Dongwu Cement International Limited
東吳水泥國際有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 695)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue from continuing and discontinued operations amounted to approximately RMB357,563,000, representing an increase of approximately 39.7% from approximately RMB255,914,000 for the year ended 31 December 2016.

- The gross profit margin of cement segment increased from approximately 6.9% for the year ended 31 December 2016 to approximately 19.1% for the Reporting Period. The gross profit margin of the segment of environmental protection classified as a discontinued operation decreased from approximately 28.3% for the year ended 31 December 2016 to approximately -38.9% for the Reporting Period.

- During the year ended 31 December 2017, profit attributable to equity holders of the Company increased to approximately RMB25,899,000 from profit attributable to equity holders of the Company of approximately RMB2,564,000 for the year ended 31 December 2016.

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with the comparative figures for the corresponding period of 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Re-presented)
Continuing operations			
Revenue	*5*	**356,982**	222,543
Cost of sales		**(288,668)**	(207,241)
Gross profit		**68,314**	15,302
Distribution expenses		**(3,324)**	(2,702)
Administrative expenses		**(32,698)**	(15,610)
Other income		**13,481**	10,673
Other gains – net		**4,717**	–
Operating income		**50,490**	7,663
Finance income		**551**	378
Finance expenses		**(3,218)**	(2,892)
Finance expenses – net		**(2,667)**	(2,514)
Share of results of an associate		**–**	–
Profit before income tax expense	*6*	**47,823**	5,149
Income tax expense	*8*	**(18,769)**	(1,698)
Profit for the year from continuing operations		**29,054**	3,451
Discontinued operation			
(Loss)/profit for the year from a discontinued operation, after tax	*6(b)*	**(3,958)**	764
Profit and total comprehensive income for the year		**25,096**	4,215

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Re-presented)
Profit and total comprehensive income for the year attributable to:			
Owner of the Company			
–Profit for the year from continuing operations		**29,054**	3,451
–Loss for the year from a discontinued operation		**(3,155)**	(887)
Profit and total comprehensive income for the year attributable to the owners of the Company		**25,899**	2,564
Non-controlling interests			
–(Loss)/profit for the year from a discontinued operation		**(803)**	1,651
(Loss)/profit and total comprehensive income for the year attributable to non-controlling interests		**(803)**	1,651
		25,096	4,215
Earnings per share from continuing and discontinued operations	*7*		
– Basic and diluted (RMB per share)		**0.047**	0.005
Earnings per share from continuing operations			
– Basic and diluted (RMB per share)		**0.053**	0.006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**107,368**	111,441
Land use rights		**15,700**	16,104
Goodwill		**–**	9,396
Intangible assets		**403**	6,894
Deposit paid for acquisition of a subsidiary	*9*	**4,066**	–
Loans and other receivables	*9*	**41,760**	–
Interest in an associate		**24,000**	–
Amount due from grantor for contract work	*9*	**–**	6,372
Total non-current assets		**193,297**	150,207
Current assets			
Available-for-sale financial assets		**–**	2,898
Inventories		**25,306**	22,703
Trade and other receivables	*9*	**275,440**	282,133
Short-term bank deposits		**2,240**	31,000
Cash and cash equivalents		**27,745**	18,949
		330,731	357,683
Assets of a discontinued operation classified as held-for-sale		**73,672**	–
Total current assets		**404,403**	357,683
Current liabilities			
Trade and other payables	*11*	**73,183**	55,956
Income tax payable		**14,983**	3,388
Borrowings	*12*	**59,910**	54,000
		148,076	113,344
Liabilities of a discontinued operation classified as held-for-sale		**27,144**	–
Total current liabilities		**175,220**	113,344
Net current assets		**229,183**	244,339

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Total assets less current liabilities		**422,480**	394,546
Non-current liabilities			
Deferred tax liabilities		**9,352**	6,514
Total non-current liabilities		**9,352**	6,514
Net assets		**413,128**	388,032
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**4,490**	4,490
Reserves		**394,312**	368,413
		398,802	372,903
Non-controlling interests		**14,326**	15,129
Total equity		**413,128**	388,032

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					
	Share capital *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2016	4,490	322,558	36,769	363,817	–	363,817
Profit and total comprehensive income for the year	–	–	2,564	2,564	1,651	4,215
Appropriations to statutory reserves	–	451	(451)	–	–	–
Capital contribution from a non-controlling interest in a subsidiary	–	–	6,522	6,522	13,478	20,000
At 31 December 2016 and 1 January 2017	4,490	323,009	45,404	372,903	15,129	388,032
Profit/(loss) and total comprehensive income for the year	–	–	25,899	25,899	(803)	25,096
Appropriations to statutory reserves	–	4,465	(4,465)	–	–	–
At 31 December 2017	4,490	327,474	66,838	398,802	14,326	413,128

