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 2019

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 2019 (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 2018.

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's turnover amounted to approximately RMB251,739,000, representing an increase of approximately RMB32,242,000 or 14.7% from approximately RMB219,497,000 for the six months ended 30 June 2018.
- The gross profit margin of cement segment decreased to approximately 20.7% during the Reporting Period from approximately 22.8% for the six months ended 30 June 2018.
- Profit attributable to owners of the Company increased of approximately RMB32,219,000 during the Reporting Period from profit of approximately RMB28,671,000 for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and re-presented)
Revenue	6	**251,739**	219,497
Cost of sales		**(199,615)**	(169,434)
Gross profit		**52,124**	50,063
Distribution expenses		**(1,757)**	(1,998)
Administrative expenses		**(14,034)**	(12,427)
Other income		**10,532**	10,657
Other losses – net		**–**	(1,299)
Operating income		**46,865**	44,996
Finance income		**899**	80
Finance expenses		**(1,841)**	(2,202)
Finance expenses – net		**(942)**	(2,122)
Share of results of an associate		**1,893**	–
Profit before income tax expense	8	**47,816**	42,874
Income tax expense	7	**(15,788)**	(14,281)
Profit for the period		**32,028**	28,593
Other comprehensive income for the period, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**2,466**	–
Other comprehensive income, net of tax		**2,466**	–
Total comprehensive income for the period		**34,494**	28,593

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and re-presented)
Profit for the period attributable to:			
– Owners of the Company		**32,219**	28,671
– Non-controlling interests		**(191)**	(78)
		32,028	28,593
Total comprehensive income for the period attributable to:			
– Owners of the Company		**34,685**	28,671
– Non-controlling interests		**(191)**	(78)
		34,494	28,593
Earnings per share			
– Basic and diluted *(RMB per share)*	*15*	**0.058**	0.052

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**146,145**	119,440
Land use rights		**–**	15,296
Intangible assets		**403**	403
Deposit paid for acquisition of a property	*9*	**20,500**	20,500
Loan and other receivables	*9*	**60,689**	51,000
Investment in an associate		**27,753**	25,860
Amounts due from grantor for contract work	*9*	**5,470**	5,470
Financial assets at fair value through other comprehensive income	*10*	**–**	6,534
Total non-current assets		**260,960**	244,503
Current assets			
Inventories		**34,588**	27,188
Trade and other receivables	*9*	**334,478**	357,248
Short-term bank deposits		**49,180**	44,400
Cash and cash equivalents		**85,370**	35,726
Financial assets at fair value through other comprehensive income	*10*	**9,000**	–
Total current assets		**512,616**	464,562
Current liabilities			
Trade and other payables	*12*	**142,978**	101,194
Lease liabilities		**437**	–
Income tax payable		**18,609**	21,884
Borrowings	*13*	**58,768**	71,553
Total current liabilities		**220,792**	194,631
Net current assets		**291,824**	269,931
Total assets less current liabilities		**552,784**	514,434

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**20,883**	17,018
Total non-current liabilities		**20,883**	17,018
NET ASSETS		**531,901**	497,416
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**4,490**	4,490
Reserves		**513,940**	479,264
		518,430	483,754
Non-controlling interests		**13,471**	13,662
TOTAL EQUITY		**531,901**	497,416

