant and equipment	30
Contract assets, net	27,692
Trade receivables, net	2,243
Other receivables	1,602
Prepayment	31,649
Cash and cash equivalent	23
Deferred tax assets	17
Borrowings	(3,000)
Contract liabilities	(6,690)
Trade and other payables	(19,649)
Income tax payable	(4,335)
Non-controlling interests	(7,669)
Net assets disposed	21,913
Net assets disposed consideration received	22,000
Less: Net assets disposed	(21,913)
Gain on disposal of subsidiary	87

An analysis of net cash outflow of bank balances and cash in respect of disposal of subsidiary is as follows:

	(Unaudited) *RMB'000*
Net cash flow arising on disposal of subsidiaries	
Cash consideration	22,000
Less: bank balances and cash disposed	(23)
	21,977

27 FAIR VALUE

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**Fair Value Hierarchy**"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, loan receivables, short-term bank deposits, trade and other payables and borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, short-term bank deposits, trade and other receivables, trade and other payables and borrowings approximate fair value.

(ii) Financial instruments measured at fair value

Financial assets at FVOCI and financial assets at FVTPL included in the consolidated financial statements require measurement at, and disclosure of, fair value.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurements

For the financial assets at fair value through profit or loss

The fair value of the perpetual bonds was determined by the Directors with reference to the valuation performed by Graval Consulting Limited. The valuer used discounted cash flow in assessing the fair value of the bonds as at 31 December 2019 and concluded that the fair value of the perpetual bonds as at 31 December 2019 is approximately RMB110,000,000.

Significant unobservable input:

Discount for contractual cash flow of 6.38%

The perpetual bonds issued by an unlisted corporation is measured at level 3 recurring fair value hierarchy.

In May 2020, the issuer had fully redeemed the bond and paid approximately RMB112,455,000.

There was no transfer under the fair value hierarchy classification during the six months ended 30 June 2020.

For the financial assets at fair value through other comprehensive income

The fair value of the unlisted equity investment in Dongfang Kangtan was calculated using market approach. The fair value of the unlisted equity investment in Dongfang Kangtan as at 30 June 2019 was approximately RMB9,000,000.

Significant unobservable input:

Discount for lack of marketability of 25%

The unlisted equity investment in Dongfang Kangtan is measured at level 3 recurring fair value hierarchy.

On 30 December 2019, the investment is sold to an independent third party for a cash consideration of RMB9,000,000.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Unlisted equity investment	**Financial assets at FVTPL 2020** ***RMB'000*** **(Unaudited)**	**Financial assets at FVOCI 2020** ***RMB'000*** **(Unaudited)**
At 1 January	**110,000**	**–**
Total gains or losses:		
– changes in fair value of financial assets	**2,455**	**–**
Dispose	**(112,455)**	**–**
At 30 June	**–**	**–**

Unlisted equity investment	Financial assets at FVTPL 2019 *RMB'000* (Unaudited)	Financial assets at FVOCI 2019 *RMB'000* (Unaudited)
At 1 January	–	6,534
Total gains or losses:		
– changes in fair value of financial assets	–	2,466
At 30 June	–	9,000

