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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 695)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's turnover amounted to RMB109,411,000, representing a decrease of approximately 32.5% from RMB162,048,000 for the six months ended 30 June 2014.
- The gross profit margin decrease by 10.1% as compared to approximately 4.2% for the corresponding period in 2014 to approximately -5.9%. The decrease was mainly attributable to the overall sluggishness in the industry, the effect of the plum rain season and a relatively large-scale maintenance on environment-friendly and energy-saving equipment conducted by the Company during the Reporting Period.
- Loss attributable to equity holders of the Company increased to RMB14,129,000 during the Reporting Period from RMB1,597,000 for the six months ended 30 June 2014.

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 2015 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the relevant comparative figures for the corresponding period of 2014.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	<i>Note</i>	2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	109,411	162,048
Cost of sales		<u>(115,842)</u>	<u>(155,163)</u>
Gross (loss)/profit		(6,431)	6,885
Distribution costs		(863)	(1,108)
Administrative expenses		(9,981)	(6,776)
Other income		4,113	2,187
Other losses		(395)	(1,493)
Operating loss		(13,557)	(305)
Finance income		90	555
Finance costs		(1,924)	(1,714)
Financial costs – net		(1,834)	(1,159)
Share of results of an associate		(168)	(37)
Loss before income tax credit/(expense)	6	(15,559)	(1,501)
Income tax credit/(expense)	5	1,430	(96)
		<u>(14,129)</u>	<u>(1,597)</u>
Loss attributable to equity holders of the Company		<u>(14,129)</u>	<u>(1,597)</u>
Total comprehensive loss for the period		<u>(14,129)</u>	<u>(1,597)</u>
Total comprehensive loss attributable to the equity holders of the Company		<u>(14,129)</u>	<u>(1,597)</u>
Loss per share for loss attributable to equity holders of the Company for the period (expressed in RMB per share)			
– Basic and diluted loss per share	11	<u>(0.026)</u>	<u>(0.003)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2015 <i>RMB'000</i> (Unaudited)	31 December 2014 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		127,231	121,556
Land use rights		16,639	16,912
Goodwill		11,364	–
Intangible assets		8,876	–
Interest in an associate		4,259	4,427
Trade and other receivables	7	60,389	61,350
Total non-current assets		228,758	204,245
Current assets			
Inventories		31,436	33,369
Trade and other receivables	7	203,372	157,193
Short-term bank deposits		20,000	20,000
Cash and cash equivalents		34,686	20,120
Total current assets		289,494	230,682
Current liabilities			
Trade and other payables	8	90,297	39,337
Current tax payable		3,388	3,524
Borrowings	9	55,000	50,000
Total current liabilities		148,685	92,861
Net current assets		140,809	137,821
Total assets less current liabilities		369,567	342,066
Non-current liabilities			
Deferred tax liabilities		8,142	7,134
Total non-current liabilities		8,142	7,134
NET ASSETS		361,425	334,932
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	4,490	4,174
Other reserves		322,558	282,252
Retained earnings		34,377	48,506
TOTAL EQUITY		361,425	334,932

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to equity holders of the Company			Total <i>RMB'000</i>
		Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	
Balance at 1 January 2015 (audited)		4,174	282,252	48,506	334,932
Issue of shares	<i>10</i>	316	40,306	–	40,622
Comprehensive loss					
Loss for the period		–	–	(14,129)	(14,129)
Total comprehensive loss for the period ended 30 June 2015		–	–	(14,129)	(14,129)
Balance at 30 June 2015 (unaudited)		4,490	322,558	34,377	361,425
Balance at 1 January 2014 (audited)		4,174	281,317	43,700	329,191
Comprehensive loss					
Loss for the period		–	–	(1,597)	(1,597)
Total comprehensive loss for the period ended 30 June 2014		–	–	(1,597)	(1,597)
Balance at 30 June 2014 (unaudited)		4,174	281,317	42,103	327,594

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash generated from operations		11,348	194
Tax refund		(136)	–
Interest paid		(1,924)	(1,193)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		9,288	(999)
Cash flows from investing activities			
Interest received		90	555
Payment for acquisition of a joint venture		–	(75,000)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	<i>14</i>	(17,221)	–
Purchase of property, plant and equipment		(13,313)	(5,720)
		<hr/>	<hr/>
Net cash used in investing activities		(30,444)	(80,165)
Cash flows from financing activities			
Proceeds from borrowing		55,000	50,000
Repayment of borrowing		(59,900)	(50,000)
Proceeds from issuing of shares		40,622	–
		<hr/>	<hr/>
Net cash generated from investing activities		35,722	–
Net increase/(decrease) in cash and cash equivalents		14,566	(81,164)
Cash and cash equivalents at the beginning of the period		20,120	112,105
Exchange gain on cash and cash equivalents		–	161
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		34,686	31,102
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investing holding company. The 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 since 13 June 2012.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information was approved by the Board for issue on 20 August 2015.

The condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information (the "Financial Information") for the Reporting Period has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. During the Reporting Period, the Group established, among others, new business segment, resulting in a change in composition of reportable operating segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The 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 (new segment during the Reporting Period).

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.

Corresponding items of segment information for the six months ended 30 June 2014, during which, the Board considered the Group had one reporting segment, have been restated for consistent presentation with current Reporting Period's segment information.

For the six months ended 30 June 2015

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

For the six months ended 30 June 2014

	Production and sales of cements <i>RMB'000</i>	Provision of sewage and sludge treatment operation and construction services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>162,048</u>	<u>–</u>	<u>162,048</u>
Segment results	<u>(238)</u>	<u>–</u>	<u>(238)</u>
Unallocated income			–
Unallocated expenses			(1,263)
Income tax expenses	<u>(96)</u>	<u>–</u>	<u>(96)</u>
Loss for the period			<u>(1,597)</u>
As at 31 December 2014			
Segment assets	<u>433,381</u>	<u>–</u>	<u>433,381</u>
Unallocated assets			<u>1,546</u>
Total assets			<u>434,927</u>
Segment liabilities	<u>99,992</u>	<u>–</u>	<u>99,992</u>
Unallocated liabilities			<u>3</u>
Total liabilities			<u>99,995</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. The revenue derived from one of the external customers amounted to 17.04% of the Group's revenue for the Reporting Period (six months ended 30 June 2014: 14.72%).

4 REVENUE

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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Ordinary Portland cement strength class 42.5	52,405	94,994
Composite Portland cement strength class 32.5	56,719	66,052
Clinker	–	1,002
Sewage and sludge treatment operation and construction services	287	–
	<u>109,411</u>	<u>162,048</u>

5 INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	–	–
Deferred tax on origination and reversal of temporary differences	1,430	(96)
	<u>1,430</u>	<u>(96)</u>

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

Hong Kong profits tax rate is 16.5% for the Reporting Period (30 June 2014: 16.5%). 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 Reporting Period (six months ended 30 June 2014: Nil).

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

Tax loss incurred by the Company can be carried forward for five financial years.

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate of the Company used for the six months ended 30 June 2015 is 6% (six months ended 30 June 2014: 6%).

6 LOSS BEFORE INCOME TAX CREDIT/(EXPENSE)

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Cost of inventories sold	102,411	121,259
Depreciation	8,779	12,434
Amortisation	583	202
Research and development expenses	190	–
Employee expenses (including directors' remuneration)		
– wages and salaries	5,027	7,434
– pension scheme contribution	1,083	1,913
Auditor remuneration	120	586
Provision of doubtful debts (<i>Note 7</i>)	377	112
	<u>118,770</u>	<u>145,923</u>

7 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables due from third parties	110,236	74,473
Less: provision for impairment of trade receivables	(1,053)	(676)
Trade receivables, net	<u>109,183</u>	<u>73,797</u>
Bills receivable	<u>23,209</u>	<u>44,729</u>
Trade and bills receivables	132,392	118,526
Amounts due from customers for contract work (<i>Note 13</i>)	15,896	–
Prepayments for		
– acquisition of materials	21,332	15,416
– acquisition of machinery	–	1,030
	<u>21,332</u>	<u>16,446</u>
Loans to Suzhou Dongtong Construction and Development Co. Ltd ("Dongtong")	69,604	66,400
Amount due from a third party company	–	16,600
Other receivables	24,537	571
	<u>263,761</u>	<u>218,543</u>
Less: non-current portion		
– Prepayment for acquisition of machinery	–	(1,030)
– Loans to Dongtong	(60,320)	(60,320)
– Other receivables	(69)	–
	<u>(60,389)</u>	<u>(61,350)</u>
Trade and other receivables	<u>203,372</u>	<u>157,193</u>

As at 30 June 2015 and 31 December 2014, no bills receivable was pledged for the borrowings.