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						
	Share capital *RMB'000* *(Note 14)*	**Other reserves** *RMB'000*	**Fair value through other comprehensive income reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2019 (audited)	**4,490**	**336,971**	**(2,466)**	**144,759**	**483,754**	**13,662**	**497,416**
Initial application of HKFRS 16	–	–	–	(9)	(9)	–	(9)
Restated balance as at 1 January 2019	**4,490**	**336,971**	**(2,466)**	**144,750**	**483,745**	**13,662**	**497,407**
Profit/(loss) for the period	–	–	–	32,219	32,219	(191)	32,028
Other comprehensive income							
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	2,466	–	2,466	–	2,466
Total comprehensive income	–	–	2,466	32,219	34,685	(191)	34,494
Appropriations to statutory reserves	–	4,088	–	(4,088)	–	–	–
At 30 June 2019 (unaudited)	**4,490**	**341,059**	**–**	**172,881**	**518,430**	**13,471**	**531,901**
Balance at 31 December 2017 as originally presented (audited)	**4,490**	**327,474**	**–**	**66,838**	**398,802**	**14,326**	**413,128**
Initial application of HKFRS 9	–	–	–	(2,916)	(2,916)	–	(2,916)
Restated balance as at 1 January 2018	**4,490**	**327,474**	**–**	**63,922**	**395,886**	**14,326**	**410,212**
Profit/(loss) and total comprehensive income for the period	–	–	–	28,671	28,671	(78)	28,593
Appropriations to statutory reserves	–	3,520	–	(3,520)	–	–	–
At 30 June 2018 (unaudited)	**4,490**	**330,994**	**–**	**89,073**	**424,557**	**14,248**	**438,805**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	**63,195**	67,466
Income tax paid	**(15,207)**	(11,518)
Interest paid	**(1,841)**	(1,852)
Net cash generated from operating activities	**46,147**	54,096
Cash flows from investing activities		
Interest received	**899**	80
Purchase of property, plant and equipment	**(19,469)**	(9,370)
Prepayment for purchase of property, plant and equipment	**–**	(1,115)
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 for potential investment	**–**	2,767
Loans to third parties	**(10,000)**	–
Repayments from third parties	**30,000**	–
Increase in short-term bank deposits	**(4,780)**	(39,690)
Net cash used in investing activities	**(3,350)**	(71,063)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from borrowings	**42,240**	57,449
Repayment of borrowings	**(55,025)**	(56,177)
Repayment of principal portion of lease liabilities	**(368)**	–
Advance from a non-controlling shareholder of a subsidiary	**20,000**	5,992
Net cash generated from financing activities	**6,847**	7,264
Net increase/(decrease) in cash and cash equivalents	**49,644**	(9,703)
Cash and cash equivalents at the beginning of the period	**35,726**	28,597
Cash and cash equivalents at the end of the period	**85,370**	18,894

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 2019 (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. The Financial Information was approved by the Board of Directors (the "Board") for issue on 27 August 2019.

The Financial Information has been prepared with the same accounting policies adopted in the 2018 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 2019. This is the first set of the Group's financial statements in which HKFRS 16 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 2018 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 2018 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 value.

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 2018, as described in those annual financial statements, except for the adoption of the following new standards and interpretations as of 1 January 2019 and the policies stated in below:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Annual Improvements to HKFRSs 2015-2017 Cycle:
  - Amendments to HKFRS 3, Business Combinations
  - Amendments to HKFRS 11, Joint Arrangements
  - Amendments to HKAS 12, Income Taxes
  - Amendments to HKAS 23, Borrowing Costs

The impacts of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets under property, plant and equipment ("right-of-use assets") and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The effect of adoption of HKFRS 16 is as follows:

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows (increase/(decrease)):

	RMB'000 (Unaudited)
Non-current assets	
Right-of-use assets	16,093
Land use rights	(15,296)
Increase in total assets	797
Current liabilities	
Lease liabilities	806
Increase in total liabilities	806
Equity	
Retained earnings	(9)
Increase in equity	(9)

(b) The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	3,117
Weighted average incremental borrowing rate as at 1 January 2019	2.38%
Discounted operating lease commitments as at 1 January 2019	3,080
Less: Commitments relating to those leases with a remaining lease term ending on or before 31 December 2019	(2,274)
Lease liabilities as at 1 January 2019	806

(c) The impact on the condensed consolidated interim statement of financial position and condensed consolidated interim statement of comprehensive income for the period:

	Right-of-use assets *RMB'000* (Unaudited)	**Lease liabilities** *RMB'000* (Unaudited)
As at 1 January 2019	16,093	806
Depreciation expense	(562)	–
Interest expense	–	7
Payments	–	(368)
Exchange realignment	(8)	(8)
As at 30 June 2019	15,523	437

(d) Impact on segment information disclosures for the period and as at 30 June 2019 (increase/(decrease)):