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

From January to June 2020, the sudden outbreak of the novel coronavirus pneumonia constitutes a major global systemic crisis this year, which has brought unprecedented challenges to various areas including economy, society, and culture. The Chinese government has responded appropriately, and the timely prevention and control measures have quickly brought the epidemic under control. During the Reporting Period, the gross domestic product (GDP) recorded a year-on-year decrease of 1.6% (an increase of 6.3% for the same period in 2019). During the Reporting Period, the fixed asset investment recorded a nominal rate of decline of 3.1% compared with that in the same period of last year (an increase of 5.8% for the same period in 2019). (Data source: National Bureau of Statistics) From January to June 2020, China's domestic cement output totaled 998 million tons, which was 4.8% lower than that of the same period in 2019 (an increase of 6.8% for the same period in 2019). In the first half of 2020, the cement industry was affected by both the novel coronavirus epidemic and the extra-long plum rain season. The domestic cement market demand has experienced a severe decline in stages. Inventories of companies continually maintain at a high level, resulting in unprecedented pressure, but cement prices in most regions remain at a relatively reasonable level. In the first half of the year, as the government promoted the prevention and control of the epidemic as a whole, and adopted various effective policies and measures, production and life gradually recovered. The resumption of work and production has been intensified, the decline in investment has been significantly narrowed, and the upward trend has further emerged. The first quarter is the traditional slack season for consumption in the cement market. Affected by the epidemic, demand has stagnated. Although prices have fallen, the decline is relatively controllable. Entering the peak demand season in the second quarter, especially during the concentrated release of downstream market demand in April and May, monthly sales hit a record high, and cement prices rose moderately in some areas. In mid to late of the month, many places in the southern region encountered heavy rainfall, and prices showed a downward trend. In the first half of the 2020, infrastructure investment fell by 2.7% year-on-year, and the rate of decline narrowed by 3.6 percentage points from January to May. In the first half of 2020, the national cement output was 998 million tons, representing a year-on-year decrease of 4.8%, and the rate of decline narrowed by nearly 20 percentage points compared with the first quarter. In terms of quarterly trend, there was a sharp decline in the first quarter and a sharp rebound in the second quarter. The epidemic caused a slow start of cement demand after the Spring Festival, and the national cement production and sales dropped significantly by 23.93% in the first quarter, the largest decline since the beginning of this century. As the epidemic was effectively controlled in the second quarter, and under the strong promotion of the government, downstream infrastructure projects, real estate and other fields were restored. The backlog of cement demand in the early stage was superimposed on the peak demand season, and cement production increased by 6.9% year-on-year in the second quarter.

In the first half of 2020, prices in East China continued to fall sharply during the off-season in June. As of the end of June, the spot price was RMB20-30 per ton lower than the same period last year. During the plum rain season, continuous rainy weather seriously interfered with regional market demand. The shipment volume of enterprises dropped to 60-70%. Coupled with the impact of imports and sources from the Northeast, cement companies in the region had to adopt a strategy of drastically lowering prices. Take the cement price of provincial capitals of major sales areas (Jiangsu, Zhejiang and Shanghai) of the Group for example, in June, the average price of PO42.5 cement in Nanjing (provincial capital of Jiangsu), Hangzhou (provincial capital of Zhejiang), and Shanghai was RMB430 per ton, RMB490 per ton, and RMB450 per ton respectively, registering a year-on-year decrease of 18.9%, 7.5% and 12.6%, respectively. *(Data source: dcement.com)*

Environmental Protection Segment

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 reusing and dyeing wastewater treatment. The operation of environmental protection segment of the Group has been incorporated into the consolidated statements of the Group since 30 April 2015. Based on our operation experiences, the Board believed that the existing business of Shanghai Biofit was not developed as expectation. After the discussions of the Board, the Group has entered into a sale and purchase agreement with an independent third-party on 16 December 2019 to dispose the entire equity interests it holds in Shanghai Biofit (representing approximately 62.26% of equity interests of Shanghai Biofit) at the aggregate consideration of RMB22 million. For details of the above transaction, please refer to the announcement of the Company dated 16 December 2019. The above transaction has been completed. The operation of Shanghai Biofit was no longer incorporated into the consolidated statements of the Group.

Money Lending and Financial Services Segment

In December 2017, the Group carried out the money lending business through the acquisition of Golden Stars Assets Management Limited ("**Golden Stars**") from an independent third party 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) an independent third party 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.

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB174,805,000, which was all generated from the cement segment, representing a decrease of approximately RMB76,934,000 or 30.6% from approximately RMB251,739,000 in the corresponding period in 2019. The decrease is mainly due to the following reasons

1. The sudden outbreak of the novel coronavirus pneumonia epidemic caused delay in operation of customers and a drop in cement sale volume; and

2. "The Extra-Long Plum Rain Season" hindered the recovery of prices and sales.

