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 2018

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 2018 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with the relevant comparative figures for the corresponding period of 2017.

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's turnover from continuing and discontinued operations amounted to approximately RMB219,497,000, representing an increase of approximately RMB82,634,000 or 60.4% from approximately RMB136,863,000 for the six months ended 30 June 2017.

- The gross profit margin of cement segment increased to approximately 22.8% during the Reporting Period from approximately 13.7% for the six months ended 30 June 2017.

- Profit attributable to equity holders of the Company increased to profit attributable to equity holders of the Company of approximately RMB28,671,000 from approximately RMB8,322,000 for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited and re-presented)
Continuing operations			
Revenue	*6*	**219,497**	136,821
Cost of sales		**(169,434)**	(118,007)
Gross profit		**50,063**	18,814
Distribution expenses		**(1,996)**	(1,338)
Administrative expenses		**(11,405)**	(10,545)
Other income		**9,584**	5,277
Other (losses)/gains – net		**(1,299)**	5,102
Operating income		**44,947**	17,310
Finance income		**80**	521
Finance expenses		**(2,053)**	(1,402)
Financial expenses – net		**(1,973)**	(881)
Profit before income tax expense	*8(a)*	**42,974**	16,429
Income tax expense	*7*	**(14,248)**	(6,331)
Profit for the period from continuing operations		**28,726**	10,098
Discontinued operation			
Loss for the period from a discontinued operation, after tax	*8(b)*	**(133)**	(2,372)
Profit and total comprehensive income for the period		**28,593**	7,726

	Notes	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Unaudited and re-presented)
Profit and total comprehensive income For the period attributable to:			
Owners of the Company			
– Profit for the period from continuing operations		**28,726**	10,098
– Loss for the period from a discontinued operation		**(55)**	(1,776)
Profit and total comprehensive income for the period attributable to owners of the Company		**28,671**	8,322
Non-controlling interests			
– Loss for the period from a discontinued operation		**(78)**	(596)
Loss and total comprehensive income for the period attributable to non-controlling interests		**(78)**	(596)
		28,593	7,726
Earnings per share from continuing and discontinued operations			
– Basic and diluted *(RMB per share)*	*15*	**0.052**	0.015
Earnings per share from continuing operations			
– Basic and diluted *(RMB per share)*	*15*	**0.052**	0.018

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018** ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**109,135**	107,368
Land use rights		**15,498**	15,700
Intangible assets		**403**	403
Interest in associate		**24,000**	24,000
Deposit paid for acquisition of a subsidiary	*9*	**–**	4,066
Financial assets at fair value through other comprehensive income	*10*	**9,000**	–
Deposit paid for acquisition of a property	*9*	**18,000**	–
Loans and other receivables	*9*	**11,744**	41,760
Total non-current assets		**187,780**	193,297
Current assets			
Inventories		**42,292**	25,306
Trade and other receivables	*9*	**270,942**	275,440
Short-term bank deposits		**41,930**	2,240
Cash and cash equivalents		**17,867**	27,745
		373,031	330,731
Assets of a discontinued operation classified as held for sale	*8(b)*	**78,160**	73,672
Total current assets		**451,191**	404,403
Current liabilities			
Trade and other payables	*12*	**77,233**	73,183
Income tax payable		**14,627**	14,983
Borrowings	*13*	**61,182**	59,910
		153,042	148,076
Liabilities of a discontinued operation classified as held for sale	*8(b)*	**31,770**	27,144
Total current liabilities		**184,812**	175,220
Net current assets		**266,379**	229,183

	Notes	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Total assets less current liabilities		**454,159**	422,480
Non-current liabilities			
Deferred tax liabilities		**12,438**	9,352
Total non-current liabilities		**12,438**	9,352
NET ASSETS		**441,721**	413,128
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**4,490**	4,490
Other reserves		**330,994**	327,474
Retained earnings		**91,989**	66,838
		427,473	398,802
Non-controlling interests		**14,248**	14,326
TOTAL EQUITY		**441,721**	413,128

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital *RMB'000* *(Note 14)*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2018 (audited)	**4,490**	**327,474**	**66,838**	**398,802**	**14,326**	**413,128**
Profit/(loss) and total comprehensive income for the period	**–**	**–**	**28,671**	**28,671**	**(78)**	**28,593**
Appropriation to statutory reserve	**–**	**3,520**	**(3,520)**	**–**	**–**	**–**
At 30 June 2018 (unaudited)	**4,490**	**330,994**	**91,989**	**427,473**	**14,248**	**441,721**
At 1 January 2017 (audited)	4,490	323,009	45,404	372,903	15,129	388,032
Profit/(loss) and total comprehensive income for the period	–	–	8,322	8,322	(596)	7,726
At 30 June 2017 (unaudited)	4,490	323,009	53,726	381,225	14,533	395,758