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

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

	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Loans to Dongtong	<u>10.45%</u>	<u>10.45%</u>

The credit terms for most of the customers range from 30 to 90 days. One of the top five customers is granted a credit term of 180 days. For ready-mixed concrete stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1 million and RMB3.5 million with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

At 30 June 2015 and 31 December 2014, ageing analyses of the trade receivables due from third parties were as follows:

	As at	
	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Below 90 days	48,944	53,806
From 91 days to 180 days	28,385	14,554
From 181 days to 1 year	27,119	4,263
From 1 year to 2 years	4,735	1,356
Over 2 years	1,053	494
	<u>110,236</u>	<u>74,473</u>

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

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

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

	Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Opening balance	676	6,756
Provision for the period (<i>Note 6</i>)	377	112
Balance recovered during the period	-	(1,567)
Receivables written off during the period as uncollectible	-	(4,699)
Closing balance at 30 June	<u>1,053</u>	<u>602</u>

8 TRADE AND OTHER PAYABLES

	As at	
	30 June 2015	31 December 2014
	RMB'000	RMB'000
Trade payables	75,607	33,274
Advances from customers	–	1,288
Salary payables	748	1,165
Other tax payables	570	1,001
Other payables	13,372	2,609
	<u>90,297</u>	<u>39,337</u>

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

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

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

The ageing analysis of the trade payables are as follows:

	As at	
	30 June 2015	31 December 2014
	RMB'000	RMB'000
Below 30 days	24,416	14,947
From 31 days to 90 days	19,250	14,246
From 91 days to 180 days	4,676	1,795
From 181 days to 1 year	19,687	1,018
From 1 year to 2 years	6,886	495
Over 2 years	692	773
	<u>75,607</u>	<u>33,274</u>

9 BORROWINGS

The Group has no secured borrowings as at 30 June 2015 and 31 December 2014.

Interest expense on borrowings for the Reporting Period was RMB1,924,000 (six months ended 30 June 2014: RMB1,710,000).

The carrying amounts of the Group's borrowings approximated to their fair values as at 30 June 2015 and 31 December 2014.

The Group's borrowings are denominated in RMB.

10 SHARE CAPITAL

	Number of shares (thousands)	Share capital RMB'000
Balance at 1 January 2015	512,000	4,174
Issue of shares (<i>Note</i>)	40,000	316
Balance at 30 June 2015	<u>552,000</u>	<u>4,490</u>
Balance at 1 January and 30 June 2014	<u>512,000</u>	<u>4,174</u>

Note:

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

11 LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
Loss attributable to equity shareholders of the Company (RMB'000)	(14,129)	(1,597)
Weighted average number of ordinary shares in issue (thousand share)	<u>542,444</u>	<u>512,000</u>
Basic and diluted loss per share (RMB)	<u>(0.026)</u>	<u>(0.003)</u>

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2015 and 2014, diluted loss per share is the same as basic loss per share.

12 RELATED-PARTY TRANSACTIONS

Key management remuneration

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

	Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Basic salaries and benefit in kind	<u>764</u>	<u>780</u>

Save as disclosed of key management remuneration in the above, there are no transactions among the Group and its related parties for the six months ended 30 June 2015 (30 June 2014: Nil).

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 June 2015	31 December
	<i>RMB'000</i>	2014 <i>RMB'000</i>
Contracts in progress at the end of period:		
Contract costs incurred	33,878	–
Recognised profits less recognised losses	<u>3,662</u>	<u>–</u>
	37,540	–
Less: Progress payments	<u>(21,644)</u>	<u>–</u>
	<u>15,896</u>	<u>–</u>
Represented by:		
Due from customers included in current assets	<u>15,896</u>	<u>–</u>

14 BUSINESS COMBINATION

On 30 April 2015, the Group acquired the entire equity interest in Shanghai Biofit Environmental Technology Co. Ltd (“Biofit”) and its subsidiaries (together the “Biofit Group”) at a consideration of RMB30,254,000. Biofit Group is principally engaged in the business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services. The acquisition was made as part of the Group’s strategy to generate synergy with the existing operations and diversify business income streams of the Group.