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

	For the six months ended 30 June					
	2020			2019		
	Sales Volume	**Average Selling Price**	**Revenue**	Sales Volume	Average Selling Price	Revenue
	Thousand tonnes	***RMB/ tonne***	***RMB'000***	*Thousand tonnes*	*RMB/ tonne*	*RMB'000*
PO 42.5 Cement	271	401.72	108,867	398.0	397.73	158.295
PC 32.5 Cement	201	325.60	65,445	288.0	324.46	93.444

By product, Sales volume of the Group's cement products during the Reporting Period amounted to approximately 472 thousand tonnes, representing a decrease of approximately 31.2% year on year, while the sales revenue of cement products decreased by approximately 30.6% year on year.

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

	For the six months ended 30 June			
	2020		2019	
	Revenue *RMB'000*	**% of total turnover**	Revenue *RMB'000*	% of total turnover
Jiangsu Province	**138,404**	**79.40%**	202,602	80.48%
Wujiang District	**104,709**	**60.07%**	149,088	59.22%
Suzhou (excluding Wujiang District)	**33,695**	**19.33%**	53,514	21.26%
Zhejiang Province	**30,653**	**17.59%**	37,271	14.81%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**19,900**	**11.42%**	34,570	13.73%
Jiaxing	**10,753**	**6.17%**	2,701	1.07%
Shanghai	**5,255**	**3.01%**	11,865	4.71%
Total	**174,312**	**100.0%**	251,739	100.0%

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

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit of cement segment business amounted to approximately RMB29,234,000, representing a decrease of approximately RMB22,890,000 or 43.9% as compared to the gross profit of approximately RMB52,124,000 in the corresponding period last year, while the gross profit margin amounted to approximately 16.7%, representing a decrease of approximately 4.0% in absolute value as compared to approximately 19.2% in the corresponding period last year. The decrease was mainly attributable to the increase in raw material cost resulting from the sudden outbreak of the novel coronavirus pneumonia epidemic and the "Extra-Long Plum Rain Season" in the second quarter during the Reporting Period.

Other Income

During the Reporting Period, the Group's other income amounted to approximately RMB7,322,000, representing a decrease of approximately RMB2,676,000 or 26.8% as compared to approximately RMB9,998,000 in the corresponding period last year. The decrease was mainly due to the decrease in income from government grants resulting from the decrease in revenue during the Reporting Period.

Sales and Distribution Expenses

The Group's distribution expenses amounted to approximately RMB2,122,000, representing an increase of approximately 23.4% as compared to approximately RMB1,720,000 in the corresponding period last year. The increase was mainly due to the increase in transportation expenses during the Reporting Period. Sales and distribution expenses accounted for approximately 1.2% of the consolidated turnover of the Group, representing an increase of 0.3% in absolute value as compared to approximately 0.9% in the corresponding period last year, which was mainly due to the increase in transportation cost during the outbreak.

Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses amounted to approximately RMB17,213,000, representing an increase of RMB3,658,000 or 27.0% as compared to approximately RMB13,555,000 in the corresponding period last year. The increase was due to (1) the additional expected credit loss of approximately RMB2,316,000 due to the epidemic coronavirus disease (COVID-19) and (2) the Information Security System resulted in an increase in depreciation of RMB1,559,000.

Income Tax Expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB7,490,000, representing a significant decrease from approximately RMB15,793,000 in the corresponding period last year, which is mainly attributable to the decrease in profit incurred during the Reporting Period.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 6.2%.

The net profit margin decreased 9.1% in absolute value as compared to approximately 15.3% in the corresponding period last year. The decrease was mainly attributable to the decrease in revenue due to the reasons described in the section "Revenue" above.

Liquidity and Capital Resources

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Cash and cash equivalents	**187,194**	81,826
Borrowings	**56,114**	37,028
Debt to equity ratio	**44.7%**	52.7%
Liability to asset ratio	**30.9%**	34.5%

Cash Flow

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB187,194,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB185,730,000, representing an increase of approximately 131.7% from approximately RMB80,161,000 as at 31 December 2019. The increase was primarily due to the redemption of the perpetual bond during the Reporting Period.