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December **2017** ***RMB'000***	 2016 *RMB'000* (Re-presented)
Cash flow from operating activities			
Profit before income tax expense from continuing operations		**47,823**	5,149
(Loss)/profit before income tax credit from a discontinued operation	*6(b)*	**(4,339)**	508
		43,484	5,657
Adjustments for:			
Depreciation of property, plant and equipment		**14,187**	14,251
Amortisation of land use rights		**404**	404
Amortisation of intangibles assets		**1,667**	1,841
Provision for impairment for trade receivables	*9*	**3,162**	852
Provision for impairment for other receivables	*9*	**70**	558
Loss on disposal of property, plant and equipment		**402**	33
Gain on disposal of a subsidiary		**–**	(511)
Finance income		**(552)**	(402)
Finance expenses		**3,434**	3,377
Share of results of an associate		**–**	–
Gain on disposal of an available-for-sale financial asset		**(5,102)**	–
Interest income from loans receivable		**(8,045)**	(6,313)
Operating profit before working capital changes		**53,111**	19,747
Increase in inventories		**(2,603)**	(54)
Increase in trade and other receivables		**(60,855)**	(59,279)
Increase/(decrease) in trade and other payables		**27,248**	(5,637)
Cash generated from/(used in) operating activities		**16,901**	(45,223)
Interest paid		**(3,084)**	(3,377)
Income tax (paid)/refund		**(2,558)**	8
Net cash generated from/(used in) from operating activities		**11,259**	(48,592)

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Re-presented)
Cash flows from investing activities			
Interest received		**552**	402
Interest received from loans to Dongtong		**19,470**	–
Investment in an associate		**(24,000)**	–
Purchases of property, plant and equipment		**(10,557)**	(2,975)
Purchase of intangible assets		**(403)**	–
Proceeds from disposal of property, plant and equipment		**107**	33
Proceed from disposal of an available-for-sale financial asset		**8,000**	–
Proceed from disposal of a subsidiary (net of cash and cash equivalent disposed)	*14*	**–**	4,982
Loans to an independent third party		**(40,000)**	–
Withdrawal/(addition) of short-term bank deposits		**28,760**	(1,000)
Deposit paid for acquisition of a subsidiary		**(4,066)**	–
Net cash (used in)/generated from investing activities		**(22,137)**	1,442
Cash flows from financing activities			
Proceeds from borrowings		**64,910**	55,000
Repayments of borrowings		**(54,000)**	(61,000)
Capital contribution from a non-controlling interest in a subsidiary		**–**	20,000
Advance from a non-controlling shareholder of a subsidiary		**7,929**	**–**
Advance from a director of a subsidiary		**1,687**	**–**
Net cash generated from financing activities		**20,526**	14,000
Net increase/(decrease) in cash and cash equivalents		**9,648**	(33,150)
Cash and cash equivalents at beginning of the year		**18,949**	52,099
Cash and cash equivalents at end of the year		**28,597**	18,949
Represented by:			
Cash and bank balances		**27,745**	18,949
Cash and bank balances attributable to a discontinued operation		**852**	–
		28,597	18,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The Company's shares have been listed on the Main Board of the Stock Exchange since 13 June 2012. The Company's registered office is at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the directors' opinion, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in the British Virgin Islands (the "**BVI**").

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

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

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows.

Except for as discussed above, the adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Directors have reviewed the Group's financial assets as at 31 December 2017 and anticipated that the application of HKFRS 9 in the future may result in earlier recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Directors anticipated that the application of HKFRS 15 in the future may result in more disclosures, and may have an impact on the timing and amounts of revenue recognised since the Group's contracts with customers may include financing components.

Amendments to HKFRS 15 – Revenue from Contracts with customers

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

HKFRS 16 – Leases

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

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

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB5,470,000. A preliminary assessment indicated that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short –term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as discussed above, the Directors anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the future.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), and all values are rounded to the nearest thousand except when otherwise indicated. The consolidated financial statements are presented in Renminbi ("RMB") since majority of the Group's operation are carried out in RMB. The Company's functional currency is Hong Kong Dollars ("HK$") since majority of the activities of the Company are conducted in HK$.

4. SEGMENT INFORMATION

The chief operating decision-maker for application of HKFRS 8 is identified by the Board. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's product and service lines identified as reportable operating segments are as follows:

(i) Production and sale of cement;

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

(iii) Money lending and financial services.

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

Year ended 31 December 2017

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

Year ended 31 December 2016

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. Revenue derived from the single largest external customers amounted to 7.9% of the Group's revenue for the Reporting Period (2016: 17.2%).

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Revenue		
Reportable segment revenue	**357,563**	255,914
Less: attributable to a discontinued operation	**(581)**	(33,371)
Revenue from continuing operations	**356,982**	222,543

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Profit/(loss) before income tax expense and discontinued operation		
Reportable segment results	**59,119**	9,745
Less: total unallocated expenses	**(15,635)**	(4,088)
Add: segment loss/(profit) before income tax credit from discontinued operation	**4,297**	(512)
Add: unallocated expenses attributable to a discontinued operation	**42**	4
Consolidated profit before income tax expense from continuing operations	**47,823**	5,149

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Assets		
Reportable segment assets	**596,380**	501,248
Add: total unallocated assets	**1,320**	6,642
Less: segment assets attributable to a discontinued operation	**(73,108)**	–
Less: unallocated assets attributable to a discontinued operation	**(564)**	–
Assets attributable to continuing operations	**524,028**	507,890

