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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 2016

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's turnover amounted to approximately RMB104,700,000, representing a decrease of approximately 4.3% from RMB109,411,000 for the six months ended 30 June 2015.
- The gross profit margin increased by 9.6% as compared to approximately -5.9% for the corresponding period in 2015 to approximately 3.7%. The increase was mainly attributable to the decrease in equipment maintenance of the Company during the Reporting Period, resulting in a decrease in costs.
- Loss attributable to equity holders of the Company decreased to approximately RMB4,301,000 during the Reporting Period from approximately RMB14,129,000 for the six months ended 30 June 2015.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	104,700	109,411
Cost of sales		(100,810)	(115,842)
Gross profit/(loss)		3,890	(6,431)
Distribution expenses		(1,177)	(863)
Administrative expenses		(11,447)	(9,981)
Other income		4,854	4,113
Other losses		(32)	(395)
Operating loss		(3,912)	(13,557)
Finance income		352	90
Finance expenses		(1,692)	(1,924)
Financial expenses – net		(1,340)	(1,834)
Share of result of an associate		–	(168)
Loss before income tax credit	6	(5,252)	(15,559)
Income tax credit	5	951	1,430
Loss and total comprehensive income for the period		(4,301)	(14,129)
Loss per share			
– Basic and diluted (RMB per share)	12	(0.008)	(0.026)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		122,209	127,862
Land use rights		16,306	16,508
Goodwill		9,396	9,396
Intangible assets		7,012	7,944
Available-for-sale financial assets		2,898	2,898
Other receivables	7	60,123	60,123
Total non-current assets		217,944	224,731
Current assets			
Inventories		23,151	22,649
Trade and other receivables	7	201,466	173,320
Short-term bank deposits		30,000	30,000
Cash and cash equivalents		24,436	52,099
Total current assets		279,053	278,068
Current liabilities			
Trade and other payables	9	70,950	70,509
Income tax payable		3,388	3,388
Borrowings	10	59,000	60,000
Total current liabilities		133,338	133,897
Net current assets		145,715	144,171
Total assets less current liabilities		363,659	368,902
Non-current liabilities			
Deferred tax liabilities		4,143	5,085
Total non-current liabilities		4,143	5,085
NET ASSETS		359,516	363,817
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	4,490	4,490
Reserves		355,026	359,327
TOTAL EQUITY		359,516	363,817

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total
	<i>RMB'000</i> (Note 11)	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2016 (audited)	<u>4,490</u>	<u>322,558</u>	<u>36,769</u>	<u>363,817</u>
Loss and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(4,301)</u>	<u>(4,301)</u>
At 30 June 2016 (unaudited)	<u>4,490</u>	<u>322,558</u>	<u>32,468</u>	<u>359,516</u>
At 1 January 2015 (audited)	<u>4,174</u>	<u>282,252</u>	<u>48,506</u>	<u>334,932</u>
Issue of shares	316	40,306	—	40,622
Loss and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(14,129)</u>	<u>(14,129)</u>
At 30 June 2015 (unaudited)	<u>4,490</u>	<u>322,558</u>	<u>34,377</u>	<u>361,425</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

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 Fenu 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

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 of Directors (the “Board”) for issue on 19 August 2016.

This condensed consolidated interim financial information (the “Financial Information”) for the six months ended 30 June 2016 (the “Period”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

3 SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2016 (unaudited)

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

For the six months ended 30 June 2015 (unaudited)

	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>	(13,723)
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 (unaudited)			
Segment assets	<u>436,508</u>	<u>67,530</u>	504,038
Unallocated assets			<u>14,214</u>
Total assets			<u>518,252</u>
Segment liabilities	<u>113,189</u>	<u>39,501</u>	152,690
Unallocated liabilities			<u>4,137</u>
Total liabilities			<u>156,827</u>

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

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

5 INCOME TAX CREDIT

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

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

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

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

Tax loss incurred by Suzhou Dongwu Cement Co., Ltd. can be carried forward for five accounting years.

6 LOSS BEFORE INCOME TAX CREDIT

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	97,049	102,411
Depreciation	8,109	8,779
Amortisation	1,134	583
Research and development expenses	425	190
Employee expenses (including directors' remuneration)		
– wages and salaries	5,492	5,027
– pension scheme contribution	1,387	1,083
Auditor remuneration	120	120
Operating lease rental expenses	387	155
Provision of doubtful debt (<i>Note 7</i>)	802	377

7 TRADE AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and bills receivables due from third parties	138,384	124,313
Less: provision for impairment of trade receivables	(2,168)	(1,366)
Trade and bills receivables, net	136,216	122,947
Amounts due from customers for construction work (<i>Note 8</i>)	18,958	16,137
Prepayments	22,445	13,672
Loans to Suzhou Dongtong Construction and Development Co. Ltd ("Dongtong")	66,400	66,400
Advance to suppliers	5,200	5,230
Other receivables	12,370	9,057
Prepayments, deposits and other receivables	106,415	94,359
Total trade and other receivables	261,589	233,443
Less: non-current portion		
– Loans to Dongtong	(60,123)	(60,123)
Trade and other receivables – current portion	201,466	173,320

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

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

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

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

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

The credit terms for most of the customers range from 30 to 90 days. One of the top five customers is granted a credit term of 180 days. For ready-mixed concrete stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1 million and RMB3.5 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 2016 and 31 December 2015, the aging analyses of the trade and bills receivables (net of impairment losses) were as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Below 90 days	49,506	53,253
From 91 days to 180 days	25,391	32,636
From 181 days to 1 year	46,430	21,462
From 1 year to 2 years	4,841	13,694
Over 2 years	<u>10,048</u>	<u>1,902</u>
	<u>136,216</u>	<u>122,947</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	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening balance	1,366	676
Provision for the period (<i>Note 6</i>)	802	377
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Closing balance at 30 June	2,168	1,053
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8 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

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

9 TRADE AND OTHER PAYABLES

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

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 aging analysis of the trade payables are as follows:

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

10 BORROWINGS

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

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

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

The Group's borrowings are denominated in RMB.

