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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue from continuing and discontinued operations amounted to approximately RMB571,150,000, representing an increase of approximately RMB51,747,000 or 10.0% from approximately RMB519,403,000 for the year ended 31 December 2018.
- The gross profit margin of cement segment decreased from approximately 26.6% for the year ended 31 December 2018 to approximately 24.2% for the Reporting Period.
- For the year ended 31 December 2019, profit attributable to equity holder of the Company decreased to approximately RMB66,669,000 during the Reporting Period from approximately RMB90,334,000 for the year ended 31 December 2018. Among others, profit from continuing operations increased from RMB71,931,000 for the year ended 31 December 2018 to approximately RMB76,513,000 for the Reporting Period.

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
			(Re-presented)
Revenue	*5*	**571,150**	516,037
Cost of sales and services		**(432,826)**	(378,662)
Gross profit		**138,324**	137,375
Distribution expenses		**(4,219)**	(4,065)
Administrative expenses		**(30,229)**	(39,801)
Other income		**12,413**	19,364
Other gain/(loss) – net		**7**	(1,286)
Operating income		**116,296**	111,587
Finance income		**988**	1,004
Finance expenses		**(3,245)**	(4,180)
Financial expenses – net		**(2,257)**	(3,176)
Share of results of an associate		**4,327**	1,860
Profit before income tax expense	*6*	**118,366**	110,271
Income tax expense	*8*	**(41,853)**	(38,340)
Profit for the year from continuing operations		**76,513**	71,931
Discontinued operation			
(Loss)/profit for the year from a discontinued operation, after tax		**(15,811)**	17,739
Profit for the year		**60,702**	89,670
Other comprehensive income for the year, 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**	(2,466)
Other comprehensive income, net of tax		**2,466**	(2,466)
Total comprehensive income for the year		**63,168**	87,204

	Notes	Year ended 31 December **2019** ***RMB'000***	2018 *RMB'000* (Re-presented)
Profit for the year attributable to:			
Owners of the Company			
– From continuing operation		**76,513**	71,931
– From discontinued operation		**(9,844)**	18,403
		66,669	90,334
Non-controlling interests			
– From continuing operation		**–**	–
– From discontinued operation		**(5,967)**	(664)
		(5,967)	(664)
		60,702	89,670
Total comprehensive income for the year attributable to:			
Owners of the Company			
– From continuing operation		**78,979**	69,465
– From discontinued operation		**(9,844)**	18,403
		69,135	87,868
Non-controlling interests			
– From continuing operation		**–**	–
– From discontinued operation		**(5,967)**	(664)
		(5,967)	(664)
		63,168	87,204
Earnings per share from continuing and discontinued operations			
– Basic and diluted (RMB per share)	*7*	**0.121**	0.164
Earnings per share from continuing operations			
– Basic and diluted (RMB per share)	*7*	**0.139**	0.130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2019** ***RMB'000***	 2018 *RMB'000* (Re-presented)
ASSETS			
Non-current assets			
Property, plant and equipment		**169,102**	119,440
Land use rights		**–**	15,296
Intangible assets		**403**	403
Investment in an associate		**30,187**	25,860
Financial assets at fair value through other comprehensive income		**–**	6,534
Financial assets at fair value through profit or loss	*15*	**110,000**	–
Deposit paid for acquisition of a property		**–**	20,500
Loan and other receivables		**–**	51,000
Contract assets		**–**	5,470
Total non-current assets		**309,692**	244,503
Current assets			
Inventories		**27,906**	27,188
Trade and other receivables	*9*	**272,053**	357,248
Short-term bank deposits		**49,180**	44,400
Cash and cash equivalents		**81,826**	35,726
		430,965	464,562
Assets of a discontinued operation classified as held for sale		**63,256**	–
Total current assets		**494,221**	464,562

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000 (Re-presented)
Current liabilities			
Lease liabilities	*14*	**63**	–
Trade and other payables	*11*	**161,039**	101,194
Income tax payable		**19,047**	21,884
Borrowings	*12*	**37,028**	71,553
		217,177	194,631
Liabilities of a discontinued operation classified as held for sale		**33,648**	–
Total current liabilities		**250,825**	194,631
Net current assets		**243,396**	269,931
Total assets less current liabilities		**553,088**	514,434
Non-current liabilities			
Deferred tax liabilities		**26,559**	17,018
Total non-current liabilities		**26,559**	17,018
Net assets		**526,529**	497,416
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,490**	4,490
Reserves		**514,344**	479,264
		518,834	483,754
Non-controlling interests		**7,695**	13,662
Total equity		**526,529**	497,416

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	**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*
Balance at 31 December 2017 as originally presented	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) for the year	–	–	–	90,334	90,334	(664)	89,670
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)	90,334	87,868	(664)	87,204
Appropriations to statutory reserves	–	9,497	–	(9,497)	–	–	–
As at 31 December 2018 and 1 January 2019	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 year	–	–	–	66,669	66,669	(5,967)	60,702
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	66,669	69,135	(5,967)	63,168
Appropriations to statutory reserves	–	9,532	–	(9,532)	–	–	–
Dividends declared and paid in respect of the previous year	–	–	–	(34,046)	(34,046)	–	(34,046)
At 31 December 2019	4,490	346,503	–	167,841	518,834	7,695	526,529