	Production and sales of cements *RMB'000* (Unaudited)	**Money lending and financial services** *RMB'000* (Unaudited)	**Provision of sewage and sludge treatment operation and construction services** *RMB'000* (Unaudited)	**Unallocated** *RMB'000* (Unaudited)
Segment results	–	–	–	1
Segment assets	–	–	–	429
Segment liabilities	–	–	–	437

New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application on 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application on 1 January 2019 and accounted for those leases as short-term leases; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 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 2019 (unaudited)

	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)*	**251,739**	**–**	**–**	**251,739**
Segment results	**54,210**	**(18)**	**(134)**	**54,058**
Unallocated expenses				**(6,242)**
Income tax (expense)/credit	**(15,793)**	**–**	**5**	**(15,788)**
Profit for the period				**32,028**
As at 30 June 2019 (unaudited)				
Segment assets	**683,497**	**455**	**81,524**	**765,476**
Unallocated assets				**8,100**
Total assets				**773,576**
Segment liabilities	**178,691**	**44**	**30,600**	**209,335**
Unallocated liabilities				**32,340**
Total liabilities				**241,675**

For the six months ended 30 June 2018 (unaudited)

	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

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 9.25% of the Group's revenue for the period (30 June 2018: 9.19%).

6. REVENUE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and re-presented)
Recognised at point in time:		
Sale of ordinary Portland cement strength class 42.5	**157,314**	133,989
Sale of composite Portland cement strength class 32.5R	**93,444**	85,508
Solid waste processing income	**981**	–
Recognised at over time:		
Provision of sewage and sludge treatment operation and construction services	**–**	–
	251,739	219,497

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
	2019	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Receivables		
– Trade and bills receivables, net *(Note 9)*	**100,907**	128,809
Contract assets		
– Amounts due from customers for construction work *(Note 11)*	**30,442**	29,145
– Amount due from grantor for contract work *(Note 9)*	**6,974**	6,974
Contract liabilities		
– Advances from customers *(Note 12)*	**(28,385)**	(12,774)

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

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

7. INCOME TAX EXPENSE

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and re-presented)
Current income tax	**(11,923)**	(11,195)
Deferred tax on origination and reversal of temporary differences	**(3,865)**	(3,086)
	(15,788)	(14,281)

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% (2018: 16.5%) to the six months ended 30 June 2019. 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 2018: 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 2019 except for Shanghai Biofit Environmental Technology Co., Ltd changed at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the period (30 June 2018: 15%).

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and re-presented)
Cost of inventories sold	**199,615**	169,434
Depreciation of property, plant and equipment	**8,849**	7,257
Amortisation	**–**	202
Research and development expenses	**–**	44
Employee expenses (including directors' remuneration)		
– wages and salaries	**9,818**	8,147
– pension scheme contribution	**1,838**	1,825
Auditor remuneration	**140**	130
Operating lease rental expenses	**–**	1,175
Interest on lease liabilities	**7**	–
Short-term leases expenses	**1,417**	–
Loss on forfeiture of non-refundable deposit	**–**	1,299
Provision of doubtful debt	**654**	15
Recovery of doubtful debt *(Note 9(ii))*	**(2,810)**	(304)

9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables due from third parties	**102,408**	132,662
Less: provision for impairment *(Note (ii))*	**(1,501)**	(3,853)
Trade and bills receivables, net *(Note (i))*	**100,907**	128,809
Amounts due from customers for construction work *(Note 11)*	**31,528**	30,483
Less: provision for impairment	**(1,086)**	(1,338)
Amounts due from customers for construction work, net *(Note 11)*	**30,442**	29,145
Amounts due from grantor for contract work	**6,974**	6,974
Prepayments	**101,956**	55,424
Loans to Suzhou Dongtong Construction and Development Co. Ltd ("Dongtong") *(Note (iii))*	**66,400**	66,400
Loan receivables *(Note (iv))*	**71,000**	91,000
Advance to suppliers	**2,217**	2,000
Other receivables	**25,082**	37,860
Deposit paid for acquisition of a property *(Note (v))*	**20,500**	20,500
Less: provision for impairment of other receivables	**(6)**	(6)
Less: provision for impairment of loan and interest receivables	**(447)**	–
Less: provision for impairment of loans to Dongtong	**(3,888)**	(3,888)
Prepayments, deposits and other receivables	**282,814**	269,290
Total trade and other receivables	**421,137**	434,218
Less: non-current portion		
– Amount due from grantor for contract work	**(5,470)**	(5,470)
– Deposit paid for acquisition of a property *(Note (v))*	**(20,500)**	(20,500)
– Loan receivables *(Note (iv))*	**(60,689)**	(51,000)
	(86,659)	(76,970)
Trade and other receivables – current portion	**334,478**	357,248