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Liabilities		
Reportable segment liabilities	**169,664**	119,176
Add: total unallocated liabilities	**14,908**	682
Less: segment liabilities attributable to a discontinued operation	**(27,144)**	–
Liabilities attributable to continuing operations	**157,428**	119,858

5. REVENUE

An analysis of revenue is as follows:

	2017 *RMB'000*	2016 *RMB'000* (Re-presented)
Continuing operations		
Sale of Ordinary Portland cement strength class 42.5	**204,429**	121,004
Sale of Composite Portland cement strength class 32.5R	**152,553**	99,811
Sale of Clinker	**–**	1,728
	356,982	222,543
Discontinued operation		
Provision of sewage and sludge treatment operation and construction services	**581**	24,915
Sewage treatment construction services-financial assets	**–**	7,431
Sewage treatment construction services-intangible assets	**–**	1,025
	581	33,371
	357,563	255,914

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2017 *RMB'000*	2016 *RMB'000* (Re-presented)
Cost of inventories sold	**288,031**	206,604
Depreciation of property, plant and equipment	**14,187**	14,251
Amortisation of land use rights	**404**	404
Amortisation of intangible assets	**1,667**	1,841
Provision for impairment for trade receivables	**3,162**	852
Provision for impairment for other receivables	**70**	558
Minimum lease payments under operating leases for buildings	**4,540**	2,069
Research and development expenses	**14**	31
Employee expenses (including directors' remuneration)		
– wages and salaries	**19,474**	13,366
– pension scheme contribution	**3,165**	2,869
Auditors' remuneration		
– audit services	**912**	874
– non-audit services	**337**	120

(b) Discontinued operation

In November 2017, 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.

As at 31 December 2017, final negotiations for the disposal were in progress and the Disposal Group was classified as a discontinued operation. The comparative income has been represented as if the operation discontinued during the current year has been discontinued at the beginning of the comparative period. After the reporting date, the Group entered into a sales and purchase agreement on disposal of the Disposal Group as disclosed in note 17.

The revenue, results, cash flows and net assets of the Disposal Group were as follows:

	2017 ***RMB'000***	2016 *RMB'000* (Re-presented)
Revenue	**581**	33,371
Cost of sales	**(807)**	(23,923)
Administrative expenses	**(6,700)**	(9,790)
Other income	**2,819**	833
Other (losses)/gains	**(17)**	478
Finance costs – net	**(215)**	(461)
(Loss)/profit before income tax credit	**(4,339)**	508
Income tax credit	**381**	256
(Loss)/profit for the year from a discontinued operation	**(3,958)**	764
(Loss)/profit for the year from a discontinued operation attributable to:		
– Owners of the Company	**(3,155)**	(887)
– Non-controlling interests	**(803)**	1,651
	(3,958)	764

	2017 ***RMB'000***	2016 *RMB'000* (Re-presented)
Operating cash outflows	**(9,379)**	(19,730)
Investing cash inflows	**596**	5,033
Financing cash inflows	**8,929**	14,000
Total cash inflows/(outflows)	**146**	(697)

The carrying amounts of the assets and liabilities of the Disposal Group as at 31 December 2017 are as follows:

	RMB'000
Property, plant and equipment	280
Goodwill	9,396
Intangible assets	5,227
Trade and other receivables	57,917
Cash and cash equivalents	852
	73,672
Borrowings	5,000
Trade and other payables	20,747
Deferred tax liabilities	1,397
	27,144

7. 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 RMB25,899,000 (2016: RMB2,564,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2016: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2017 and 2016, diluted earnings per share is the same as basic earnings per share.

From a discontinued operation

Basic and diluted loss per share for the year from a discontinued operation is RMB0.006 per share (2016: loss per share of RMB0.001), based on the loss for the year from a discontinued operation of RMB3,155,000 (2016: RMB887,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2016: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the year from continuing operations is RMB0.053 per share (2016:RMB0.006), based on the profit for the year from continuing operations of RMB29,054,000 (2016: RMB3,451,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2016: 552,000,000).

8. INCOME TAX EXPENSE

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2017 and 2016 except for Shanghai Biofit charged at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the Reporting Period (2016: 15%).

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2017 (2016: Nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period (2016: Nil).

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

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Current tax		
– Current year	**14,153**	–
Deferred tax	**4,616**	1,698
	18,769	1,698
Discontinued operation		
Current tax		
– Over provision in respect of prior years	**–**	(8)
Deferred tax	**(381)**	(248)
	(381)	(256)
Income tax expense	**18,388**	1,442

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

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Profit/(loss) before income tax expense		
– Continuing operations	**47,823**	5,149
– Discontinued operation	**(4,339)**	508
	43,484	5,657
Tax calculated at the PRC profits tax rate of 25% (2016: 25%)	**10,871**	1,414
Effect of different tax rates in other jurisdictions	**1,326**	298
Tax effect of expenses not deductible for tax purposes	**2,604**	897
Utilisation of tax losses previously not recognised	**–**	(447)
Tax effect of tax loss not recognised	**513**	248
Tax effect of income not assessable for tax purposes	**(1,272)**	(1,179)
Income tax on concession rates	**188**	(187)
Under provision in respect of prior years	**–**	(8)
Deferred taxation on withholding tax	**4,158**	406
Income tax expense	**18,388**	1,442