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
			(Re-presented)
Cash flows from operating activities			
Profit before income tax expense from continuing operation		**118,366**	110,271
(Loss)/profit before income tax expense from a discontinued operation		**(15,828)**	20,932
		102,538	131,203
Adjustments for:			
Depreciation of property, plant and equipment	*6*	**17,752**	15,099
Depreciation of right-of-use assets		**1,138**	–
Amortisation of land use rights		**–**	404
Amortisation of intangibles assets		**–**	1,969
Reversal of provision for impairment on trade receivables, net	*9*	**(2,053)**	(1,468)
Provision for impairment on contract assets, net	*9*	**–**	2,240
Provision for/reversal of provision for impairment on other receivables, net	*9*	**257**	(39)
Reversal of provision for impairment on loan receivables, net		**(2,821)**	–
Gain on disposal of property, plant and equipment		**(7)**	(55)
Finance income		**(988)**	(1,005)
Finance expenses		**3,245**	4,426
Share of results of an associate		**(4,327)**	(1,860)
Loss on forfeiture of non-refundable deposit	*9*	**–**	1,348
Loss on disposal of construction project		**13,617**	–
Guaranteed profit from Biofit Group's former shareholder		**–**	(24,679)
Interest income from loan receivable		**(3,379)**	(9,247)
Impairment loss on goodwill	*6*	**–**	9,396
Impairment loss on intangible assets	*6*	**–**	3,258
Operating profit before working capital changes		**124,972**	130,990
Increase in inventories		**(718)**	(1,882)
Decrease in trade and other receivables		**63,358**	41,704
Increase in trade and other payables		**75,809**	6,659
Cash generated from operating activities		**263,421**	177,471
Interest paid		**(3,245)**	(3,367)
Income tax paid		**(31,465)**	(27,391)
Net cash generated from operating activities		**228,711**	146,713

	Notes	Year ended 31 December **2019** ***RMB'000***	2018 *RMB'000* (Re-presented)
Cash flows from investing activities			
Interest received		**988**	1,005
Proceeds of disposal of/(investment) in financial asset at fair value through other comprehensive income		**9,000**	(9,000)
Purchases of property, plant and equipment		**(52,502)**	(26,948)
Investment in financial assets at fair value through profit or loss		**(110,000)**	–
Proceeds from disposal of property, plant and equipment		**14**	112
Repayment from third parties (loan receivables)		**40,000**	–
Loans to third parties (loan receivables)		**(10,000)**	(51,000)
Addition of short-term bank deposits		**(4,780)**	(42,160)
Deposit refunded for acquisition of a subsidiary		**–**	2,718
Deposit paid for acquisition of a property		**–**	(20,500)
Deposit received for disposal of subsidiaries		**11,000**	3,541
Net cash used in investing activities		**(116,280)**	(142,232)
Cash flows from financing activities			
Cash dividend paid		**(34,046)**	–
New Borrowing raised		**10,700**	62,528
Repayments of borrowings		**(42,225)**	(55,885)
Repayment to a non-controlling shareholder of a subsidiary		**–**	(3,995)
Repayment of principal portion of the lease liabilities		**(737)**	–
Net cash generated from financing activities		**(66,308)**	2,648
Net increase in cash and cash equivalents		**46,123**	7,129
Cash and cash equivalents at beginning of the year		**35,726**	28,597
Cash and cash equivalents at end of the year		**81,849**	35,726
Represented by:			
Cash and bank balances		**81,826**	35,726
Cash and bank balances attributable to discontinued operation		**23**	–
		81,849	35,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

(a) Adoption of new/revised HKFRSs－first effective on 1 January 2019

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 HKFRS 19, Plan Amendment, Curtailment or Settlement
- 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 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:

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

	RMB'000
Non-current assets	
Right-of-use assets presented in property, plant and equipment	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)

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

	RMB'000
Operating lease commitments as at 31 December 2018	3,117
Less: Future interest expenses	(11)
Less: Short term leases with a remaining lease term ending on or before 31 December 2019	(2,300)
Lease liabilities as at 1 January 2019	806
Weighted average incremental borrowing rate as at 1 January 2019	2.38%

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; and (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

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; and (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

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.

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8－Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7－Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28－Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis, except for certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(d) Functional and presentation currency

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

4. SEGMENT INFORMATION

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

(i) Production and sale of cement;
(ii) Money lending and financial services; and
(iii) Provision of sewage and sludge treatment operation and construction services.

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

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

Year ended 31 December 2019

	Continuing operation		Discontinued operation	
	Production and sale of cement *RMB'000*	Money lending and financial services *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Timing of revenue Recognition				
At a point in time	**569,144**	**–**	**–**	**569,144**
Transferred over time	**2,006**	**–**	**–**	**2,006**
Segment revenue	**571,150**	**–**	**–**	**571,150**
Segment results	**134,706**	**(20)**	**(15,828)**	**118,858**
Unallocated expenses				**(16,320)**
Income tax expenses	**(41,853)**	**–**	**17**	**(41,836)**
Profit for the year				**60,702**
As at 31 December 2019				
Segment assets	**737,687**	**445**	**63,256**	**801,388**
Unallocated assets				**2,525**
Total assets				**803,913**
Segment liabilities	**210,911**	**44**	**33,648**	**244,603**
Unallocated liabilities				**32,781**
Total liabilities				**277,384**

Year ended 31 December 2018

	Continuing operation		Discontinued operation	
	Production and sale of cement *RMB'000*	Money lending and financial services *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Timing of revenue recognition				
At a point in time	514,963	–	–	514,963
Transferred over time	1,074	–	3,366	4,440
Segment revenue	516,037	–	3,366	519,403
Segment results	124,261	(1,439)	20,932	143,754
Unallocated expenses				(12,551)
Income tax expense	(38,340)	–	(3,193)	(41,533)
Profit for the year				89,670
As at 31 December 2018				
Segment assets	627,311	428	78,727	706,466
Unallocated assets				2,599
Total assets				709,065
Segment liabilities	158,986	–	27,675	186,661
Unallocated liabilities				24,988
Total liabilities				211,649

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer within the scope of HKFRS 15. There were no inter-segment sales for both years. Revenue derived from the single largest external independent customer amounted to 6.0% of the Group's revenue for the year ended 31 December 2019 (31 December 2018: 10.0 %).