As at 30 June 2019 and 31 December 2018, no bills receivables were 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 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:

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**69,573**	86,320
From 91 days to 180 days	**19,936**	16,874
From 181 days to 1 year	**9,865**	22,076
From 1 year to 2 years	**129**	2,206
Over 2 years	**1,404**	1,333
	100,907	128,809

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening balance	**3,853**	5,380
Provision for the period	**458**	15
Balance recovered for the period *(Note 8)*	**(2,810)**	(304)
Closing balance at 30 June	**1,501**	5,091

(iii) Loans to Dongtong

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

	30 June 2019 (Unaudited)	31 December 2018 (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. Pursuant to an agreement with Dongtong entered into by the Group in December 2018, the maturity date of the loans were further deferred to 31 December 2019 with the annual interest rate and other terms unchanged. As at 30 June 2019, interest receivables of approximately RMB nil (31 December 2018: RMB nil) were past due within 180 days.

(iv) Loan receivables

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 was settled on 24 January 2019 and is repayable 13 November 2019 respectively. The loans receivable were secured by corporate guarantees given by independent third parties.

In 2018, the Group entered into new loan agreements to lend to independent third parties an aggregate principal amount of RMB51,000,000 for a period of two years at a fixed interest rate from 7% to 12% per annum. The loan principal of RMB22,000,000, RMB9,000,000 and RMB20,000,000 together with interest thereon are repayable on 1 August 2020, 1 December 2020 and 21 December 2020 respectively.

In 2019, the Group further lent to an existing independent third party an principal amount of RMB10,000,000 for a period of two years at a fixed interest rate at 7% per annum.

As at 30 June 2019, interest receivables of approximately RMB16,743,000 (31 December 2018 RMB10,594,000) have been included in other receivables.

Provision for impairment loss of approximately RMB447,000 was recognised in loan and interest receivables during the period ended 30 June 2019.

(v) 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 RMB20,500,000 in 2018 and the remaining RMB2,500,000 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. As at 30 June 2019, the balance of RMB20,500,000 remain unsettled and the transfer of title of the property is expected to be the end of 2019.

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. Fair value gain of this investment of approximately RMB2,466,000 for the period ended 30 June 2019 (2018: nil) was calculated using market approach.

11. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

	As at	
	30 June 2019	31 December 2018
	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	**(35,446)**	(36,491)
Provision for impairment	**(1,086)**	(1,338)
	30,442	29,145

12. TRADE AND OTHER PAYABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**83,772**	62,284
Advances from customers	**28,385**	12,774
Salary payables	**841**	4,190
Other tax payables	**4,567**	7,441
Other payables	**25,413**	14,505
	142,978	101,194

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

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

Aging analysis of the trade payables are as follows:

	As at	
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Below 30 days	**61,850**	40,973
From 31 days to 90 days	**10,679**	9,410
From 91 days to 180 days	**1,556**	3,487
From 181 days to 1 year	**1,875**	679
From 1 year to 2 years	**7,328**	7,343
Over 2 years	**484**	392
	83,772	62,284

13. BORROWINGS

Total borrowings of the Group at 30 June 2019 were approximately RMB58,768,000 (31 December 2018: RMB71,553,000). Borrowings from banks and independent third party were approximately RMB39,500,000 (31 December 2018: RMB55,000,000) and RMB19,268,000 (31 December 2018: RMB16,553,000) respectively. Bank borrowings of RMB nil was secured by personal guarantees from the Director, Mr. Ling Chao and his close family member as at 30 June 2019 (31 December 2018: RMB5,000,000), while borrowings of approximately RMB2,652,000 was secured by the corporate guarantee provided by the Company (31 December 2018: RMB2,656,000).