Borrowings

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Current:		
– Cement segment	**26,900**	22,000
– Unallocated	**29,214**	15,028
	56,114	37,028

During the Reporting Period, the bank borrowings of the Group increased by 51.5% from approximately RMB37,028,000 as at 31 December 2019. Bank borrowings of the Group as at 30 June 2020, bearing fixed interest rate, amounted to approximately RMB26,900,000, increased by 22.3% compared to that as at 31 December 2019.

The aforesaid borrowings were not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bill receivables and restricted bank deposits (as at 31 December 2019: approximately RMB12,000,000 was not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bill receivables and restricted bank deposits).

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

As at 30 June 2020, the Group had unutilized bank financing facilities of RMB29,000,000.

Debt to Equity Ratio

As at 30 June 2020, the Group's debt to equity ratio was 44.7%.

Among others, the debt to equity ratio of the cement segment was 38.0%, remained broadly flat compared to 40.4% as at 31 December 2019.

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

Capital Expenditure and Capital Commitments

As at 30 June 2020, the Group's capital expenditure amounted to approximately RMB14,844,000. Among others, the capital expenditure of the cement segment amounted to approximately RMB14,844,000, representing a notable decrease from approximately RMB19,469,000 in the corresponding period last year.

As at 30 June 2020, the Group had no capital commitments (31 December 2019: RMB1,464,000).

Pledge of Assets

As at 30 June 2020, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in Mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. Foreign exchange debts were primarily a result of the Group's payment of offshore intermediary fees. During the Reporting Period, the Hong Kong dollars of the Company deposited with the offshore banks recorded a foreign exchange loss of approximately RMB1,154,000 due to the depreciation of Hong Kong dollars.

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in the PRC and/or abroad, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of Renminbi against foreign currencies resulting from the Company's exchange of its remaining balance of IPO net proceeds into Renminbi may have a positive or negative impact on the Company's financial position. The management will closely monitor the foreign exchange exposures and will consider taking appropriate measures on hedging foreign currency risks when necessary.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Reporting Period, the Group did not conduct any material acquisitions or disposals of its subsidiaries or associated companies, except the disposal of Biofit Group.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has decided to declare an interim dividend ("**Interim Dividend**") of HK$0.0725 per Share (after tax) for the six months ended 30 June 2020. The Interim Dividend will be paid on 30 September 2020.

The register of H Share members of the Company will be closed from Tuesday, 15 September 2020 to Thursday, 17 September 2020 (both days inclusive). In order to establish entitlements to the Interim Dividend, all transfer documents must be lodged for registration with the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 14 September 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 226 employees. The total remuneration of our employees amounted to approximately RMB7,015,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

FUTURE PROSPECTS

In the second half of 2020, as the novel coronavirus epidemic was effectively controlled, the Group will continue to reduce costs in an effective manner through improving its internal management; Upgrading existing company facilities to increase production efficiency and reduce maintenance costs; expand market share and increase profitability of our products by refining customer services; continue to positively exploring investment opportunities in emerging industries; and make attempts in capital operation to enhance operating efficiency and improve overall competitiveness.

OTHER INFORMATION

Share Capital

As at 30 June 2020, the Company's issued share capital was HK$5,520,000, divided into 552,000,000 Shares with a par value of HK$0.01 each.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL LITIGATION AND ARBITRATION

So far as is known to the Directors, the Group was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claims of material importance to be pending or threatened by or against 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 ("**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance.

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

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2020 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant event that requires additional disclosures or might affect the Company after the Reporting Period.

By order of the Board
Dongwu Cement International Limited
Liu Dong
Chairman

Hong Kong, 21 August 2020

As at the date of this announcement, the Board comprises Mr. Liu Dong and Mr. Wu Junxian as executive Directors; Mr. Tseung Hok Ming and Ms. Xie Yingxia as non-executive Directors; and Mr. Cao Guoqi, Mr. Cao Kuangyu and Ms. Yu Xiaoying as independent non-executive Directors.