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Cash flows from operating activities		
Cash generated from/(used in) operations	**67,466**	(33,962)
Income tax paid	**(11,518)**	–
Interest paid	**(1,852)**	(1,467)
Net cash generated from/(used in) operating activities	**54,096**	(35,429)
Cash flows from investing activities		
Interest received	**80**	521
Interest received from loans to Dongtong	**–**	19,470
Proceeds from disposal of property, plant and equipment	**–**	50
Purchase of property, plant and equipment	**(9,370)**	(1,233)
Prepayment for purchase of property, plant and equipment	**(1,115)**	(3,470)
Proceeds from disposal of available-for-sale financial assets	**–**	8,000
Investment in an associate	**–**	(24,000)
Investment in financial asset at fair value through other comprehensive income	**(9,000)**	–
Deposit paid for acquisition of a property	**(18,000)**	–
Deposit received for disposal of subsidiaries	**3,265**	–
Deposit refunded/(paid) for potential investment	**2,767**	(1,387)
(Increase)/decrease in short-term bank deposits	**(39,690)**	30,080
Net cash (used in)/generated from investing activities	**(71,063)**	28,031

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Cash flows from financing activities		
Proceeds from borrowings	**57,449**	57,167
Repayment of borrowings	**(56,177)**	(54,000)
Advance from a non-controlling shareholder of a subsidiary	**5,992**	3,979
Net cash generated from financing activities	**7,264**	7,146
Net decrease in cash and cash equivalents	**(9,703)**	(252)
Cash and cash equivalents at the beginning of the period	**28,597**	18,949
Cash and cash equivalents at end of the period	**18,894**	18,697
Represent by:		
Cash and bank balances	**17,867**	17,872
Cash and bank balances attributable to a discontinued operation	**1,027**	825
Cash and cash equivalents at end of the period	**18,894**	18,697

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information (the "Financial Information") for the six months ended 30 June 2018 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information was approved by the Board of Directors (the "Board") for issue on 22 August 2018.

The Financial Information has been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3.

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

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated. The Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The Financial Information does not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2017 consolidated financial statements.

The Financial Information has been prepared under the historical cost convention, except that financial assets at fair value through other comprehensive income are measured at their fair values.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in HKFRSs

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of the following new standards and interpretations as of 1 January 2018 and the policies stated in below:

HKFRS 9, Financial Instruments
HKFRS 15, Revenue from Contracts with Customers
HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures

The impacts of the adoption of HKFRS 9 Financial Instruments (see note 3.1A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3.1B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

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

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

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

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

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

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

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

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

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

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

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

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

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *RMB'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *RMB'000*
Loans receivables	Loans and receivables *(note 3.1A(ii)(b))*	Amortised cost	106,400	106,400
Trade and other receivables	Loans and receivables *(note 3.1A(ii)(a))*	Amortised cost	258,045	258,045
Short-term bank deposits	Loans and receivables	Amortised cost	2,240	2,240
Cash and cash equivalents	Loans and receivables	Amortised cost	28,597	28,597

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

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

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

Presentation of ECLs

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

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group includes loans and other receivables. Applying the ECLs model, no additional impairment for loans and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(iii) Transition

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

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

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

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

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

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

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

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

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

The provision of sewage and sludge treatment operation and construction services segment has been classified as a discontinued operation held for sale.

3.2 Current income tax

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

3.3 Other new HKAS, amendments and interpretations

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

4 USE OF JUDGEMENTS AND ESTIMATES

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

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3 and changes in estimates that are required in determining the provision for income taxes.

5 SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The segments are managed separately as each business offers different products and services and requires different business strategies. The Board has identified the Group's product and service lines as reportable operating segments as follow:

(i) Production and sales of cements;

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

(iii) Money lending and financial services.

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

For the six months ended 30 June 2018 (unaudited)

	Continuing operations		Discontinued operation	
	Production and sales of cements *RMB'000*	**Money lending and financial services** *RMB'000*	**Provision of sewage and sludge treatment operation and construction services** *RMB'000*	**Total** *RMB'000*
Segment revenue *(Note 6)*	219,497	–	–	219,497
Segment results	49,448	(1,315)	(97)	48,036
Unallocated expenses				(5,162)
Income tax expense	(14,248)	–	(33)	(14,281)
Profit for the period				28,593
As at 30 June 2018 (unaudited)				
Segment assets	557,996	417	77,603	636,016
Unallocated assets				2,955
Total assets				638,971
Segment liabilities	147,174	–	31,770	178,944
Unallocated liabilities				18,306
Total liabilities				197,250