5. REVENUE

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Sale of Ordinary Portland cement strength class 42.5	**210,511**	310,846
Sale of Composite Portland cement strength class 32.5R	**358,633**	204,117
Solid waste processing income	**2,006**	1,074
	571,150	516,037
Discontinued operation		
Provision of sewage and sludge treatment operation and construction services	**–**	3,366
	571,150	519,403

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2019	2018
	RMB'000	*RMB'000*
		(Re-presented)
Cost of inventories sold	**429,232**	374,801
Depreciation of property, plant and equipment	**17,752**	15,099
Depreciation of right-of-use assets	**1,138**	–
Amortisation of land use rights	**–**	404
Amortisation of intangible assets	**–**	1,969
Reversal of provision for impairment on trade receivables, net	**(2,053)**	(1,468)
Provision for impairment on contract assets, net	**–**	2,240
Reversal of provision for impairment on other receivables, net	**257**	(39)
Reversal of provision for impairment on loan receivables, net	**(2,821)**	–
Provision for impairment on goodwill	**–**	9,396
Provision for impairment on intangible assets	**–**	3,258
Minimum lease payments under operating leases for buildings	**–**	2,450
Short term lease expense	**1,739**	–
Research and development expenses	**–**	6
Employee expenses (including directors' remuneration)		
– wages and salaries	**26,533**	21,366
– pension scheme contribution	**1,589**	3,665
Auditors' remuneration		
– audit services	**1,080**	1,000
– non-audit services	**140**	130

7. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB66,669,000 (2018: RMB90,334,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2018: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2019 and 2018, diluted earnings per share is the same as basic earnings per share.

From a discontinued operation

Basic and diluted loss per share for the year from a discontinued operation is RMB0.018 loss per share (2018: RMB0.033 earnings per share), based on the loss for the year from a discontinued operation of RMB9,844,000 (2018: RMB18,403,000 gain) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2018: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the year from continuing operations is RMB0.139 per share (2018: RMB0.130), based on the profit for the year from continuing operations of RMB76,513,000 (2018: RMB71,931,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2018: 552,000,000).

8. INCOME TAX EXPENSE

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2019 and 2018 except for Shanghai Biofit Environmental Technology Co. Ltd ("**Shanghai Biofit**") charged at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the Reporting Period (2018: 15%).

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2019 (2018: Nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period (2018: Nil).

Income tax expense charged to the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Current tax – Current year	**32,312**	30,592
Deferred tax	**9,541**	7,748
	41,853	38,340
Discontinued operation		
Current tax	**–**	3,700
Deferred tax	**(17)**	(507)
	(17)	3,193
Income tax expense	**41,836**	41,533

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

	2019	2018
	RMB'000	*RMB'000*
Profit before income tax expense		
– Continuing operations	**118,366**	110,271
– Discontinued operation	**(15,828)**	20,932
	102,538	131,203
Tax calculated at the PRC profits tax rate of 25% (2018: 25%)	**25,635**	32,801
Effect of different tax rates in other jurisdictions	**1,328**	(1,463)
Tax effect of share of results of an associate	**–**	(465)
Tax effect of expenses not deductible for tax purposes	**1,774**	4,010
Utilisation of tax losses previously not recognised	**–**	(14)
Tax effect of tax loss not recognised	**6,358**	992
Tax effect of income not assessable for tax purposes	**(1,348)**	(2,764)
Income tax on concession rates	**–**	176
Deferred taxation on withholding tax	**8,089**	8,260
Income tax expense	**41,836**	41,533

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills receivables due from third parties	**104,428**	132,662
Less: provision for impairment *(note (vi))*	**(1,800)**	(3,853)
Trade and bills receivables, net *(note (i))*	**102,628**	128,809
Contract assets	**–**	38,359
Less: provision for impairment *(note (vi))*	**–**	(2,240)
Contract assets *(note (i))*	**–**	36,119
Prepayments *(note (ii))*	**23,490**	55,424
Loans to 蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*, ("**Dongtong**")) *(note (iii))*	**66,400**	66,400
Loans receivable *(note (iv))*	**61,000**	91,000
Advances to suppliers	**–**	2,000
Other receivables *(note (v))*	**19,865**	37,860
Deposit paid for acquisition of a property *(note (vi))*	**–**	20,500
Less: provision for impairment on other receivables *(note (vi))*	**(263)**	(6)
Less: provision for impairment on loans reveivables *(note (vi))*	**(1,067)**	–
Less: provision for impairment on loans to Dongtong *(note (vi))*	**–**	(3,888)
Prepayments, deposits and other receivables	**169,425**	262,290
Total trade and other receivables	**272,053**	434,218
Less: non-current portion		
– Contract assets	**–**	(5,470)
– Deposit paid for acquisition of a property *(note (vii))*	**–**	(20,500)
– Loans receivable *(note (iv))*	**–**	(51,000)
	–	(76,970)
Trade and other receivables – current portion	**272,053**	357,248

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

As at 31 December 2019 and 2018, no trade and bills receivable were pledged for the borrowings. All non-current receivables are due within five years from the end of the reporting date.