9. TRADE AND OTHER RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade and bills receivables from third parties	**213,128**	156,196
Less: provision for impairment of trade receivables *(note (iv))*	**(5,380)**	(2,218)
Trade and bills receivables, net *(note (i))*	**207,748**	153,978
Amounts due from customers for other construction work other than that under the Build-Operate-Transfer ("BOT") arrangement *(note 10)*	**30,783**	32,534
Amount due from grantor for contract work *(note (ii))*	**7,876**	7,431
Prepayments	**14,738**	10,604
Loans to 蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*, ("**Dongtong**")) *(note (iii))*	**66,400**	66,400
Loans receivable *(note (vi))*	**40,000**	–
Advances to suppliers	**2,000**	2,489
Other receivables	**10,266**	15,627
Less: provision for impairment of other receivables *(note (iv))*	**(628)**	(558)
Prepayments, deposits and other receivables	**132,776**	94,562
Total trade and other receivables	**379,183**	288,505
Less: non-current portion		
– Amount due from grantor for contract work *(note (ii))*	**–**	(6,372)
– Deposit paid for acquisition of a subsidiary *(note (v))*	**(4,066)**	–
– Loans receivable *(note (vi))*	**(40,000)**	–
– Other receivables	**(1,760)**	–
Less: balances attributable to a discontinued operation		
– Amounts due from customers for construction work other than that under the BOT arrangements *(note (10))*	**(30,783)**	–
– Amount due from grantor for contract work *(note (ii))*	**(7,876)**	–
– Trade receivables	**(2,813)**	–
– Prepayments	**(12,348)**	–
– Advances to suppliers	**(2,000)**	–
– Other receivables	**(2,097)**	–
	(103,743)	(6,372)
Trade and other receivables – current portion	**275,440**	282,133

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

As at 31 December 2017 and 2016, no trade and bills receivable were pledged for the borrowings. All non-current receivables are due within five years from the end of the reporting date.

(i) Trade and bills receivables

Credit terms given to its customers in cement segment and sewage and sludge treatment segment generally range from 30 to 90 days (2016: 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 receivable are normally due within 180 days.

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**106,743**	76,394
From 91 days to 180 days	**59,733**	17,726
From 181 days to 1 year	**35,407**	34,196
From 1 year to 2 years	**3,473**	20,052
Over 2 years	**2,392**	5,610
	207,748	153,978

As at 31 December 2017, trade receivables of RMB5,380,000 (2016: RMB2,218,000) had been impaired. The amount of the provision for individually impaired trade receivables was RMB3,162,000 (2016: RMB852,000). The individually impaired receivables mainly related to certain customers which are in unexpectedly difficult economic situations.

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a))*	**134,253**	112,215
1 to 90 days past due *(note (b))*	**61,101**	21,060
91 to 180 days past due *(note (b))*	**6,529**	7,972
181 to 1 year past due *(note (b))*	**3,473**	7,121
More than 1 year past due *(note (b))*	**2,392**	5,610
	207,748	153,978

Notes:

(a) The balances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Other than trade receivables amounting to approximately RMB1,456,000 (2016: RMB1,456,000) as at 31 December 2017 that are indemnified by the former owners of the Biofit Group for any loss due to non-settlement, the Group does not hold any collateral or other credit enhancements over these balances.

(ii) Amount due from grantor for contract work

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

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

(iii) Loans to Dongtong

On 22 December 2014, in order to stabilise the annual revenue to the Group, after approval by the board of directors of Dongtong, Dongtong agreed to ensure a fixed annual payment for the period from 23 December 2014 up to 31 December 2017 under the guarantees of two other shareholders of Dongtong. The fixed annual income (which is interest income at a fixed rate of 10.68% (2016: 10.68%) per annum) is receivable on 31 December each year and the loan principal of RMB60,000,000 is to be repaid on 31 December 2017. In return, the Group agreed to terminate all its shareholder's rights associated to the investments and the assigned director from the Group to the board of Dongtong has resigned from the directorship. Loans due from Dongtong amounting to RMB66,400,000 are thus initially recognised at fair value and subsequently carried at amortised cost using effective interest method.

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

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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables:		
Beginning of year	**2,218**	1,366
Provision for the year	**3,162**	852
End of year	**5,380**	2,218

	2017	2016
	RMB'000	*RMB'000*
Other receivables:		
Beginning of year	**558**	–
Provision for the year	**70**	558
End of year	**628**	558

The origination and release of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash.