For the six months ended 30 June 2017 (unaudited and re-presented)

	Continuing operations	Discontinued operation	
	Production and sales of cements	**Provision of sewage and sludge treatment operation and construction services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(Note 6)*	136,821	42	136,863
Segment results	21,697	(2,582)	19,115
Unallocated expenses			(5,272)
Income tax (expense)/credit	(6,331)	214	(6,117)
Profit for the period			7,726
As at 30 June 2017 (unaudited)			
Segment assets	467,998	73,698	541,696
Unallocated assets			3,555
Total assets			545,251
Segment liabilities	121,013	26,188	147,201
Unallocated liabilities			2,292
Total liabilities			149,493

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. The revenue derived from one of the external customers amounted to 9.19% of the Group's revenue for the period (30 June 2017: 12.10%).

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Revenue		
Reportable segment revenue	**219,497**	136,863
Less: attributable to a discontinued operation	**–**	(42)
Revenue from continuing operations	**219,497**	136,821

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Profit before income tax expense and discontinued operation		
Reportable segment results	**48,036**	19,115
Less: total unallocated expenses	**(5,162)**	(5,272)
Add: segment loss before income tax from a discontinued operation	**97**	2,582
Add: unallocated expenses attributable to a discontinued operation	**3**	4
Consolidated profit before income tax expense from continuing operations	**42,974**	16,429

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**636,016**	596,380
Add: total unallocated assets	**2,955**	1,320
Less: segment assets attributable to a discontinued operation	**(77,603)**	(73,108)
Less: unallocated assets attributable to a discontinued operation	**(557)**	(564)
Assets attributable to continuing operations	**560,811**	524,028

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Liabilities		
Reportable segment liabilities	**178,944**	169,664
Add: total unallocated liabilities	**18,306**	14,908
Less: segment liabilities attributable to a discontinued operation	**(31,770)**	(27,144)
Liabilities attributable to continuing operations	**165,480**	157,428

6 REVENUE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Continuing operations		
Sale of ordinary Portland cement strength class 42.5	**133,989**	75,445
Sale of composite Portland cement strength class 32.5R	**85,508**	61,376
	219,497	136,821
Discontinued operation		
Provision of sewage and sludge treatment operation and construction services	**–**	42
	219,497	136,863

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

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

	As at	
	30 June	1 January
	2018	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Receivables		
– Trade and bills receivables, net *(Note 9)*	**166,312**	207,748
Contract assets		
– Amounts due from customers for construction work *(Note 11)*	**30,483**	30,783
– Amount due from grantor for contract work *(Note 9)*	**8,097**	7,876
Contract liabilities		
– Advances from customers *(Note 12)*	**12,245**	11,631

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

The contract liabilities mainly relate to the advance consideration received from customers.

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Current income tax	**(11,162)**	(3,749)
Deferred tax on origination and reversal of temporary differences	**(3,086)**	(2,582)
	(14,248)	(6,331)

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

Hong Kong profits tax rate is calculated by applying the estimated weighted average income tax rate expected for the full financial year of 16.5% (2017: 16.5%) to the six months ended 30 June 2018. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the period (30 June 2017: Nil).

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of all the PRC subsidiaries was 25% on their taxable profits for the six months ended 30 June 2018 except for subsidiary Shanghai Biofit Environmental Technology Co., Ltd 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 period (30 June 2017: 15%).

8 PROFIT BEFORE INCOME TAX EXPENSE

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

Continuing and discontinued operations

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Cost of inventories sold	**169,434**	118,007
Depreciation	**7,257**	7,082
Amortisation	**202**	1,111
Research and development expenses	**44**	44
Employee expenses (including directors' remuneration)		
– wages and salaries	**8,147**	7,798
– pension scheme contribution	**1,825**	1,444
Auditor remuneration	**130**	124
Operating lease rental expenses	**1,175**	2,295
Gain on disposal of available-for-sale financial assets	**–**	(5,102)
Loss on forfeiture of non-refundable deposit *(Note 9 (iv))*	**1,299**	–
Provision of doubtful debt *(Note 9 (ii))*	**15**	130
Recovery of doubtful debt *(Note 9 (ii))*	**(304)**	(70)