Detail of the net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Purchase consideration	30,254
Fair value of net assets acquired	<u>(18,890)</u>
Goodwill	<u><u>11,364</u></u>

The goodwill of RMB11,364,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The fair value of identifiable assets and liabilities of the acquired target as at the date of acquisition were:

	<i>RMB'000</i>
Property, plant and equipment	1,141
Intangible assets	9,187
Trade receivables	4,682
Amounts due from customers for contract work	16,896
Prepayments, deposits and other receivables	27,557
Bank and cash balances	9,382
Trade payables	(35,096)
Accruals and other payables	(2,521)
Borrowings	(9,900)
Deferred tax liabilities recognised upon fair value adjustments	<u>(2,438)</u>
Net assets attributed to the Group	<u><u>18,890</u></u>
Bank and cash balances acquired	9,382
Cash consideration paid	<u>(26,603)</u>
Net cash outflow	<u><u>(17,221)</u></u>

Since the acquisition date, the Biofit Group has contributed RMB287,000 and RMB2,225,000 to Group's revenue and loss respectively. If the acquisition had occurred on 1 January 2015, the Group's revenue and loss would have been RMB16,284,000 and RMB4,161,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future performance.

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

The acquisition-related costs expensed in the acquisition were not material, and they had been expensed and were included in administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

From January to June 2015, major macro-economic indicators have shown that China's economy grew slowly. During the Reporting Period, the GDP recorded an increase by 7%, compared to 7.4% of the corresponding period last year, whereas the fixed asset investment recorded a nominal growth of 11.4%, compared to 17.3% of the corresponding period last year. Among which, the total fixed asset investment in construction industry was RMB216.7 billion, increasing by 5.2% as compared to RMB206.0 billion during the corresponding period last year. (Source: PRC National Statistics Bureau)

From January to June 2015, the domestic cement production posted a decrease of 5.33% year on year to 1.077 billion tonnes, representing a decrease of approximately 6.9% as compared with the corresponding period last year. Affected by weak market demand and a continuous drop in price, the overall gross profit margin and profit margin from sales of cement industry decreased in the first half of 2015 compared with the corresponding period of 2014. (Source: Digital Cement Net)

The Group belongs to the market in the Eastern China region. Affected by slowdown of macro-economic growth and prolonged rainy season, the price of cement dropped significantly in the first half of 2015 as compared with the corresponding period last year. Based on the price of cement in the provincial cities of the main sales zone in Jiangsu Province, Zhejiang Province and Shanghai of the Group, from January to June 2015 the average price of cement in the above three provinces/city decreased, with the average prices of PO 42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB247 per tonne, RMB301 per tonne and RMB295 per tonne respectively, representing a decrease of 29.0%, 23.3% and 28.7% as compared with the corresponding period last year. (Source: Digital Cement Net)

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

Environmental Protection Segment

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

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

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

In view of this, the Group acquired Biofit during the Reporting Period, aiming to expand to the environmental protection segment market. The environmental protection segment of the Group has been put into operation since 30 April 2015.

Business and Financial Review

Turnover

During the Reporting Period, the Group's turnover amounted to approximately RMB109,411,000, of which, the cement segment achieved turnover of approximately RMB109,124,000, representing a decrease of approximately RMB52,924,000 or 32.7% from approximately RMB162,048,000 in the corresponding period in 2014. The decrease was primarily attributable to the followings during the Reporting Period:

1. the effects by slowdown of macro-economic growth, the gloomy cement industry and the substantial drop in the price of cement in Eastern China; and
2. rainy season in the year lasted for more than one month, thus significantly affecting the demand for cement.

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

	For the six months ended 30 June					
	2015			2014		
	Average			Average		
	Sales	Selling		Sales	Selling	
	volumes	Price	Turnover	Volume	Price	Turnover
	<i>Thousand</i>	<i>RMB/</i>	<i>RMB'000</i>	<i>Thousand</i>	<i>RMB/</i>	<i>RMB'000</i>
	<i>tonnes</i>	<i>tonne</i>		<i>tonnes</i>	<i>tonne</i>	
PO 42.5 Cement	233.6	224.34	52,405	320.6	296.3	94,994
PC 32.5 Cement	286.0	198.32	56,719	275.1	240.1	66,052
Clinker	–	–	–	3.8	263.8	1,002

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 519.6 thousand tonnes, representing an decrease of approximately 13.3% year on year, while the sales revenue of cement products decreased by approximately 32.2% year on year to approximately RMB109,124,000. During the Reporting Period, the clinker produced by the Group was all used in production of cement and external sales, as compared the income from clinker sales of approximately RMB1,002,000 in the corresponding period last year.