(v) Deposit for acquisition of a subsidiary

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

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

(vi) Loans receivable

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

10. AMOUNTS DUE FROM CUSTOMERS FOR OTHER CONSTRUCTION WORK

	2017	2016
	RMB'000	*RMB'000*
Contracts in progress at the end of year:		
Contract costs incurred	**49,477**	48,896
Recognised profits less recognised losses	**17,497**	17,497
	66,974	66,393
Progress billings	**(36,191)**	(33,859)
	30,783	32,534
Represented by:		
Due from customers included in current assets	**30,783**	32,534

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**52,645**	44,795
Advances from customers	**11,631**	3,394
Salary and bonus payables	**3,983**	1,955
VAT payables *(note (a))*	**7,713**	3,257
Other payables	**17,958**	2,555
Less: attributable to a discontinued operation	**(20,747)**	–
	73,183	55,956

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2016: 30 to 90 days), while those granted in the sewage and sludge treatment segment is ranged from 30 to 90 days (2016: 30 to 90 days).

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**30,490**	24,158
From 31 to 90 days	**11,105**	10,975
From 91 days to 180 days	**1,674**	3,986
From 181 days to 1 year	**1,493**	1,375
From 1 year to 2 year	**5,264**	3,502
Over 2 years	**2,619**	799
	52,645	44,795

Note:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2016: 17%). Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

12. BORROWINGS

Total borrowings of the Group at 31 December 2017 were approximately RMB64,910,000, of which RMB5,000,000 was classified as held-for-sale. The balances at 31 December 2017 and 2016 are borrowed from banks and an independent third party and repayable within one year. Interest is charged on the outstanding balances of these borrowings at rates ranged between 5.66% and 9% (2016: 5.66% to 6.00%) per annum. As at 31 December 2017, bank borrowings of approximately RMB5,000,000 (2016: RMB4,000,000) was secured by personal guarantees from a director of the Company, Mr. Ling Chao and his close family member.

13. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	100,000	81,520
Issued:			
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	552,000,000	5,520	4,490

14. DISPOSAL OF SUBSIDIARY

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

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

15. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2017	2016
	RMB'000	*RMB'000*
Basic salaries and benefits in kind	**4,408**	1,863

There are three and two (2016: five and nil) key management personnel of the Group with remuneration fell within the band of nil to HK$1,000,000 and the band of HK$1,000,000 to HK$1,500,000 in 2017 respectively.

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2017 (2016: Nil).

16. DIVIDENDS

No dividend was declared by the Board for the years ended 31 December 2017 and 2016.

17. EVENT AFTER THE REPORTING PERIOD

On 5 January 2018, a wholly-owned subsidiary of the Company (the "Vendor"), entered into a sale and purchase agreement with Great Future Development (HK) Limited (the "Purchaser"), pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the entire issued share capital of Dongwu Science & Technology Investment Company Limited, being the holding company of the Biofit Group (the "Disposal Group"), at a total consideration of HK$40,000,000. The details of this transaction are set out in the Company's announcement dated 5 January 2018. The Disposal Group was classified as a discontinued operation as at 31 December 2017 (see note 6(b)).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2017, China's major macroeconomic indicators have shown signs of steady growth. The gross domestic product for the year amounted to RMB82,712.2 billion, representing a growth of 6.9% over the corresponding period of last year (2016: 6.7%). According to the statistics announced by National Statistics Bureau on 18 January 2018, in 2017, fixed asset investment of China (excluding rural households) reached RMB63,168.4 billion, representing a growth of 7.2%. National property development and investment reached RMB10,979.9 billion, representing a nominal growth of 7.0% (Source: website of PRC National Statistics Bureau).

The production of cement companies over a designated size amounted to 2,316 billion tonnes in 2017, posting a year-on-year decrease of 0.2% (2016: a year-on-year increase of 2.5%). Negative growth was recorded for a second time after 2015 and cement demand declined gradually. 2017 was important for the implementation of the 13th Five-Year Plan, and structural reforms on the supply side deepened during the year. With declining fixed asset investment and consumption growth, domestic cement production in 2017 recorded negative growth for a second time after 2015. But unlike in previous years, the supply side made significant contributions. Owing to factors such as increasing cost resulted from atmospheric pollution control, supervision for environmental protection, mine reclamation, coal and off-peak hour transportation in many regions, the industry was not sluggish in off seasons and was even more active in peak seasons. The overall inventory of the industry is low and cement prices increased continually with profitability reaching the second highest in history. Especially in November 2017, corporate inventories were generally low and prices in the Southern China increased significantly due to tight supply and strong demand in the region, which drove the rebound of the entire cement industry. However, it remains a concern that production capacity is still growing as the capacity elimination policy was not carried out. Healthy development of the industry is still constrained by overcapacity (Source: Digital Cement Net).

The Group operates in Eastern China markets. Under the combined effect of slightly increased demand and decreased supply, the price of cement recorded continuous rise to the country's leading level. Taking the provincial capitals of our main sales regions (such as Jiangsu, Zhejiang and Shanghai) as examples, in early December 2017, the average selling price of PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB620 per tonne, RMB595 per tonne and RMB620 per tonne respectively, representing an increase of 107.35%, 105.88% and 110.17% as compared with the corresponding period of last year (Source: Digital Cement Net).

As a result of increased cement price, revenue and gross profit margin of cement segment of the Group for 2017 increased markedly as compared with the corresponding period of last year. The Group recorded a profit of approximately RMB44,647,000 from the cement segment in 2017.