(b) Discontinued operation

In November 2017, the Board resolved to dispose of Shanghai Biofit Environmental Technology Co. Ltd 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 30 June 2018, final negotiations for the disposal was in progress and accordingly the Disposal Group was classified as a discontinued operation. The comparative interim statement of comprehensive income and statement of cash flows have been re-presented as if the operation has been discontinued at the beginning of the comparative period.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Revenue	**–**	42
Cost of sales	**–**	(47)
Distribution expenses	**(2)**	–
Administrative expenses	**(1,022)**	(3,524)
Other income	**1,073**	1,025
Other losses	**–**	(17)
Finance costs – net	**(149)**	(65)
Loss before income tax (expense)/credit	**(100)**	(2,586)
Income tax (expense)/credit	**(33)**	214
Loss for the period from a discontinued operation	**(133)**	(2,372)
Loss for the period from a discontinued operation attributable to:		
– Owners of the Company	**(55)**	(1,776)
– Non-controlling interests	**(78)**	(596)
	(133)	(2,372)
Operating cash outflows	**(5,817)**	(4,860)
Investing cash inflows	**–**	–
Financing cash inflows	**5,992**	4,979
Total cash inflows	**175**	119

The carrying amounts of the assets and liabilities of the Disposal Group are as follows:

	As at 30 June 2018	**As at 31 December 2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**280**	280
Goodwill	**9,396**	9,396
Intangible assets	**5,227**	5,227
Trade and other receivables	**62,230**	57,917
Cash and cash equivalents	**1,027**	852
	78,160	73,672
Borrowings	**5,000**	5,000
Trade and other payables *(Note 12)*	**25,340**	20,747
Deferred tax liabilities	**1,430**	1,397
	31,770	27,144

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2018	**As at 31 December 2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables due from third parties	**171,403**	213,128
Less: provision for impairment of trade receivables *(note (ii))*	**(5,091)**	(5,380)
Trade and bills receivables-net *(note (i))*	**166,312**	207,748
Amounts due from customers for construction work *(Note 11)*	**30,483**	30,783
Amount due from grantor for contract work	**8,097**	7,876
Prepayments	**19,308**	14,738
Loans to Suzhou Dongtong Construction and Development Co. Ltd ("Dongtong") *(note (iii))*	**66,400**	66,400
Loan receivable *(note (v))*	**40,000**	40,000
Advance to suppliers	**2,000**	2,000
Other receivables	**12,874**	10,266
Deposit paid for acquisition of a property *(note (vi))*	**18,000**	–
Less: provision for impairment of other receivables	**(558)**	(628)

	As at 30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepayments, deposits and other receivables	**158,024**	132,776
Total trade and other receivables	**362,916**	379,183
Less: non-current portion		
– Deposit paid for acquisition of a subsidiary *(note (iv))*	**–**	(4,066)
– Deposit paid for acquisition of a property	**(18,000)**	–
– Loans receivable *(note (v))*	**(10,000)**	(40,000)
– Other receivables	**(1,744)**	(1,760)
Less: balances attributable to a discontinued operation		
– Amounts due from customers for construction work other than that under the BOT arrangement *(Note 10)*	**(30,483)**	(30,783)
– Amount due from grantor for contract work	**(8,097)**	(7,876)
– Trade receivables	**(3,113)**	(2,813)
– Prepayments	**(16,381)**	(12,348)
– Advances to suppliers	**(2,000)**	(2,000)
– Other receivables	**(2,156)**	(2,097)
	(91,974)	(103,743)
Trade and other receivables – current portion	**270,942**	275,440

As at 30 June 2018 and 31 December 2017, no bills receivable was pledged for the borrowings. All non-current receivables are due within five years from the end of the period/year.

(i) Trade and bills receivables

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 RMB50 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.

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

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

	As at	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**90,823**	106,743
From 91 days to 180 days	**36,743**	59,733
From 181 days to 1 year	**35,010**	35,407
From 1 year to 2 years	**373**	3,473
Over 2 years	**3,363**	2,392
	166,312	207,748

Most of the Group's trade and other receivables are denominated in RMB.

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**5,380**	2,218
Provision for the period *(Note 8)*	**15**	130
Balance recovered for the period *(Note 8)*	**(304)**	(70)
Closing balance at 30 June	**5,091**	2,278

(iii) **Loans to Dongtong**

The effective interest rates on loans to Dongtong were as follows:

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
Loans to Dongtong	**10.45%**	10.45%

A fixed annual income (being interest income) from the loans is receivable on 31 December each year and the loan principal of RMB60,000,000 is to be repaid on 31 December 2017. Pursuant to an agreement with Dongtong entered into by the Group in December 2017, the maturity date of the loans were deferred to 31 December 2018 with the annual interest rate and other terms unchanged. As at 30 June 2018, interest receivables of approximately RMB nil (31 December 2017: RMB nil) were past due within 180 days.

(iv) Deposit paid for acquisition of a subsidiary

On 2 August 2017, the Group entered into a conditional sales 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.

On 25 May 2018, as the requirements stipulated in the sales and purchase agreement could not be fulfilled upon the expiry of the long stop period, the sales and purchase agreement was terminated. As the result of termination of the sales and purchase agreement, the first deposit amounting to HK$1,600,000 as defined in the sales and purchase agreement paid by the Group is non-refundable.