(i) Trade and bills receivables

Credit terms given to its customers in cement segment and sewage and sludge treatment segment generally range from 30 to 90 days (2018: 30 to 90 days). For major customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1,000,000 and RMB50,000,000 with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

Bills receivable represent bills received from customers for settlement of trade receivables. Bills 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 provision) by invoice date and issuance date of bills are as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**55,195**	86,320
From 91 days to 180 days	**34,308**	16,874
From 181 days to 1 year	**10,789**	22,076
From 1 year to 2 years	**1,990**	2,206
Over 2 years	**346**	1,333
	102,628	128,809

As at 31 December 2019, trade receivables of RMB1,800,000 (2018: RMB3,853,000) had been impaired. The amount of reversal of provision for individually impaired trade receivables was RMB2,053,000 (2018: provision of RMB1,468,000). The impaired receivables mainly related to the management's lifetime ECL measurement.

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

	2019	2018
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a))*	**84,874**	95,072
1 to 90 days past due *(note (b))*	**4,629**	27,947
91 to 180 days past due *(note (b))*	**10,789**	2,260
181 to 1 year past due *(note (b))*	**1,990**	2,292
More than 1 year past due *(note (b))*	**346**	1,238
	102,628	128,809

Notes:

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

(b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) Prepayments

Prepayments mainly for the payment of purchase of raw materials amounted to approximately RMB14,394,000 was recognised during the year ended 31 December 2019 (2018: RMB902,000).

(iii) Loans to Dongtong

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

Pursuant to an agreement with Dongtong entered into by the Group in December 2017, the maturity date of the 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.

During the year ended 31 December 2018, the management has made bad debt provision of the loan and accrued interest receivable from Dongtong of RMB3,888,000 as at 31 December 2018 respectively as Dongtong has further deferred the maturity date of the loan to 31 December 2019.

The loan was fully repaid subsequently in March 2020. The bad debt provision of the loan and accrued interest receivable from Dongtong of RMB3,888,000 had been recovered during the year ended 31 December 2019.

(iv) Loans receivables

As at 31 December 2019, the Group's loan receivables represent (i) unsecured loan receivables of RMB19,000,000 (2018:RMB9,000,000) from a third party with interest at a fixed rate of 8% per annum repaid in March 2020, (ii) an unsecured loan receivables of RMB20,000,000 (2018:RMB20,000,000) from another third party with interest at a fixed rate of 12% per annum repaid in March 2020 and (iii) an unsecured loan receivables of RMB22,000,000 (2018: RMB22,000,000) from another third party with interest at a fixed rate of 7% per annum repayable in August 2020. An unsecured loan receivables of RMB40,000,000 from another third party with interest at a fixed rate of 6% per annum was received in November 2019.

(v) Other receivables

As at 31 Decemebr 2019, included in the Group's other receivable were mainly (i) interets receivables from Dongtong amounted RMB10,460,000; (ii) interest receivable from the loan receivables amounted RMB1,619,000; and (iii) current account with the raw material suppliers amounted RMB4,120,000.

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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables:		
Beginning of year	**3,853**	5,380
Provision for the year	**896**	241
Balance recovered for the year	**(2,949)**	(1,709)
Write off	**–**	(59)
End of year	**1,800**	3,853

	2019	2018
	RMB'000	*RMB'000*
Contract assets:		
Beginning of year	**2,240**	–
Provision for the year	**–**	2,240
Write-off	**(902)**	–
Attributable to held for sale	**(1,338)**	–
End of year	**–**	2,240

	2019	2018
	RMB'000	*RMB'000*
Other receivables:		
Beginning of year	**6**	628
Provision for the year	**257**	92
Balance recovered for the year	**–**	(131)
Write off	**–**	(583)
End of year	**263**	6

	2019	2018
	RMB'000	*RMB'000*
Loan receivables:		
Beginning of year	**3,888**	3,888
Provision for the year	**1,067**	–
Balance recovered for the year	**(3,888)**	–
End of year	**1,067**	3,888

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

(vii) **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 in the PRC 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 ("Mr. Tseung"), 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. During the year ended 31 December 2019, the Group have occupied the property as staff quarter for the directors and business visitors, and thus the deposit was transferred to property, plant and equipment under properties and plant.

10. CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Contracts in progress at the end of year:		
Contract costs incurred	**65,521**	57,353
Recognised profits less recognised losses	**–**	17,497
	65,521	74,850
Progress billings	**(36,491)**	(36,491)
Provision for impairment	**(1,338)**	(2,240)
	27,692	36,119
Represented by:		
Due from customers included in current assets	**–**	36,119
Assets of a discontinued operation classified as held for sale	**27,692**	–

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
		(Re-presented)
Trade payables	**72,311**	62,284
Bill payables	**40,000**	–
Advances from customers *(Note (c))*	**16,597**	12,774
Salary and bonus payables	**3,964**	4,190
VAT payables *(Note (a))*	**2,916**	7,441
Other payables *(Note (b))*	**14,251**	14,505
Deposit received for sale of Biofit Group	**11,000**	–
	161,039	101,194

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2018: 30 to 90 days).

As at 31 December 2019, bank deposit of RMB13,000,000 are pledged as security for bill payables.