Environmental Protection Segment

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

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

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

In view of this, the Group acquired the Biofit Group in 2015, aiming to explore the environmental protection segment market. The Biofit Group is devoted to such niches as sludge treatment and disposal, reclaimed water treatment and dyeing wastewater treatment. The operation of environmental protection segment of the Group has been incorporated into the consolidated statement of the Group on 30 April 2015. However, as we evaluated operation performance in past years, the Board considered Shanghai Biofit did not achieved expected significant progress in respect of its business.

With the consideration and approval of the Board, the Group has entered a sale and purchase agreement with an independent third-party on 5 January 2018 to dispose the entire equity interests it holds in Shanghai Biofit (representing approximately 62.26% of equity interests of Shanghai Biofit) at the consideration of HK$40 million. For details of the above transaction, please refer to the Company's announcement dated 5 January 2018.

Money Lending and Financial Services Segment

In December 2017, the Group entered into the money lending business through the acquisition of Golden Stars Assets Management Limited ("Golden Stars") from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Golden Stars holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out lending business in Hong Kong.

During the year, the money lending operation had not commenced yet. The management will formulate a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer in order to maximise the return of the money lending business as well as diversify the credit risk.

In August 2017, (i) a direct wholly-owned subsidiary of the Company, as the purchaser; (ii) third parties independent of the Company and its connected persons (as defined under the Listing Rules), as the vendor; and (iii) the Company (being the guarantor) entered into a conditional sale 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 Securities and Futures Ordinance (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 sale and purchase agreement). Completion is conditional upon the necessary approval(s) from the Securities and Futures Commission (the "SFC") being obtained, upon which Goldenway will become a wholly-owned subsidiary of the Company and the financial information of Goldenway will be consolidated into the financial information of the Group.

Upon completion of the above acquisition, the Group would further expand and diversify its financial services business and achieve synergy effect. The Group is also looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

Business Review

Set out below is a detailed discussion and analysis of the performance of the Group during the financial year, as well as the major factors affecting its results of operations and financial position:

Turnover

During the Reporting Period, the Group's turnover from continuing and discontinued operations amounted to approximately RMB357,563,000, representing an increase of approximately RMB101,649,000 or 39.7% from approximately RMB255,914,000 in 2016.

In particular, turnover of cement segment amounted to approximately RMB356,982,000, representing an increase of approximately RMB134,439,000 or 60.4% from approximately RMB222,543,000 in 2016. The increase was primarily attributable to the significant increase of selling price of cement during the Reporting Period.

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

	2017			2016		
	Sales Volume	**Average selling price**	**Turnover**	Sales Volume	Average selling price	Turnover
	Thousand Tonnes	***RMB/ Tonne***	***RMB'000***	*Thousand Tonnes*	*RMB/ Tonne*	*RMB'000*
PO 42.5 Cement	**724.6**	**282.13**	**204,429**	618.9	195.51	121,004
PC 32.5R Cement	**651.2**	**234.3**	**152,553**	555.7	179.61	99,811
Clinker	**–**	**–**	**–**	7.9	218.73	1,728

Categorized by product type, the sales volume of cement products in 2017 amounted to approximately 1,375.8 thousand tonnes, representing an increase of approximately 17.1% from 2016, while the sales income of cement products was approximately RMB356,982,000, representing an increase of approximately 61.7% from 2016. The sales income of clinker amounted to nil in 2017. All of the clinker produced by the Group was used for cement production without external sales in this year.

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

	2017		**2016**	
	Turnover	**% of total turnover**	Turnover	% of total turnover
	RMB'000		*RMB'000*	
Jiangsu Province	**300,130**	**84.07%**	191,786	86.18%
Wujiang District	**283,990**	**79.55%**	174,833	78.56%
Suzhou (excluding Wujiang District)	**16,140**	**4.52%**	16,953	7.62%
Zhejiang Province	**33,132**	**9.28%**	25,368	11.40%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**32,600**	**9.13%**	24,715	11.11%
Jiaxing	**532**	**0.15%**	653	0.29%
Shanghai	**23,720**	**6.65%**	5,389	2.42%
Total	**356,982**	**100.00%**	222,543	100%

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

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

As of 31 December 2017, a total of three projects are in progress. Two new projects have been initiated in 2017. During the Reporting Period, one has 0.0% work finished, one has 25.0% work finished, and one has 68.0% work finished.

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

During the Reporting Period, the environmental protection segment achieved turnover of approximately RMB581,000. During 2016, the turnover of environmental protection segment amounted to approximately RMB33,371,000.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit from continuing and discontinued operations amounted to approximately RMB68,088,000.

As to cement segment, the gross profit amounted to approximately RMB68,314,000, representing an increase of approximately RMB53,012,000 compared to a gross profit of approximately RMB15,302,000 in 2016; while the gross profit margin amounted to approximately 19.1% in 2017, representing an increase of approximately 12.2% compared to the approximately 6.9% in 2016. The increase was mainly due to the significant rise in cement price.