As at 30 June 2018, an amount of approximately RMB nil (31 December 2017: RMB4,066,000) has been paid as a deposit.

(v) 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.

As at 30 June 2018, interest receivables of approximately RMB3,180,000 (31 December 2017: RMB1,761,000) have been included in other receivables.

(vi) Deposit paid for acquisition of a property

On 29 June 2018, the Group, as purchaser, entered into a property sale and purchase agreement with Suzhou Tailong Real Estate Development Company Limited (the "Property Vendor"), pursuant to which the Group agreed to acquire a property at a total consideration of RMB23,000,000. The Group has paid RMB18,000,000 as at 30 June 2018 and the remaining RMB5,000,000 is payable upon the completion of the transfer of title of the property. Mr. Tseung Hok Ming, the non-executive director and controlling shareholder of the Company, indirectly held 71% equity interests in Dongfang Hengxin Assets Holdings Company Limited which held 100% equity interests in the Property Vendor.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

The investment is classified as fair value through other comprehensive income. The directors of the Company are of the opinion that fair value of the investment as at 30 June 2018 approximated to its cost.

11 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracts in progress at the end of period/year:		
Contract cost incurred	**49,477**	49,477
Recognised profits less recognised losses	**17,497**	17,497
	66,974	66,974
Progress billings	**(36,491)**	(36,191)
	30,483	30,783

12 TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**64,615**	52,645
Advances from customers	**12,245**	11,631
Salary payables	**609**	3,983
Other tax payables	**5,065**	7,713
Other payables	**20,039**	17,958
Less: attributable to a discontinued operation *(note 8(b))*	**(25,340)**	(20,747)
	77,233	73,183

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

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

The aging analysis of the trade payables are as follows:

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Below 30 days	**43,243**	30,490
From 31 days to 90 days	**12,454**	11,105
From 91 days to 180 days	**384**	1,674
From 181 days to 1 year	**496**	1,493
From 1 year to 2 year	**192**	5,264
Over 2 years	**7,846**	2,619
	64,615	52,645

13 BORROWINGS

Total borrowings of the Group at 30 June 2018 were approximately RMB66,182,000 (31 December 2017: RMB64,910,000) of which RMB5,000,000 (31 December 2017: RMB5,000,000) was classified as held for sale. Borrowings of the Group from banks and independent third parties were approximately RMB55,000,000 (31 December 2017: RMB55,000,000) and RMB11,182,000 (31 December 2017: RMB9,910,000) respectively. Bank borrowings of approximately RMB5,000,000 was secured by personal guarantees from the Director, Mr. Ling Chao and his close family member as at 30 June 2018 (31 December 2017: RMB5,000,000). Borrowings of approximately RMB2,449,000 was secured by corporate guarantees from the Company as at 30 June 2018 (31 December 2017: RMB nil).

Interest expense on borrowings from continuing operations for the period was approximately RMB2,053,000 (30 June 2017 (re-presented): RMB1,402,000).

The carrying amounts of the Group's borrowings approximated to their fair values as at 30 June 2018 and 31 December 2017.

The Group's borrowings are denominated in RMB and HK$ as at 30 June 2018.

14 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 2017 and 30 June 2018	10,000,000	100,000	81,520
Issued and fully paid:			
At 31 December 2017 and 30 June 2018	552,000	5,520	4,490

15 EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the profit 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	
	2018	2017
	(Unaudited)	(Unaudited and re-presented)
Profit from continuing and discontinued operations attributable to equity shareholders of the Company *(RMB'000)*	**28,671**	8,322
Add: loss for the period from a discontinued operation	**55**	1,776
Profit from continuing operations	**28,726**	10,098
Weighted average number of ordinary shares in issue *(thousand shares)*	**552,000**	552,000
Basic and diluted earnings per share from continuing and discontinued operations *(RMB)*	**0.052**	0.015
Basic and diluted earnings per share from continuing operations *(RMB)*	**0.052**	0.018

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2018 and 2017, diluted earnings per share is the same as basic earnings per share.

16 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries and benefit in kind	**2,872**	2,650

As disclosed in note 10, acquisition of 18% equity interest in Dongfang Kangtan by the Group for a cash consideration of RMB9,000,000 was a related party transaction as the Vendor was owned as to 70% by Mr. Tseung Hok Ming ("Mr. Tseung"), the non-executive director and controlling shareholder of the Company.

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

Save as disclosed above, there are no transactions among the Group and its related parties for the six months ended 30 June 2018 (30 June 2017: Nil).