The carrying amounts of the Group's borrowings approximated to their fair values as at 30 June 2019 and 31 December 2018.

The Group's borrowings are denominated in RMB and HK$ as at 30 June 2019.

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 2018 and 30 June 2019	10,000,000	100,000	81,520
Issued and fully paid:			
At 31 December 2018 and 30 June 2019	552,000	5,520	4,490

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the Period.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**32,219**	28,671
Weighted average number of ordinary shares in issue *(thousand shares)*	**552,000**	552,000
Basic and diluted earnings per share *(RMB)*	**0.058**	0.052

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2019 and 2018, diluted earnings per share is the same as basic earnings per share.

16. RELATED-PARTY TRANSACTIONS

Key management compensation

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries and benefits in kind	**2,938**	2,872

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

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 2019 (30 June 2018: Nil).

17. CAPITAL COMMITMENTS

	As at	
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(audited)
Commitments for the acquisition of:		
Property, plant and equipment	**1,637**	640
A property	**2,500**	2,500
	4,137	3,140

18. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2019, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party, to dispose its 18% equity interests in Dongfang Kangtan at a cash consideration of RMB9,000,000 and the completion date is expected to be 30 September 2019. The investment is classified as financial assets at fair value through other comprehensive income as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

From January to June 2019, various macroeconomic indexes suggest that the national economy is generally smooth with steady progress. During the Reporting Period, the gross domestic product (GDP) recorded a year-on-year increase of 6.3% (the increase for the same period in 2018 was 6.8%). During the Reporting Period, the fixed asset investment recorded a nominal growth rate of 5.8% compared with that in the same period of last year (the increase for the same period in 2018 was 6.0%). (Data source: National Bureau of Statistics)

From January to June 2019, China's domestic cement output totaled 1,045 million tons, which was 6.8% higher than that of the same period in 2018 (the decrease for the same period in 2018 was 0.6%). In the first half of 2019, the overall operation of national cement industry was characterised by "an increase in both sales volume and price", with industry benefits continuing to maintain the growth trend, but the growth rate of which was significantly lower than that of last year.

In the first half of the year, with real estate investment continuing to maintain rapid growth and infrastructure shoring up the weakness, the cement-related demand improved significantly with growth rate of cement production reaching a new high compared with the same period in the past six years. Growth in demand and compression in supply have made the country's cement and clinker stocks at a medium-low level overall, ensuring that the industry's cement market prices are still at a historically good level. Although the market pattern of strong demand in south and weak in north has not changed, the prices and supply and demand in the northern region represented by Beijing, Tianjin, Hebei and the surrounding areas have improved significantly compared with last year.

Fixed asset investment maintained steady growth on a high base, private investment recovered with a growth momentum and investment in weak sectors such as infrastructure and people's livelihood recorded a stable growth. Real estate investment has maintained a rapid growth of 10.9% since last year, especially the high growth of new construction area and area under construction. Meanwhile, as an adjustment tool for the conversion period, infrastructure investment assumed the responsibility of "maintaining stable growth". To this end, the central government and local governments successively issued relevant measures which facilitated the gradual recovery of infrastructure investment in the first half of 2019 as compared with the end of last year. In particular, the growth rate of transportation investment under the infrastructure segment improved significantly with a month-on-month increase. In view of the above, the national demands for cement were better than expected with a year-on-year increase of more than 5%. From the perspective of six regions, they all showed different degrees of growth, and northern regions grew faster than southern regions. (Data source: dcement.com)