As to environmental protection segment, during the Reporting Period, the gross loss amounted to approximately RMB226,000, and the gross loss margin amounted to approximately 38.9%, while in 2016, the gross profit was approximately RMB9,448,000 and the gross profit margin was approximately 28.3%. Decreases was mainly because revenue from major works have not been recognised based on the percentage of completion of works.

Other Income

The Group's other income from continuing and discontinued operations amounted to approximately RMB16,300,000 during the Reporting Period, representing an increase of approximately RMB4,794,000 or approximately 41.7% compared to approximately RMB11,506,000 in 2016. The increase was mainly due to (i) increase of tax refund of cement segment of approximately RMB2,450,000; (ii) increase of interest income from loans to an independent third party, of approximately RMB1,760,000; and (iii) increase of rental income of the Biofit Group during the Reporting Period of approximately RMB1,085,000.

Sales and Distribution Expenses

The Group's sales and distribution expenses from continuing and discontinued operations amounted to approximately RMB3,324,000 during the Reporting Period, representing an increase of approximately RMB622,000 or approximately 23.0% compared to approximately RMB2,702,000 in 2016, which were all generated from cement segment. The increase was mainly due to the increase in sales volume in 2017. Sales and distribution expenses in 2017 accounted for approximately 0.9% of the consolidated turnover of the cement segment, which has decreased slightly as compared to approximately 1.2% in 2016.

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

General and Administrative Expenses

The Group's general and administrative expenses from continuing and discontinued operations amounted to approximately RMB39,398,000 during the Reporting Period.

As to the cement segment, the general and administrative expenses amounted to approximately RMB32,698,000, representing an increase of approximately RMB17,088,000 or approximately 109.5% from approximately RMB15,610,000 in 2016. The increase in the general and administrative expenses was primarily due to (i) increase of salary & bonus of approximately RMB5,737,000; (ii) increase of rental expense of approximately RMB2,471,000; (iii) increase of professional & legal expenses of approximately RMB2,367,000; and (iv) increase of provision for bad debts of approximately RMB1,822,000 during the Reporting Period.

As to the environmental protection segment, during the Report Period, the general and administrative expenses decreased by approximately RMB3,090,000 or 31.6% from approximately RMB9,790,000 in 2016 to approximately RMB6,700,000 during the Reporting Period.

Tax

The Group's income tax expense from continuing and discontinued operations amounted to approximately RMB18,388,000 during the Reporting Period.

As to the cement segment, the income tax expense amounted to approximately RMB18,769,000 in 2017, representing an obvious increase from approximately RMB1,698,000 of income tax expense in 2016, which was mainly because the Group recorded significant profit growth in 2017.

As to the environmental protection segment, during the Reporting Period, the income tax credit increased by approximately RMB125,000 or 48.8% from approximately RMB256,000 in 2016 to approximately RMB381,000 in 2017.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin from continuing and discontinued operations was approximately 7.0%.

As to the cement segment, the net profit margin was approximately 12.5%, representing a significant increase as compared to approximately 3.4% in 2016. The increase was mainly attributable to the increase in both sales volume and price driven by the improving cement market in the Reporting Period, resulting in an increase from a net profit from approximately RMB7,535,000 in 2016 to a net profit of approximately RMB44,647,000 in 2017.

As to the environmental protection segment, during the Reporting Period, the net loss amounted to approximately RMB3,916,000, and the net loss margin was approximately 674.0%. In 2016, the net profit amounted to approximately RMB768,000, and the net profit margin was approximately 2.3%.

Liquidity and Capital Resources

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Cash and cash equivalents	**28,597**	18,949
– Cement Segment	**27,738**	18,860
– Environmental Protection Segment	**852**	89
– Money lending and financial services segment	**7**	–
Borrowings	**64,910**	54,000
– Cement Segment	**50,000**	50,000
– Environmental Protection Segment	**5,000**	4,000
– Unallocated	**9,910**	–
Debt to equity ratio	**15.7%**	13.9%
– Cement Segment	**13.3%**	14.8%
– Environmental Protection Segment	**10.9%**	8.0%
Debt to asset ratio	**30.9%**	23.6%
– Cement Segment	**27.5%**	23.1%
– Environmental Protection Segment	**37.1%**	26.6%

Cash Flow

As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately RMB28,597,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB27,738,000, representing an increase of approximately 47.1% from approximately RMB18,860,000 as at 31 December 2016. The increase was primarily due to profit generated during the year.

Borrowings

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Current:		
Borrowings		
– Cement segment	**50,000**	50,000
– Environmental protection segment	**5,000**	4,000
– Unallocated	**9,910**	–
Borrowings	**64,910**	54,000

As at 31 December 2017, the Group's borrowings of continuing and discontinued operations amounted to approximately RMB64,910,000, representing an increase of approximately 20.2% from approximately RMB54,000,000 as at 31 December 2016, which was mainly due to the increase of borrowing.

As at 31 December 2017 and 31 December 2016, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits. As at 31 December 2017, bank borrowings of approximately RMB5,000,000 (31 December 2016: approximately RMB4,000,000) was secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family member.

As at 31 December 2017, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 31 December 2017, the Group's debt to equity ratio of continuing and discontinued operations was 15.7%.