17 CAPITAL COMMITMENTS

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(audited)
Commitments for the acquisition of:		
Property, plant and equipment	**640**	–

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

From January to June 2018, various macroeconomic indexes suggest that China's economic growth is basically steady. During the Reporting Period, the gross domestic product (GDP) registers a year-on-year increase of 6.8% (the figure for the same period in 2017 was 6.9%). During the Reporting Period, the fixed asset investment amount recorded a nominal growth rate of 6.0% compared with that in the same period of last year (the figure for the same period in 2017 was 8.6%). (Data source: National Bureau of Statistics) From January to June 2018, China's domestic cement output totaled 997 million tons, which was 0.6% lower than that of the same period in 2017. The year-on-year increase of last year is 0.4%. In the first half of 2018, the price trend of China's domestic cement industry was characterized by year-on-year rise, month-on-month stability in cement price, and minor drop, steady growth in the south and sharp drop in the north in cement demands. As China continued to intensify its supply-side structural reform and environmental protection supervision, including an array of product restraint measures such as "production restraint for environmental protection," "creating a blue sky," and "production at staggering peaks" continuously exerted their effects, the market-demand-and-supply relationship has achieved continuous improvement. The industry maintains a low inventory operation. The operation efficacy level and the industrial profit level have maintained a relatively fast growth rate. Under the regulation of risk prevention and deleverage policies, infrastructure investments closely related to cement demands have experienced a dramatic decline. The local governments lower the leverage, the PPP project operation has been standardized and put under stricter regulations and in some places, a batch of projects have been removed, stopped or suspended, thus inevitably slowing down the investment growth rate. The real estate investments are demonstrating outstanding performance. There is an obvious spike in the growth rate of 2018 compared with the same period in 2017. In the first half of 2018, the national real estate development investments reached RMB5.5531 trillion, registering a year-on-year nominal increase of 9.7%, and the growth rate increased by 1.2 percentage point compared with the year before. The rise in real estate investments and the continuation of last year's infrastructure investments have jointly fueled the overall cement demand increase in the first half of 2018. The year-on-year demand increase dropped slightly. The regional disparity remained, and steady price in the south and sharp drop in the north was still a striking characteristic. The cement price in the first half of 2018 was characterized by huge year-on-year rise and month-on-month stableness. (Data source: dcement.com.) Take the cement price of provincial capitals of major sales areas (Jiangsu, Zhejiang and Shanghai) of the Group for example, in June, the average price of PO42.5 cement in Nanjing (provincial capital of Jiangsu), Hangzhou (provincial capital of Zhejiang), and Shanghai is RMB500 per ton, RMB525 per ton, and RMB505 per ton respectively, registering a year-on-year increase of 35.1%, 38.2% and 32.9%, respectively. (Data source: dcement.com.) Affected by the steady quantity demand and rising price, our Group's sales volume, operating income and gross profit rate in the first half of 2018 all increased considerably. In the first half of 2018, the Group's cement operating profits reached around RMB35,200,000.

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 pollution prevention and control. 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 will be implemented. The environmental protection industry in the PRC will continue to expand in the near future, and sewage and sludge treatment as key components of environmental governance is expected to generate more investment return. 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, and the average water resource amount per capita is only 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, discharge 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 treatment market. Recently, China has imposed high standards for sewage and sludge treatment, strictly monitored environmental pollution and protection while increasing environmental protection subsidies 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 and investors in the capital market are paying more attention 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 reusing and dyeing wastewater treatment. The operation of environmental protection segment of the Group has been incorporated into the consolidated statements of the Group since 30 April 2015. However, as we evaluated the 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 entered into a sales 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 money lending business in Hong Kong. During the Reporting Period, the money lending operation had not commenced yet. The management will formulate a fundamental policy to establish its internal control systems. The Group will adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer in order to maximise the return of the money lending business as well as diversify the credit risk.

In August 2017, (i) a direct wholly-owned subsidiary of the Company, as the purchaser; (ii) third parties independent of the Company and its connected persons (as defined under the Listing Rules), as the vendor; and (iii) the Company (being the guarantor) entered into a conditional sales and purchase agreement for a proposed acquisition to acquire the entire issued share capital in Goldenway Securities Company Limited ("**Goldenway**"), which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong) at a total consideration of HK$16,000,000 (subject to adjustments determined by the net asset value of Goldenway as at the date of completion of the sales and purchase agreement). On 25 May 2018, as the requirements stipulated in the sales and purchase agreement could not be fulfilled upon the expiry of the long stop period, the sales and purchase agreement was terminated. For details of the above transaction, please refer to the Company's announcement dated 28 May 2018.

The Group is looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

Business and Financial Review

Turnover

During the Reporting Period, the Group's turnover from continuing and discontinued operations amounted to approximately RMB219,497,000, all deriving from the cement segment, representing an increase of approximately RMB82,634,000 or 60.4% from approximately RMB136,863,000 in the corresponding period in 2017.