The cement price in the first half of 2019 was characterised by year-on-year rise and slight month-on-month decrease. In the first half of 2019, the average price of PO42.5 cement nationwide (except for Tibet) was RMB435 per ton, registering a year-on-year increase of RMB17 per ton or 4%, which reached a historically new high as compared with the same period of the first half of 2018, and the average price of RMB483 in East China in the first half of 2019 still topped the list. Take the cement price of provincial capitals of major sales areas (Jiangsu, Zhejiang and Shanghai) of the Group for example, in June, the average price of PO42.5 cement in Nanjing (provincial capital of Jiangsu), Hangzhou (provincial capital of Zhejiang), and Shanghai was RMB520 per ton, RMB530 per ton, and RMB515 per ton respectively, registering a year-on-year increase of 4%, 0.95% and 1.98%, respectively. (Data source: dcement.com)

Affected by the general increase in both sales volume and price in China's domestic cement industry, our Group's sales volume and operating income in the first half of 2019 both increased as compared to the corresponding period last year. In the first half of 2019, the Group recorded profits from the cement segment of approximately RMB38,417,000.

Environmental Protection Segment

The PRC government and all parties from the society are increasingly 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.

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 of the entire equity interests it holds in Shanghai Biofit (representing approximately 62.26% of equity interests of Shanghai Biofit) at the total consideration of HK$40 million. For details of the above transaction, please refer to the Company's announcement dated 5 January 2018. On 14 December 2018 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into a termination deed (the "Termination Deed"), details of which please refer to the Company's announcement dated 14 December 2018. In addition to the existing business, the Group has been proactively exploring other aspects of environmental protection, including disposal of iron and steel dust and nonferrous solid waste.

Money Lending and Financial Services Segment

In December 2017, the Group carried out the money lending business through the acquisition of Golden Stars Assets Management Limited ("Golden Stars") from an independent third party of the Company and its connected persons (as defined under the Listing Rules). Golden Stars holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the Reporting Period, the money lending operation had not commenced yet. The management will formulate a fundamental policy to establish its internal control systems. The Group will adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer in order to maximise the return of the money lending business as well as diversify the credit risk. In August 2017, (i) a direct wholly-owned subsidiary of the Company, as the purchaser; (ii) an independent third party of the Company and its connected persons (as defined under the Listing Rules), as the vendor; and (iii) the Company (being the guarantor) entered into a conditional sales and purchase agreement for a proposed acquisition to acquire the entire issued share capital in Goldenway Securities Company Limited ("Goldenway"), which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong) at a total consideration of HK$16,000,000 (subject to adjustments determined by the net asset value of Goldenway as at the date of completion of the sales and purchase agreement). On 25 May 2018, as the requirements stipulated in the sales and purchase agreement could not be fulfilled upon the expiry of the long stop period, the sales and purchase agreement was terminated. For details of the above transaction, please refer to the Company's announcement dated 28 May 2018. The Group is looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

Business and Financial Review

Turnover

During the Reporting Period, the Group's turnover amounted to approximately RMB251,739,000, representing an increase of approximately RMB32,242,000 or 14.7% from approximately RMB219,497,000 in the corresponding period in 2018.

Turnover of the cement segment amounted to approximately RMB251,739,000, representing an increase of approximately RMB32,242,000 or 14.7% from approximately RMB219,497,000 in the corresponding period in 2018. The increase was primarily attributable to the increase in average selling price of cement.

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

	For the six months ended 30 June					
	2019			2018		
	Sales Volume *Thousand tonnes*	**Average Selling Price** *RMB/ tonne*	**Turnover** *RMB'000*	Sales Volume *Thousand tonnes*	Average Selling Price *RMB/ tonne*	Turnover *RMB'000*
PO 42.5 Cement	398.0	397.73	158,295	377.2	355.22	133,989
PC 32.5 Cement	288.0	324.46	93,444	290.3	294.55	85,508

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 686.0 thousand tonnes, representing an increase of approximately 2.8% 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			
	2019		2018	
	Turnover *RMB'000*	**% of total turnover**	Turnover *RMB'000*	% of total turnover
Jiangsu Province	**202,602**	**80.48%**	188,918	86.07%
Wujiang District	**149,088**	**59.22%**	178,871	81.49%
Suzhou (excluding Wujiang District)	**53,514**	**21.26%**	10,047	4.58%
Zhejiang Province	**37,271**	**14.81%**	20,778	9.46%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**34,570**	**13.73%**	20,133	9.17%
Jiaxing	**2,701**	**1.07%**	645	0.29%
Shanghai	**11,865**	**4.71%**	9,801	4.47%
Total	**251,739**	**100.00%**	219,497	100.00%

During the Reporting Period, due to the speedup of macro-economic growth rate, 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 at 30 June 2019, a total of 4 projects have been completed or are in progress. No new projects have been initiated since 31 December 2018.