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

	2019	2018
	RMB'000	*RMB'000*
		(Re-presented)
Within 30 days	**47,293**	40,973
From 31 days to 90 days	**18,362**	9,410
From 91 days to 180 days	**4,177**	3,487
From 181 days to 1 year	**1,170**	679
From 1 year to 2 year	**571**	7,343
Over 2 years	**738**	392
	72,311	62,284

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2018: 17%). Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

(b) As at 31 December 2019, other payables includes interest of approximately RMB124,000 payable to Mr. Tseung, accrued on borrowings drawn down under the facility granted by Mr. Tseung. It also includes an amount due to Mr. Tseung of approximately RMB4,005,000 (2018: RMB4,005,000), which is unsecured, interest-free and repayable on demand.

(c)

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Advance from customers arising from:		
– Sales of cement products	16,597	6,084
– Provision of sewage and sludge treatment operation and construction services	–	6,690
	16,597	12,774

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sales of cement products

The Group required receipt in advance from some customers before delivery of cement products.

Provision of sewage and sludge treatment operation and construction services

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in advance from customers

	Sales of cement products RMB'000	Provision of sewage and sludge treatment operation and construction services RMB'000	2019 RMB'000
Balance as at 1 January	6,084	6,690	12,774
– Decrease as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(6,084)	–	(6,084)
– Increase as a result of receipt in advance	16,597	–	16,597
– Assets classified as discontinued operation	–	(6,690)	(6,690)
	16,597	–	16,597

12. BORROWINGS

	2019 ***RMB'000***	2018 *RMB'000*
Bank borrowings *(note (a),(b))*	**25,000**	55,000
Other loan *(note (c),(d))*	**13,700**	15,225
Other loan, unsecured *(note (e))*	**1,328**	1,328
Less: Attributable to held for sale *(note (b))*	**(3,000)**	–
Total bank loans	**37,028**	71,553
Carrying amount of borrowings repayable: On demand or within one year	**37,028**	71,553

Notes:

(a) As at 31 December 2019, bank borrowing of approximately RMB22,000,000 (2018: RMB50,000,000) was secured by corporate guarantees from the Company.

(b) As at 31 December 2019, bank borrowings of approximately RMB3,000,000 (2018: RMB5,000,000) were secured by personal guarantees from a director of the Company, Mr. Ling Chao and his close family member with interest at a fixed rate of 5.65% per annum and repayable on June 2020. This borrowing has been transferred to liabilities of discontinued operation classified as held for sale.

(c) As at 31 December 2019, the Group's other loan represent (i) an other loan of RMB1,769,000 (2018: RMB9,471,000) from a third party was secured by corporate guarantees from the Company; (ii) an other loan of RMB1,231,000 (2018: RMB3,098,000) from another third party was secured by corporate guarantees from the Company; and (iii) an other loan of RMB2,656,000 from another third party and the balance has been fully repaid during the year.

(d) As at 31 December 2019, unsecured other loan of approximately HKD11,000,000 (equivalent to approximately RMB10,700,000) (2018: nil) with a fixed interest rate of 8% per annum were secured by personal guarantees from Mr. Tseung.

(e) As at 31 December 2019, unsecured other loan of RMB1,328,000 (2018:RMB1,328,000) with a fixed interest rate of 8% per annum provided by Mr. Tseung.

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	100,000	81,520
Issued:			
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	552,000,000	5,520	4,490

14. LEASE LIABILITIES

	Leasehold land and buildings
	HKD'000
At 1 January 2019	806
Interest expense	10
Lease payments	(747)
Exchange differences	(6)
At 31 December 2019	63

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019	**Interest 31 December 2019**	**Present value 31 December 2019**
	HKD'000	*HKD'000*	*HKD'000*
Not later than one year	64	1	63

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases except short-term leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position.

15. FINANCIAL ASSETS OF FAIR VALUE THROUGH PROFIT OR LOSS

On 23 December 2019, the Group entered into an investment agreement to subscribe a perpetual bond with the principal amount of RMB110,000,000 from an unlisted issuer, Chongqing International Construction Corporation. The perpetual bonds were purchased for broadening the Group's revenue stream and achieve better returns from the idle cash resources of the Group. Distributions on the perpetual bond are paid annually in arrears from 30 December 2019 and can be deferred at the discretion of the issuer. The perpetual bonds have no fixed maturity and are redeemable at issuer's option on or after 30 December 2019 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the issuer cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the issuer.

The investment is classified as fair value through profit or loss. With reference to a valuation performed by an independent professional valuer, Graval Consulting Limited, the fair value of the perpetual bond as at 31 December 2019 was equal to its principle amount and no fair value change being recognised in the year ended 31 December 2019.

16. DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of HKD0.00725 per share (tax exclusive), which amounted for HKD37,700,000 (equivalent to approximately RMB34,046,000) was proposed pursuant to a resolution passed by the Board of Directors on 28 March 2019 and approved by the shareholders at the annual general meetings of the Company to be held on 15 May 2019. No dividends were declared by the board of the Company for the year ended 31 December 2019.

17. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	2019	2018
	RMB'000	*RMB'000*
Basic salaries and benefits in kind	5,856	4,426

There are three, one and one (2018: three, one and one) key management personnel of the Group with remuneration fell within the band of nil to HKD1,000,000, the band of HKD1,000,000 to HKD1,500,000, and the band of HKD1,500,000 to HKD2,000,000 in 2019 respectively.

In 2018, 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.

As disclosed in Note 9(vii), acquisition of the property by the Group on 29 June 2018 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.

As disclosed in Note 12, on 1 November 2018, Mr. Tseung (as the lender) has entered into a loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD 1,500,000 to a subsidiary of the Group at an interest rate of 8% per annum and repayable within one year together with accrued interest and subject to the lender's overriding right of repayment on demand. As at 31 December 2019, borrowing of approximately RMB1,328,000 (2018: 1,328,000) and interest payable of RMB124,000 (2018:18,000) was due to Mr. Tseung and interest expense of approximately RMB106,000 (2018: RMB18,000) was recognised.