Turnover of the cement segment amounted to approximately RMB219,497,000, representing an increase of approximately RMB82,676,000 or 60.4% from approximately RMB136,821,000 in the corresponding period in 2017. The increase was primarily attributable to the increase in both sale volume and price of cement products.

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

	For the six months ended 30 June					
	2018			2017		
	Sales Volume *Thousand tonnes*	**Average Selling Price** *RMB/ tonne*	**Turnover** *RMB'000*	Sales Volume *Thousand tonne*	Average Selling Price *RMB/ tonnes*	Turnover *RMB'000*
PO 42.5 Cement	377.2	355.22	133,989	307.9	245.03	75,445
PC 32.5R Cement	290.3	294.55	85,508	291.3	210.70	61,376

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 667.5 thousand tonnes, representing an increase of approximately 11.4% year on year.

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

	For the six months ended 30 June			
	2018		2017	
	Turnover *RMB'000*	**% of total turnover**	Turnover *RMB'000*	% of total turnover
Jiangsu Province	188,918	86.07%	116,771	85.3%
Wujiang District	178,871	81.49%	110,216	80.5%
Suzhou (excluding Wujiang District)	10,047	4.58%	6,555	4.8%
Zhejiang Province	20,778	9.46%	15,312	11.2%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	20,133	9.17%	14,178	10.4%
Jiaxing	645	0.29%	1,134	0.8%
Shanghai	9,801	4.47%	4,738	3.5%
Total	219,497	100.0%	136,821	100.0%

During the Reporting Period, due to good sales performance, the selling prices of the Group's cement products have increased. The sales amount of respective regions have recorded different extents of increase as compared to the corresponding period last year.

As of 30 June 2018, a total of 4 projects are in progress. 1 new project has been initiated since 31 December 2017. During the Reporting Period, two had 0% work finished, one had 25.0% work finished and one had 68.0% work finished.

During the Reporting Period, the environmental protection segment achieved turnover of approximately RMB nil while the turnover of environmental protection segment was approximately RMB42,000 in the corresponding period in 2017.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit of cement segment business amounted to approximately RMB50,063,000, representing an increase of approximately RMB31,249,000 or 166.1% as compared to the gross profit of approximately RMB18,814,000 in the corresponding period last year, while the gross profit margin amounted to approximately 22.8%, representing an increase of approximately 9.1% as compared to approximately 13.7% in the corresponding period last year. The increase was mainly attributable to the increase in both sale volume and price of cement products during the Reporting Period.

As to environmental protection segment, during the period from 1 January to 30 June 2018, the gross loss amounted to approximately RMBNil. During the corresponding period last year, the gross loss amounted to approximately RMB5,000 and the gross loss margin amounted to approximately 11.9%. The decrease in gross loss margin was mainly attributable to no revenue generated and cost incurred in this segment during the period.

Other Income

The Group's other income from continuing and discontinued operations amounted to approximately RMB10,657,000, representing an increase of approximately RMB4,355,000 or 69.1% as compared to approximately RMB6,302,000 in the corresponding period last year. The increase was mainly due to the increase in income from tax refunds and interest income on loan receivables during the Reporting Period.

Sales and Distribution Expenses

The Group's distribution expenses from continuing and discontinued operations amounted to approximately RMB1,998,000, representing an increase of approximately 49.3% as compared to approximately RMB1,338,000 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 0.9% of the consolidated turnover of the Group, which has decreased as compared to approximately 1% in the corresponding period last year.

As to the environmental protection segment, during the period from 1 January to 30 June 2018, the distribution costs amounted to approximately RMB2,000.

Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses from continuing and discontinued operations amounted to approximately RMB12,427,000, representing a decrease of approximately RMB1,642,000 or 11.7% as compared to approximately RMB14,069,000 in the corresponding period last year.

As to the cement segment, the general and administrative expenses amounted to approximately RMB9,863,000, representing an increase of approximately RMB595,000 or 6.4% as compared to approximately RMB9,268,000 in the corresponding period last year. The increase in the general and administrative expenses was primarily due to increase in staff welfare during the Reporting Period.

As to the environmental protection segment, the administrative expenses amounted to approximately RMB1,022,000. During the corresponding period last year, the administrative expenses amounted to approximately RMB3,524,000.

Income Tax Expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB14,281,000, representing an increase from approximately RMB6,117,000 in the corresponding period last year, which is mainly attributable to the increase in profit incurred during the Reporting Period.

Details of the Group's income tax are set out in note 7 to the condensed consolidated financial statements in this announcement.

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 13.0%.