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

	For the six months ended 30 June			
	2015		2014	
	Turnover	% of total	Turnover	% of total
	RMB'000	turnover	RMB'000	turnover
Jiangsu Province	96,211	88.2%	141,122	87.1%
Wujiang District	77,572	71.1%	114,407	70.6%
Suzhou				
(excluding Wujiang District)	18,639	17.1%	26,715	16.5%
Zhejiang Province	10,971	10.0%	17,889	11.0%
South Zhejiang Province				
(Taizhou, Zhoushan and Ningbo)	10,768	9.8%	13,095	8.0%
Jiaxing	203	0.2%	4,794	3.0%
Shanghai	1,942	1.8%	3,037	1.9%
Total	109,124	100.0%	162,048	100.0%

During the Reporting Period, due to unsatisfactory sales volume, selling price of cement of the Group has decreased to different levels. The turnover of respective regions has decreased compared to the corresponding period last year.

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

As of 30 June 2015, Biofit has a total of nine projects, of which some have been completed and some are in progress, with four projects totally completed, three having 90% of their work finished, and two having 30% of their work finished. These nine projects focus on wastewater treatment of mining factories, among which, six projects deal with the construction or renovation of wastewater treatment on enterprise's end, one project deals with the construction of domestic sewage plant, and two project deal with the rural sewage treatment.

In addition, Biofit conducted pilot tests on wastewater treatment for two enterprises during the Reporting Period, proving that the proprietary technology owned by Biofit has remarkable performance in terms of wastewater treatment.

紹興祥禹環保科技有限公司, a company affiliated to Biofit, is a third-party professional operator engaged in industrial park environment, with a focus on facilities for wastewater treatment in the dyeing industry.

As of 30 June 2015, the Company has entered into a third-party operation contract with a textile dyeing enterprise in Shaoxing, with wastewater treatment of 5000 tonnes per day.

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

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit amounted to approximately RMB-6,431,000.

As to cement segment, the gross profit amounted to approximately RMB-6,504,000, an significant decrease of approximately RMB13,389,000 or 194.5% compared to approximately RMB6,885,000 in the corresponding period last year, while the gross profit margin during the Reporting Period amounted to approximately -6.0%, an decrease of approximately 10.2% compared to approximately 4.2% in the corresponding period last year. Apart from the substantial drop in price and demand of cement mentioned above, the decrease was also attributable to the relatively large-scale maintenance on environment-friendly and energy-saving equipment conducted by the Company during the Reporting Period, resulting in pressure on the costs.

As to environmental protection segment, during the period from 30 April to 30 June 2015, the gross profit amounted to approximately RMB73,000, and the gross profit margin amounted to approximately 25.4%.

Other Income

During the Reporting Period, the Group's other income amounted to approximately RMB4,113,000, all generated from cement segment. Such other income grew by approximately 88% from RMB2,187,000 in the corresponding period last year. The increase was mainly due to recognition of interest income of approximately RMB3,204,000 arising from borrowing to Suzhou Dongtong during the Reporting Period.

Sales and Distribution Expenses

During the Reporting Period, the Group's distribution costs amounted to approximately RMB863,000.

As to the cement segment, the distribution costs amounted to approximately RMB863,000, representing a decrease of approximately 22.1% as compared to approximately RMB1,108,000 in the corresponding period last year. The decrease was mainly due to reduced turnover during the Reporting Period. Sales and distribution fees accounted for approximately 0.8% of the consolidated revenue of the cement segment which has an increase compared to approximately 0.7% in the corresponding period last year.

As to the environmental protection segment, during the period from 30 April to 30 June 2015, the distribution costs amounted to approximately RMB nil.

Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses amounted to approximately RMB9,981,000.

As to the cement segment, the general and administrative expenses amounted to approximately RMB7,723,000, representing a increase of approximately 14.0% from approximately RMB6,776,000 in the corresponding period last year. The increase in the general and administrative expenses was primarily due to increase in provision for bad debts and increase in wage costs during the Reporting Period.