As disclosed in Note 11, other payables included an amount due to Mr. Tseung, a non-executive director and shareholder of the Company, of approximately RMB4,005,000 (2018: RMB4,005,000), which is unsecured, interest-free and repayable on demand.

Guaranteed profit in relation to profit of Shanghai Biofit and its subsidiaries (together the "Biofit Group") from the years ended 31 December 2014 to 2017 of RMB24,679,000 from Biofit Group's former shareholder, Shanghai Dongxi Investment Development Company ("Shanghai Dongxi"), was a related party transaction as Mr. Ling Chao, the executive director of the Company, is also a director and controlling shareholder of Shanghai Dongxi. The amount represented the finalised guaranteed profit compensation from Biofit Group's former shareholder, recognised in the year ended 31 December 2018. No such transaction is recognised in the year ended 31 December 2019.

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2019 (2018: Nil).

(b) Significant related party transactions

Summary of the significant related party transactions carried out by the Group during the year are follows:

	Note	**2019** ***RMB'000***	2018 *RMB'000*
Revenue received from			
– an associate	*(i)*	2,006	1,074

Note:

(i) Revenue received in respect of solid waste processing income were mutually agreed by both parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2019, China's various macroeconomic indicators experienced steady growth. The gross domestic product for the year amounted to RMB99,086.5 billion, representing a growth of 6.1% over the corresponding period of last year (2018: 6.6%). According to the statistics announced by National Bureau of Statistics (NBS) on 17 January 2019, in 2019, fixed asset investment of China (excluding rural households) reached RMB55,147.8 billion, representing a year-on-year growth of 5.4%. National property development and investment reached RMB13,219.4 billion, representing a year-on-year nominal growth of 9.9% (Source: NBS). According to the NBS, accumulated domestic cement production in 2019 amounted to 2,330 million tonnes, representing a year-on-year increase of 6.1%, while accumulated domestic clinker production was 1,520 million tonnes, reaching a record high. In respect of the growth of the cement production and clinker production by region, the northeast region and the east China region ranked the first and second places among six regions, with a year-on-year increase of 13% and 9.4%, respectively. Among 31 provinces in our country, only five of them recorded a negative growth on a year-on-year basis, namely Beijing, Hainan, Henan, Guizhou and Qinghai. 26 provinces saw positive year-on-year growth, particularly Jilin, Xizang, Gansu, Shandong, Liaoning, Shanxi, Jiangsu and Anhui recording an increase of over 10%. Thus, the market demand continued to vary by region significantly. According to Digital Cement of China Cement Association, the domestic price of PO42.5 cement increased by RMB11 per tonne from RMB427 per tonne in 2018 to RMB439 per tonne in 2019, representing a year-on-year increase of 2.67% and reaching a record high. In view of the trend throughout the year, the domestic cement price basically continued the overall trend of 2018 and remained at a high level. Cement prices rose from RMB433 per tonne in September to RMB471 per tonne in December, an increase of 8.8% on a month-on-month basis, and the fourth quarter reached its record high price (Source: Digital Cement).

From the region perspective, the east China region where the Group locates took the lead in terms of price among six regions in two consecutive years. The average price in east China was RMB479 per tonne in 2019, representing an increase of 1.45% as compared to that of last year. The south-central region ranked the second place in terms of price after the east China region, with the average price of RMB468 per tonne in 2019, representing an increase of 3.27% as compared to that of 2018. The north China region saw the biggest price rise, with the average price of RMB431 per tonne in 2019, representing an increase of 8.45% as compared to that of 2018. Prices in the northeast and southwest were 9.65% and 0.55% down respectively as compared with 2018. The overall price in the northwest remained low despite a year-on-year increase of 3.9% recorded (Source: Digital Cement).

As a result of increases in both sales volume and price in China's domestic cement industry, operating income of cement segment of the Group for 2019 increased steadily as compared with the corresponding period of last year. The Group recorded a profit of approximately RMB92,853,000 from the cement segment in 2019.

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 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 and the key industries including areas around rivers, lakes and seas will be implemented. The environmental protection industry in the PRC will continue to expand in the near future, and sewage and sludge treatment as the key component of environmental governance is expected to generate more investment returns. 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, being listed as 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 the 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) 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, but it was unable to make breakthroughs. Based on operating experience, the Board confirms that Shanghai Biofit has not achieved the expected development in its existing business. With the consideration and approval of the Board, the Group entered into a sales and purchase agreement with an independent third party on 16 December 2019 to dispose of the entire equity interests it holds in Shanghai Biofit (representing approximately 62.26% of equity interests) at the total consideration of RMB22 million. For details of the above transactions, please refer to the announcement of the Company dated 16 December, 2019. As of the date of this announcement, the above transactions have not been completed.

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 Review

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

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB571,150,000, representing an increase of approximately RMB51,747,000 or 10% from approximately RMB519,403,000 in the corresponding period in 2018.

Among others, revenue of the cement segment amounted to approximately RMB571,150,000, representing an increase of approximately RMB55,113,000 or 11% from approximately RMB516,037,000 in the corresponding period in 2018. The increase was primarily attributable to the increase in pricing of cement during the Reporting Period.

During the Reporting Period, revenue of the environmental protection segment amounted to nil, representing an decrease of RMB3,366,000 or 100% as compared to the corresponding period in 2018. The decrease was primarily attributable to the stagnation of its business during the Reporting Period.