Among others, the debt to equity ratio of the cement segment was 13.3%, which decreased as compared with 14.8% as at 31 December 2016.

As to the environmental protection segment, the debt to equity ratio was 10.9%, representing an increase from 8.0% as at 31 December 2016 as a result of the increase of bank borrowings.

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

Capital Expenditure and Capital Commitments

The Group's capital expenditure of continuing and discontinued operations amounted to approximately RMB11,306,000 in 2017.

Among others, the capital expenditure of the cement segment amounted to approximately RMB10,903,000, representing a significant increase from approximately RMB2,973,000 in 2016. As to the environmental protection segment, the capital expenditure amounted to RMBnil during the Reporting Period, which decreased from approximately RMB2,000 in 2016.

As at 31 December 2017, the Group did not have capital commitments.

Pledge of Assets

As at 31 December 2017, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. During the Reporting Period, the Group was not materially affected in operating business and working capital due to fluctuations in foreign exchange rates.

During the Reporting Period, the Group did not expose to any significant currency exchange risks, nor did the Group implement any hedging measures for such risks.

As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical exchange rate levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic development and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. The management will closely monitor its foreign exchange exposure and will consider taking appropriate measures on hedging foreign currency exposure when necessary.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

Except as described below and in note 17 to the consolidated financial statements, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of other subsidiaries or associated companies.

As disclosed in the announcement of the Company dated 30 October 2017 regarding the major and connected transaction of the sale shares and the sale loan involving the issue of the convertible bonds, pursuant to which, (i) the Group; (ii) a company wholly-owned by Mr. Tseung Hok Ming, the non-Executive Director and the controlling shareholder of the Company, as vendor; and (iii) Mr. Tseung Hok Ming, as the guarantor, entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire and the vendor has conditionally agreed to sell (i) the entire issued share capital of Loyal Fame Global Limited and Greensburg Holdings Limited, being companies incorporated in the British Virgin Islands with limited liability with their principal activities being investment holding (together with their subsidiaries, the "Saipan Group"); and (ii) all obligations, liabilities and debts owing or incurred by the Saipan Group to the vendor and its associates, at a consideration of HK$472,000,000. The consideration shall be settled by way of procuring the Company to issue convertible bonds to the vendor upon completion. Upon completion, the Saipan Group will become subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Group.

Dividend

The Board does not recommend payment of any final dividend for the year ended 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group has a total of 248 employees. The total remuneration amounted to approximately RMB22,639,000 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 2018, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase profitability of our products by refining customer services; continue to conduct prudent research and promote the businesses in environmental protection field; and make attempts in capital operation to enhance operating efficiency and improve overall competitiveness.

For money lending and financial services businesses, the management expects that the money lending business segment will become one of the Group's stable income sources.

In the coming year, the management is going to put more effort to develop the money lending operation and aims to gain a higher level of loan advance balance with significant returns. It is believed that expansion of money lending operation will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow.

The management continues looking into possible acquisitions of relevant licensed corporations, asset management companies and other financial service platforms, in order to build a strong, growing and diversified financial services sector.

The management will go on paying close attention to the development of the money lending and financial services business segment and to promptly react to the demand in the market.

For property development business, the Board considers that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income in order to enhance value of the shareholders and to hedge the uncertainties imposed by the price fluctuations of cement. The Commonwealth of the Northern Mariana Islands (the "CNMI") is a United States of America Territory with "commonwealth" status, comprising fifteen islands in the Pacific Ocean. CNMI is a popular tourism destination. The economies of the CNMI are vitally driven by tourism and are well-known as a perfect getaway for tourists around the world featuring the rich cultural history and tropical marine weather that offer year-round outdoor activities including but not limited to, world class diving, golfing and gambling. According to Marians Visitors Authority, the number of visitors has been continuously raising since the last calendar year. As in January 2017, the total number of visitors was 63,346, representing an approximately increase of 37.7% as compared to the same period in 2016 and 90% of the CNMI visitors travelled to the island for pleasure purpose. It is believed by the Board that by acquiring the Saipan Group and develop into resorts and/or hotels has enormous potential in the CNMI and represents an excellent opportunity for the Group to expand its business portfolio into a unique market, comprising the hospitality sector.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance.

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

Code Provision A.1.1

Code Provision A.1.1 stipulates that board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held 2 regular meetings. The Board considers that during the Reporting Period, the Group had no significant matters which required to convene formal Board meetings for discussion. Nevertheless, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner. The Board also holds provisional meetings to review discuss and decide specific matters related to the development and strategy of the Group as and when required. During the Reporting Period, the Board held 5 provisional meetings to approve and pass, inter alia, the establishment of joint venture, the appointment of Mr. Chan Ka Wing as an Executive Director, and the major and connected transaction involving the issue of the convertible bonds for acquiring the sale shares and the sale loan.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules with written terms of reference.

The Audit Committee has reviewed the Group's annual financial statements for the year ended 31 December 2017 and has discussed the financial statements issues with the management of the Company. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2017 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2017 annual report will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 28 March 2018

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