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

Income Tax Expense

During the Reporting Period, the Group's income tax credit amounted to approximately RMB1,430,000, representing an significant decrease from income tax expenses of approximately RMB96,000 in the corresponding period last year, mainly attributed to deferred income tax assets of approximately RMB1,430,000 due to loss incurred during the Reporting Period.

Details of the Group's income tax are set out in note 5 to the condensed consolidated financial statements.

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately -12.9%.

As to the cement segment, the net profit margin was approximately -9.23%, representing a significant decrease as compared to approximately -0.21% in the corresponding period last year. The decrease was mainly due to the decrease in sales revenue and the increase in the manufacturing cost which resulted from reasons set forth in the sections of "Turnover" and "Gross Profit and Gross Profit Margin" mentioned above, resulting in an decrease of profit to RMB-10,068,000 from RMB-334,000 in the corresponding period last year during the Reporting Period.

As to the environmental protection segment, during the period from 30 April to 30 June 2015, the net loss amounted to approximately RMB2,225,000 and the net profit margin was approximately -775.3%.

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 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	34,686	20,120
– Cement segment	32,871	20,120
– Environmental protection segment	1,815	NA
Borrowings	55,000	50,000
– Cement segment	50,000	50,000
– Environmental protection segment	5,000	NA
Debt to equity ratio	43.4%	15%
– Cement segment	20.6%	15%
– Environmental protection segment	36.9%	NA
Debt to asset ratio	30.3%	11.4%
– Cement segment	25.9%	11.4%
– Environmental protection segment	58.5%	NA

Cash Flow

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB34,686,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB32,871,000, representing an increase of approximately 63.4% from approximately RMB20,120,000 as at 31 December 2014. The increase was primarily due to recovery of investment to Dongtong of RMB15,000,000 during the Reporting Period.

As to the environmental protection segment, the cash and cash equivalents amounted to approximately RMB1,815,000.

Borrowing

30 June 2015 31 December 2014
RMB'000 ***RMB'000***

Current:

Bank borrowings

– Cement segment	50,000	50,000
– Environmental protection segment	5,000	NA
	55,000	50,000

During the Reporting Period, the bank borrowings of the Group's cement segment remained stable. Bank borrowings of the Group as at 30 June 2015, bearing fixed interest rate amounted to approximately RMB50,000,000, remained unchanged compared to that as at 31 December 2014.

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. The aforesaid borrowings will be due prior to 8 April 2016.

Bank borrowings of the Group's environmental protection segment as at 30 June 2015, bearing fixed interest rate, amounted to approximately RMB5,000,000.

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. The aforesaid borrowings will be due prior to 15 March 2016.

Details of the Group's borrowings due are set out in note 9 in the condensed consolidated interim financial statements.

As at 30 June 2015, the Group had unutilized bank financing facilities of RMB50,000,000.

Debt to Equity Ratio

As at 30 June 2015, the Group's debt to equity ratio was 43.4%.

As to the cement segment, the debt to equity ratio was 20.6%, representing an increase compared to 15% as at 31 December 2014.

As to the environmental protection segment, the debt to equity ratio was 36.9%.

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 2015, the Group's capital expenditure amounted to approximately RMB39,916,000, among others, the capital expenditure of the cement segment amounted to approximately RMB39,616,000, representing a notable increase from approximately RMB5,720,000 in the corresponding period last year. The increase was primarily due to consideration of approximately RMB26,603,000 paid to acquire Biofit on 16 February 2015.

As to the environmental protection segment, the capital expenditure amounted to approximately RMB300,000.

As at 30 June 2015, the Group did not have any material capital commitments.

Pledge of Assets

As at 30 June 2015, the Group did not pledge any of its assets during the Reporting Period.

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISK

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

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As of 30 June 2015, HK\$52,799,000 of the IPO net proceeds had been exchanged into deposits in Renminbi while the remaining balance was deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in the PRC and/or abroad, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the 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.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

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

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

ISSUANCE OF NEW SHARES

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

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

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

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 259 employees. The total remuneration of our employees amounted to approximately RMB5,027,000 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).

OTHER INFORMATION

Share Capital

As at 30 June 2015, 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 they had complied with the requirements 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 2015 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

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

Hong Kong, 20 August 2015

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