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

	2019			2018		
	Sales Volume	**Average selling price**	**Revenue**	Sales Volume	Average selling price	Revenue
	Thousand Tonnes	***RMB/Tonne***	***RMB'000***	*Thousand Tonnes*	*RMB/Tonne*	*RMB'000*
PO 42.5 Cement	**884.1**	**405.65**	**358,633**	791.2	392.88	310,846
PC 32.5 Cement	**652.5**	**322.62**	**210,511**	654.3	311.96	204,117

Categorized by product type, the sales volume of cement products in 2019 amounted to approximately 1,536.6 thousand tonnes, representing an increase of approximately 6.3% from 2018, while the sales income of cement products was approximately RMB569,144,000, representing an increase of approximately 10.5% from 2018.

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

	2019		2018	
	Revenue	**% of total revenue**	Revenue	% of total revenue
	RMB'000		*RMB'000*	
Jiangsu Province	**461,140**	**81.02%**	446,213	86.65%
Wujiang District	**344,617**	**60.55%**	402,038	78.07%
Suzhou (excluding Wujiang District)	**116,523**	**20.47%**	44,175	8.58%
Zhejiang Province	**80,286**	**14.11%**	50,070	9.72%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**42,285**	**7.43%**	47,925	9.31%
Jiaxing	**38,000**	**6.68%**	2,145	0.41%
Shanghai	**27,718**	**4.87%**	18,680	3.63%
Total	**569,144**	**100.00%**	514,963	100%

During the Reporting Period, due to improved sales performance, the sales income and volume of cement products of the Group increased as compared to the corresponding period of last year. The sales in substantially all regions recorded different extents of increase as compared to last year.

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

As at 31 December 2019, a total of 4 projects have been completed or are in progress. 2 new project has been initiated in 2019. During the Reporting Period, 4 projects have 0%, 0%, 100% and 68% work finished respectively.

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

During the Reporting Period, the environmental protection segment achieved revenue of RMB nil, representing a decrease of RMB3,366,000 or 100% as compared to approximately RMB3,366,000 of 2018. The decrease was mainly due to the stagnation of Biofit Group's business.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit amounted to approximately RMB138,324,000, all of which were derived from cement segment.

As to cement segment, the gross profit amounted to approximately RMB138,324,000, representing an increase of approximately RMB949,000 or approximately 0.7% as compared to the gross profit of approximately RMB137,375,000 in 2018, while the gross profit margin amounted to approximately 24.2% in 2019, representing a decrease of approximately 2.4% as compared to the net value of approximately 26.6% in 2018. The decrease was mainly attributable to the increase in the price of limestone in raw materials used in production. There was no gross profit derived from environmental protection segment.

Other Income

The Group's other income amounted to approximately RMB12,948,000 during the Reporting Period, representing a decrease of approximately RMB32,532,000 or approximately 71.5% compared to approximately RMB45,480,000 in 2018, which is mainly due to (1) a decrease in fixed income of approximately RMB6,408,000 resulting from the recovery of principal amount of fixed income from cement segment; and (2) guarantee profits from the former shareholders of approximately RMB24,679,000 recognized in environmental protection segment in 2018.

Sales and Distribution Expenses

The Group's sales and distribution expenses, all generated from cement segment, amounted to approximately RMB4,219,000 during the Reporting Period, representing an increase of approximately RMB154,000 or approximately 3.79% as compared to approximately RMB4,065,000 in 2018. The increase was mainly due to the increase in revenue of cement in 2019. Sales and distribution expenses in 2019 accounted for approximately 0.8% of the consolidated revenue of the cement segment, which remained unchanged as compared to approximately 0.8% in 2018.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately RMB32,747,000 during the Reporting Period.

As to the cement segment, the general and administrative expenses amounted to approximately RMB30,229,000, representing an decrease of approximately RMB9,572,000 or 24% as compared to approximately RMB39,801,000 in 2018. The decrease in the general and administrative expenses was primarily due to impairment on goodwill amounted to RMB9,396,000 recognised in 2018.

As to the environmental protection segment, the general and administrative expenses decreased by approximately RMB2,541,000 or 50.23% from approximately RMB5,059,000 in 2018 to approximately RMB2,518,000 during the Reporting Period. The decrease was mainly due to the decrease of administrative expenses resulting from the stagnation of business and reduction in staff number.

Tax

The Group's income tax expense amounted to approximately RMB41,836,000 during the Reporting Period.

As to the cement segment, the income tax expense amounted to approximately RMB41,853,000 in 2019, representing an increase of approximately RMB3,513,000 or 9.16% as compared to income tax expense of approximately RMB38,340,000 in 2018, which was primarily due to an increase in results of cement segment in 2019.

As to the environmental protection segment, during the Reporting Period, the income tax credit amounted to approximately RMB17,000 in 2019, representing a decrease of approximately RMB3,210,000 or 100.5% as compared to the income tax expense of approximately RMB3,193,000 in 2018. The decrease was mainly due to the guarantee profits from the former shareholders of approximately RMB24,679,000 recognised in the environmental protection segment in 2018, and the significant increase of income tax expenses, which increased by approximately RMB3,700,000.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 10.6%.

As to the cement segment, the net profit margin was approximately 13.4%, representing a decrease of 0.5% as compared to the net value of approximately 13.9% in 2018. The decrease of net profit margin was mainly attributable to the increase in the price of limestone in raw materials used in production, and the net profit increased from approximately RMB71,931,000 in 2018 to approximately RMB76,513,000 in 2019.