During the Reporting Period, the environmental protection segment achieved turnover of approximately RMBnil while the turnover of environmental protection segment was approximately RMB nil in the corresponding period in 2018.

During the Reporting Period, the money lending and financial services segment achieved turnover of approximately RMBnil while the turnover of money lending and financial services segment was approximately RMB nil in the corresponding period in 2018.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit of cement segment business amounted to approximately RMB52,124,000, representing an increase of approximately RMB2,061,000 or 4.1% as compared to the gross profit of approximately RMB50,063,000 in the corresponding period last year, while the gross profit margin amounted to approximately 20.7%, representing a decrease of approximately 2.1% as compared to approximately 22.8% in the corresponding period last year. The decrease in gross profit margin was mainly attributable to the increase in cost resulting from the increase in the price of raw materials during the Reporting Period.

As to environmental protection segment, during the period from 1 January to 30 June 2019, the gross loss amounted to approximately RMBnil. During the corresponding period last year, the gross loss amounted to approximately RMBnil.

As to money lending and financial services segment, during the period from 1 January to 30 June 2019, the gross loss amounted to approximately RMBnil. During the corresponding period last year, the gross loss amounted to approximately RMBnil.

Other Income

During the Reporting Period, the Group's other income amounted to approximately RMB10,532,000, representing a decrease of approximately 1.2% as compared to approximately RMB10,657,000 in the corresponding period last year. The decrease was mainly due to the decrease in income from government grants during the Reporting Period.

Distribution Expenses

The Group's distribution expenses amounted to approximately RMB1,757,000, representing an decrease of approximately 12.1% as compared to approximately RMB1,998,000 in the corresponding period last year. Distribution expenses accounted for approximately 0.7% of the consolidated turnover of the Group, which has decreased as compared to approximately 0.9% in the corresponding period last year.

As to the cement segment, the distribution costs amounted to approximately RMB1,720,000, representing an decrease of approximately 13.8% as compared to approximately RMB1,996,000 in the corresponding period last year. The decrease was mainly due to the the decrease of transportation costs caused by some customers using their own transportation tools during the Reporting Period.

As to the environmental protection segment, the distribution costs amounted to approximately RMB37,000, representing an increase of approximately 1,750.0% as compared to approximately RMB2,000 in the corresponding period last year. The increase was mainly due to the increase of travel during the Reporting Period. Distribution expenses accounted for approximately 0% of the consolidated turnover of the Group, which has remained stable as compared to approximately 0% in the corresponding period last year.

There was no distribution fees in the money lending and financial sectors during the period from 1 January 2019 to 30 June 2019.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB14,034,000, representing an increase of approximately 12.9% as compared to approximately RMB12,427,000 in the corresponding period last year.

As to the cement segment, the administrative expenses amounted to approximately RMB11,627,000, representing an increase of approximately 17.9% as compared to approximately RMB9,863,000 in the corresponding period last year. The increase in the administrative expenses was primarily due to increase in insurance costs and office expenses during the Reporting Period.

As to the environmental protection segment, the administrative expenses amounted to approximately RMB482,000. During the corresponding period last year, the administrative expenses amounted to approximately RMB1,022,000.

As to the money lending and financial services segment, the administrative expenses amounted to approximately RMB18,000. During the corresponding period last year, the administrative expenses amounted to approximately RMB1,315,000.

Income Tax Expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB15,788,000, representing an increase from approximately RMB14,281,000 in the corresponding period last year, which was 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 12.7%.

As to the cement segment, the net profit margin was approximately 15.3%, representing a decrease as compared to approximately 16.0% in the corresponding period last year. The decrease was mainly attributable to the increase in production cost due to the reasons as described in the section "Gross Profit and Gross Profit Margin" above. During the Reporting Period, the cement segment achieved a net profit of approximately RMB38,417,000, as compared to a net profit RMB35,200,000 in the corresponding period last year.