11 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 31 December 2015 and 30 June 2016	<u>10,000,000</u>	<u>100,000</u>	<u>81,520</u>
Issued and fully paid:			
At 31 December 2015 and 30 June 2016	<u>552,000</u>	<u>5,520</u>	<u>4,490</u>

12 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	
	2016	2015
	(Unaudited)	(Unaudited)
Loss attributable to equity shareholders of the Company (<i>RMB'000</i>)	(4,301)	(14,129)
Weighted average number of ordinary shares in issue (<i>thousand share</i>)	552,000	542,444
Basic and diluted loss per share (<i>RMB</i>)	(0.008)	(0.026)

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

13 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	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Basic salaries and benefit in kind	603	780

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

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

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

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

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

Environmental Protection Segment

The PRC government and all parties from the society are paying more and more attention to environmental protection issues, and have listed the environmental protection industry as one of the strategic industries for long term development. With the publication of the Action Plan on Prevention and Control of Water Pollution (the “Ten Measures for Water Pollution”) by the State Council on 16 April 2015, it is proposed that by 2020, China’s water environment quality will gradually improve, the quality of drinking water will be safeguarded and the underground water pollution will be under strict control. It is expected that the external investment on environmental protection industry will increase rapidly. The “13th Five-year Plan” intends to invest up to RMB6 trillion on air, water and soil environment protection, representing an increase of RMB1 trillion as compared to RMB5 trillion during the “12th Five-year Plan” period, among which, RMB4.6 trillion is to be invested in the prevention and control of water pollution. It is intended to implement overall control on the total amount of pollutants such as the total nitrogen and phosphorus in the key areas, including areas around rivers, lakes and coastal sea area and in the key industries. The environmental protection industry in the PRC will continue to expand in the near future, with sewage and sludge treatment as the focus of environment improvements, thereby generating more investment gains.

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

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

Business and Financial Review

Turnover

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

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

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

For the six months ended 30 June						
	2016			2015		
	Average			Average		
Sales	Selling		Sales	Selling		
Volume	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	297.9	188.58	56,179	233.6	224.34	52,405
PC 32.5 Cement	261.7	171.19	44,801	286.0	198.32	56,719

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

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

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

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

As to the environmental protection segment, Shanghai Biofit Environmental Technology Co., Ltd. (“**Shanghai Biofit**”) is mainly devoted to niches such as sludge treatment and disposal market, reclaimed water treatment market, and dyeing wastewater treatment market.

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

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

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

* For identification purpose only

Gross Profit and Gross Profit Margin

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

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

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

Other Income

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

Sales and Distribution Expenses

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

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

Administrative Expenses

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

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

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

Income Tax Expense

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

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

Net Profit Margin

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

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

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

Liquidity and Capital Resources

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

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

Cash Flow

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

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

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

Borrowings

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

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

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

Details of the Group's borrowings due are set out in note 10 to the condensed consolidated interim financial statements.

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

Debt to Equity Ratio

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

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

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

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

Capital Expenditure and Capital Commitments

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

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

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

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

Pledge of Assets

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

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in Mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. Foreign exchange debts were primarily a result of the Group's payment of offshore intermediary fees. During the Reporting Period, the Hong Kong dollars of the Company deposited with the offshore banks recorded a foreign exchange loss of approximately RMB544,000 due to the depreciation of Hong Kong dollars.

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

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

As disclosed in the announcements of the Company dated 7 March 2016 and 8 March 2016 regarding the connected transaction in relation to the capital increase agreement and deemed disposal, Shanghai Dong Xi Investment Development Company Limited ("**Shanghai Dong Xi**"), Xi Hua Shanghai Investment Management Company Limited ("**Xi Hua Shanghai**") and Shanghai Biofit entered into the capital increase agreement, pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20,000,000 to Shanghai Biofit. Approximately RMB7,350,000 will be contributed to the registered capital of Shanghai Biofit, and the remaining of approximately RMB12,650,000 will be contributed to the capital reserve of Shanghai Biofit. As at the date of this

announcement, the capital increase was completed and Shanghai Biofit is held as to approximately 62.25% by Xi Hua Shanghai and 37.75% by Shanghai Dong Xi, respectively. The registered capital of Shanghai Biofit increased from approximately RMB12,120,000 to approximately RMB19,470,000. For further details of the capital increase, please refer to the announcements of the Company dated 7 March 2016 and 8 March 2016.

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had a total of 236 employees. The total remuneration of our employees amounted to approximately RMB5,248,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the Remuneration Committee of the Company (if applicable).

OTHER INFORMATION

Share Capital

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

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 2016 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

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

Hong Kong, 19 August 2016

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 Director and Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.