As to the environmental protection segment, during the Reporting Period, the net loss was approximately RMB15,811,000, as the business was in a stagnant condition, and no revenue was generated, thus no calculation of net profit margin could be made. In 2018, the net profit amounted to approximately RMB17,739,000, and the net profit margin was approximately 527%, which was mainly attributable to the guarantee profits from the former shareholders of approximately RMB24,679,000 recognised in the environmental protection segment in 2018.

Liquidity and Capital Resources

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Cash and cash equivalents – (including discontinued operations)	**81,849**	35,726
– Cement Segment	**80,161**	34,227
– Environmental Protection Segment – (discontinued operations)	**23**	1,490
– Money lending and financial services segment	**1,665**	9
Borrowings – (including discontinued operations)	**40,028**	71,553
– Cement Segment	**22,000**	50,000
– Environmental Protection Segment – (discontinued operations)	**3,000**	5,000
– Unallocated	**15,028**	16,553
Debt to equity ratio – (including discontinued operations)	**7.6%**	14.4%
– Cement Segment	**4.2%**	10.7%
– Environmental Protection Segment – (discontinued operations)	**10.1%**	9.8%
Debt to asset ratio – (including discontinued operations)	**34.5%**	29.8%
– Cement Segment	**28.6%**	25.3%
– Environmental Protection Segment – (discontinued operations)	**53.2%**	35.2%

Cash Flow

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB81,849,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB80,161,000, representing increase of approximately 134.2% from approximately RMB45,934,000 as at 31 December 2018, which was primarily due to the increase in payables during the Reporting Period.

Borrowings

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Current:		
Borrowings		
– Cement segment	**22,000**	50,000
– Environmental protection segment	**3,000**	5,000
– Unallocated	**15,028**	16,553
Borrowings	**40,028**	71,553

As at 31 December 2019, the Group's bank borrowings amounted to approximately RMB40,028,000, representing decrease of approximately 44.06% from approximately RMB71,553,000 as at 31 December 2018.

As at 31 December 2019 and 31 December 2018, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits. As at 31 December 2019, bank borrowings of approximately RMB3,000,000 (as at 31 December 2018: approximately RMB5,000,000) was secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family members and borrowings of approximately RMB12,328,000 was secured by corporate guarantees from the Company (2018: RMB2,656,000).

As at 31 December 2019, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 31 December 2019, the Group's debt to equity ratio was 7.6%.

Among others, the debt to equity ratio of the cement segment was 4.2%, which decreased as compared with 10.7% as at 31 December 2018.

As to the environmental protection segment, the debt to equity ratio was 10.1%, representing a slight decrease from 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 Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately RMB52,502,000 in 2019.

Among others, the capital expenditure of the cement segment amounted to approximately RMB52,496,000, representing a notable decrease from approximately RMB47,448,000, in 2018.

As to the environmental protection segment, the capital expenditure amounted to approximately RMB6,000 (2018: RMB Nil).

As at 31 December 2019, he Group had capital commitments of approximately RMB1,464,000 (2018: RMB3,140,000).

Pledge of Assets

As at 31 December 2019, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 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. During the Reporting Period, the Group was not materially affected in operating business and working capital due to fluctuations in foreign exchange rates.

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

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

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Excepted as described below, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of its subsidiaries or associated companies.

As disclosed in announcements of the Company dated 16 December 2019 and 18 December 2019, regarding the disposal of 62.26% equity interest in a subsidiary. Xihua Shanghai Investment Management Co., Ltd.* (the "**Xihua**"), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement (the "**Sale and Purchase Agreement**") with Mr. Huang Jihong ("**Mr. Huang**"), pursuant to which Xihua agreed to sell, and Mr. Huang agreed to purchase the Sales Equity of Shanghai Biofit, at a total consideration of RMB22 million. For the further details, please refer to announcements of the Company dated 16 December 2019 and 18 December 2019.

As disclosed in the announcement of the Company dated 23 December 2019, regarding the subscription of perpetual bond. Suzhou Dongwu Cement Co., Ltd.* (the "**Suzhou Dongwu**"), a wholly-owned subsidiary of the Company, and the Company entered into the Perpetual Bond Investment Agreement in relation to the Subscription. Pursuant to the Perpetual Bond Investment Agreement, Suzhou Dongwu agreed to subscribe for the Perpetual Bond in the principal amount of RMB110 million. For the further details, please refer to the announcement of the Company dated 23 December 2019.

DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 240 employees. The total remuneration of our employees amounted to approximately RMB28,122,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

FUTURE PROSPECTS

In 2020, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase profitability of our products by refining customer services; continue to conduct prudent research and promote the businesses in environmental protection field, while positively exploring investment opportunities in emerging industries; and make attempts in capital operation to enhance operating efficiency and improve overall competitiveness.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the Reporting Period and as of the Latest Practicable Date, the Company has complied with Code Provision A.1.1 of the Code, saved as deviations disclosed in this report (where deviation reasons are set out).

Code Provision A.1.1 stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held two regular meetings, all the Directors had been presented at such meetings. The Board considers that during the Reporting Period, the Group had no other significant matters which required to convene formal Board meetings for discussion. Nevertheless, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner. The Board also holds provisional meetings to review, discuss and decide specific matters related to the development and strategy of the Group as and when required. During the Reporting Period, the Board held three provisional meetings in aggregate to consider and approve, inter alia, termination of the acquisition of a licensed corporation authorized to carry out type 1 regulated activities, acquisition of properties and termination of disposal of a subsidiary.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's annual financial statements for the year ended 31 December 2019 and has discussed the financial statements issues with the management of the Company. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2019 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2019 annual report will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 25 March 2020

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