As to the cement segment, the net profit margin was approximately 16.0%, representing a significant increase as compared to approximately 11.2% in corresponding period last year. 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 to a net profit of approximately RMB35,200,000 from a net profit of approximately RMB15,366,000 in corresponding period last year.

As to the environmental protection segment, during the Reporting Period, the net loss amounted to approximately RMB130,000. During the corresponding period last year, the net loss amounted to approximately RMB2,368,000, and the net loss margin was approximately 5,638.1%.

Liquidity and Capital Resources

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

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Cash and cash equivalents	**18,894**	28,597
Borrowings	**66,182**	64,910
Debt to equity ratio	**15.0%**	15.7%
Liability to asset ratio	**30.9%**	30.9%

Cash Flow

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately RMB18,894,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB17,862,000, representing a decrease of approximately 35.6% from approximately RMB27,738,000 as at 31 December 2017. The decrease was primarily due to the increase in the short-term term bank deposits during the Reporting Period.

Borrowings

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Current:		
– Cement segment	**50,000**	50,000
– Environmental protection segment	**5,000**	5,000
– Unallocated	**11,182**	9,910
	66,182	64,910

During the Reporting Period, the borrowings of the Group from continuing and discontinued operations amounted to RMB66,182,000, representing an increase of 2% compared to approximately RMB64,910,000 as at 31 December 2017, which was mainly due to the increase in the borrowings. Borrowings of the Group as at 30 June 2018, bearing fixed interest rate, amounted to approximately RMB66,182,000, representing an increase as compared to that as at 31 December 2017.

As at 30 June 2018 and 31 December 2017, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and bank deposits. As at 30 June 2018, bank borrowings of approximately RMB5,000,000 (31 December 2017: approximately RMB5,000,000) was secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family member.

Maturities of the Group's borrowings are set out in note 13 to the condensed consolidated interim financial statements.

As at 30 June 2018, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 30 June 2018, the Group's debt to equity ratio was 15.0%.

Among others, the debt to equity ratio of the cement segment was 12.2%, decreasing from 13.3% as at 31 December 2017.

As to the environmental protection segment, the debt to equity ratio was 10.9%, remained broadly flat compared to 10.9% as at 31 December 2017.

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

Capital Expenditure and Capital Commitments

As at 30 June 2018, the Group's capital expenditure of continuing and discontinued operations amounted to approximately RMB18,370,000. Among others, the capital expenditure of the cement segment amounted to approximately RMB18,370,000, representing a notable increase from approximately RMB1,233,000 in the corresponding period last year.

As at 30 June 2018, the capital commitments of the Group amounted to RMB640,000 (As at 31 December 2017, the Group did not have any material capital commitments).

Pledge of Assets

As at 30 June 2018, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in Mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. 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 profit of approximately RMB296,000 due to the appreciation of Hong Kong dollars.

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in the PRC and/or abroad, as well as the demand and supply of Renminbi. 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 stated below.

On 5 January 2018, Dongwu International Investment Limited, a wholly-owned subsidiary of the Company (the "**Dongwu International**"), entered into a sale and purchase agreement with Great Future Development (HK) Limited ("**Great Future**"), pursuant to which the Dongwu International agreed to sell, and the Great Future agreed to purchase the entire issued share capital of Dongwu Science & Technology Investment Company Limited, being the holding company of the Shanghai Biofit Environmental Technology Co., Ltd. and its subsidiaries, 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.

On 4 April 2018, Suzhou Dongwu Cement Co., Ltd., a wholly-owned subsidiary of the Company (the "**Suzhou Dongwu**"), entered into an equity transfer agreement with the Orient Hengxin Capital Holdings Limited ("**Orient Hengxin**"), pursuant to which the Suzhou Dongwu agreed to acquire and Orient Hengxin agreed to sell its 18% equity interests in Suzhou Dongfang Kangtan New Energy Technology Company Limited ("**Dongfang Kangtan**") at a cash consideration of RMB9,000,000. Dongfang Kangtan is principally engaged in the solar power and electric heating, and application of graphene and carbon fiber for heating generation and transmission; the manufacture of floor, under-floor heating and far infrared products; technology transfer and cooperation on intellectual property as well as other operations. The details of this transaction are set out in the Company's announcement dated 4 April 2018.

On 29 June 2018, Suzhou Dongwu, as purchaser, entered into a property sale and purchase agreement with the Suzhou Tailong Real Estate Development Co., Ltd., pursuant to which Suzhou Dongwu agreed to acquire a property at a total consideration of RMB23,000,000. The details of this transaction are set out in the Company's announcement dated 29 June 2018.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 222 employees. The total remuneration of our employees amounted to approximately RMB9,972,000 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 2018, 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 2018 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, 22 August 2018

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