As to the environmental protection segment, the net loss was approximately RMB129,000 during the Reporting Period. The net loss for the same period in 2018 was approximately RMB130,000.

As to the money lending and financial services segment, the net loss was approximately RMB18,000 during the Reporting Period. The net loss for the same period in 2018 was approximately RMB1,315,000.

Liquidity and Capital Resources

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Cash and cash equivalents	**134,550**	80,126
Borrowings	**58,768**	71,553
Debt to equity ratio	**11.0%**	14.4%
Liability to asset ratio	**31.2%**	29.8%

Cash Flow

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB85,370,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB77,022,000, representing an increase of approximately 125.0% from approximately RMB34,227,000 as at 31 December 2018. The increase was primarily due to the increase in payables during the Reporting Period.

As to the environmental protection segment, the cash and cash equivalents amounted to approximately RMB5,889,000, representing an increase of approximately 522.5% from approximately RMB946,000 as at 31 December 2018.

As to the money lending and financial services segment, the cash and cash equivalents amounted to approximately RMB453,000, representing a decrease of approximately 51.1% from approximately RMB926,000 as at 31 December 2018.

Borrowings

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Current:		
– Cement segment	**39,500**	50,000
– Environmental protection segment	**–**	5,000
– Unallocated	**19,268**	16,553
	58,768	71,553

During the Reporting Period, the bank borrowings of the Group decreased by approximately 28.2% from approximately RMB55,000,000 as at 31 December 2018, which was mainly due to the early repayment of part of the loan to enable the issuance of banker's acceptance during the Reporting Period. Bank borrowings of the Group as at 30 June 2019 amounted to approximately RMB39,500,000, which bore interest at fixed interest rate, remaining unchanged compared to that as at 31 December 2018.

None of the Group's property, plant and equipment, land use rights, bill receivables or restricted bank deposits had been charged or pledged to secure the aforesaid borrowings. As at 30 June 2019, bank borrowings of RMB nil (as at 31 December 2018: approximately RMB5,000,000) was secured by personal guarantee provided by the Director, Mr. Ling Chao and his close family members. Borrowings of approximately RMB2,652,000 were secured by a corporate guarantee provided by the Company (31 December 2018: RMB 2,656,000).

Details of the Group's borrowings due are set out in Note 13 to the condensed consolidated interim financial statements.

As at 30 June 2019, the Group had unutilized bank financing facilities of RMBnil.

Debt to Equity Ratio

As at 30 June 2019, the Group's debt to equity ratio was 11.0%.

Among others, the debt to equity ratio of the cement segment was 7.8%, representing a decrease as compared to 10.7% as at 31 December 2018.

As to the environmental protection segment, the debt to equity ratio was 0%, representing a decrease as compared to 9.8% as at 31 December 2018.

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

Capital Expenditures and Capital Commitments

As at 30 June 2019, the Group's capital expenditures amounted to approximately RMB19,469,000. Among others, the capital expenditures of the cement segment amounted to approximately RMB19,469,000, representing an increase from approximately RMB18,370,000 in the corresponding period last year.

As to the environmental protection segment, the capital expenditures amounted to approximately RMBnil, remaining broadly flat compared to RMB nil of the corresponding period last year.

As to the money lending and financial services segment, the capital expenditures amounted to approximately RMBnil, remaining broadly flat compared to RMB nil of the corresponding period last year.

As at 30 June 2019, the Group's capital commitments amounted to RMB4,137,000 (31 December 2018: RMB3,140,000).

Pledge of Assets

As at 30 June 2019, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 30 June 2019, 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 offshore banks recorded a foreign exchange loss of approximately RMB91,000 due to the depreciation of Hong Kong dollars.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 242 employees. The total remuneration of our employees amounted to approximately RMB11,656,000 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 2019, 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 and 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 2019 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, 27 August 2019

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Ling Chao, Mr. Chan Ka Wing and Mr. Wang Jun and Mr. Liu Dong 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.