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

2014
Annual Report

CONTENTS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings:

"associated corporation(s)"	has the meaning ascribed to it under the SFO
"Articles of Association"	the memorandum and articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Company"	Dongwu Cement International Limited (東吳水泥國際有限公司)
"Group"	the Company and its subsidiaries
"Director(s)"	the director(s) of the Company
"Concord"	Concord Ocean Ltd, a substantial shareholder of the Company, wholly-owned by Mr. Jin Chungen, an executive Director
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Goldview"	Goldview Development Limited, a controlling shareholder and an associated corporation of the Company, wholly-owned by Mr. Tseung Hok Ming, a non-executive Director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO"	the initial public offering of the Shares by the Company in June 2012

DEFINITIONS

"Latest Practicable Date"	21 April 2015
"Listing"	the listing of the Company on the main board of the Stock Exchange in June 2012
"Listing Date"	13 June 2012
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in appendix 10 to the Listing Rules
"PRC" or "China"	The People's Republic of China, which only for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 1 June 2012 in relation to its IPO
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the twelve months ended 31 December 2014
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	shares of the Company in issue, all of which are listed on the Stock Exchange
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
%	per cent

CORPORATE INFORMATION

Board of Directors

Executive Directors

Xie Yingxia *(Chairman)*
Jin Chungen

Non-executive Directors

Tseung Hok Ming
Yang Bin

Independent Non-executive Directors

Cao Guoqi
Cao Kuangyu
Lee Ho Yiu Thomas

Company Secretary

Sun Xin

Auditors

PricewaterhouseCoopers
22/F, Prince's Building Central, Hong Kong

Authorized Representatives

Yang Bin
Sun Xin

Audit Committee

Lee Ho Yiu Thomas *(Chairman)*
Cao Guoqi
Cao Kuangyu

Remuneration Committee

Cao Guoqi *(Chairman)*
Cao Kuangyu
Lee Ho Yiu Thomas

Nomination Committee

Cao Guoqi *(Chairman)*
Cao Kuangyu
Lee Ho Yiu Thomas

Stock Code

695

Company Website

http://www.dongwucement.com

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in PRC

Lili Town, Wujiang District
Suzhou City, Jiangsu Province, PRC

Principal Place of Business in Hong Kong

Unit 8505B-06A, Level 85
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

China Merchants Bank
Wujiang Rural Commercial Bank

Hong Kong Legal Advisors

Li & Partners
22nd Floor, World-Wide House
Central, Hong Kong

Contact Details

Tel: (852) 2520 0978
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FINANCIAL HIGHLIGHTS

Statement of comprehensive income *(expressed in RMB'000, unless otherwise stated)*

	2014	2013
Revenue	**340,093**	359,007
Operating profit	**11,488**	28,659
Profit before income tax	**9,978**	25,216
Profit for the year	**5,741**	16,253
Basic and diluted earnings per share (expressed in RMB per Share)	**0.011**	0.032

Statement of financial position *(expressed in RMB'000)*

	2014	2013
Non-current assets	**204,245**	155,958
Current assets	**230,682**	277,201
Total assets	**434,927**	433.159
Total equity	**334,932**	329,191
Non-current liabilities	**7,134**	4,773
Current liabilities	**92,861**	99,195
Total liabilities	**99,995**	103,968
Total equity and liabilities	**434,927**	433,159

Statement of cash flows *(expressed in RMB'000)*

	2014	2013
Net cash flows from operating activities	**15,189**	22,026
Net cash flows from investing activities	**(107,174)**	(6,469)
Net cash flows generated from/(used in) financing activities	**0**	0
Net (decrease)/increase in cash and cash equivalents	**(91,985)**	13,557

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(note 1)	*(note 1)*
Revenue	**340,093**	359,007	321,118	464,045	354,950
Cost of sales	**(321,677)**	(314,428)	(298,895)	(341,923)	(305,619)
Gross profit	**18,416**	44,579	22,123	122,122	49,331
Operating profit	**11,488**	28,659	10,388	116,567	44,364
Profit before tax	**9,978**	25,216	5,592	109,378	39,909
Income tax expense	**(4,237)**	(8,963)	(4,554)	(22,434)	(8,123)
Profit for the year	**5,741**	16,253	1,038	86,944	31,786

Assets and liabilities

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(note 1)	*(note 1)*
Total assets	**434,927**	433,159	413,108	407,126	465,447
Total liabilities	**99,995**	103,968	100,170	167,184	186,469
Total equity	**334,932**	329,191	312,938	239,942	278,978

Note: 1. The figures for the two years ended 31 December 2011 have been extracted from the Company's Prospectus.

BUSINESS REVIEW

Confronting the adverse effects of growth slowdown in macro-economy, an increase in cement production in the region and a recessed real estate market in 2014, the Group proactively adjusted operating strategies, which included enhancing internal management, maintaining consistent product quality, expanding sales channels, and continuing to defend the overall competitiveness of the Group in the market and in the industry. The production volume, sales and operating income remained stable, while the profit lowered due to the increased production cost.

During the Reporting Period, the Group strengthened the management in the procurement of raw and auxiliary materials, the consumption of each item and the production equipments and technologies, and strictly controlled the production cost. In 2014, the output for cement clinker amounted to 779,000 tonnes, and cement output amounted to 1,344,000 tonnes, among which, 621,000 tonnes were grade 32.5# cement and 723,000 tonnes were grade 42.5# cement. The production costs for grade 32.5 cement, grade 42.5 cement and cement clinker increased to some extent as compared to 2013. The supply of raw and auxiliary materials for the production, namely limestone, saw a significant price hike, pushing up production costs of the Company for 2014. The equipment operation were basically at normal levels, and the production safety were at normal levels throughout the year, and the quality acceptance rate of the outgoing cement reached 100% throughout the year.

During the Reporting Period, under the influence of the growth slowdown in macro-economy, a recessed real estate market in the region and an increase in cement production in the region, the competition in the cement market became fiercer. Given the unfavorable situation, the Group timely adjusted the marketing strategies in response to the market. The Group proactively expanded sales in Suzhou District and entrepots, with product sales volume reaching 1,365,000 tonnes, among which, 628,000 tonnes were grade 32.5# cement and 732,000 tonnes were grade 42.5# cement, and the sales volume of cement clinker reaching 4,000 tonnes during the year. As a result, the income from principal business amounted to RMB340,093,000.

The Group is determined to create the "DONGWU" Cement in order to gain enduring brand dominance. Since the founding of the Group, the path of building "DONGWU" Cement has been laid with unswerving resolution to implement the principle of high level of quality and high level of services. Currently, DONGWU Cement has been well recognized by customers in the markets of municipal engineering, transportation and construction in Suzhou City, which shapes a reputable brand image for DONGWU Cement. We will continue to consolidate the brand image of DONGWU Cement in the region to establish regional brand dominance, adding an edge in the brand of the Group.

The Group continues to promote technology innovation and technological reform, enhance production efficiency and reduce production cost and improve overall competitiveness of the Group in the market. The Group has been paying assiduous attention to the development and application of new technologies and new manufacturing processes all along, and introduces them into the actual production in due course, so as to improve the quality and efficiency of production and lower production costs, adding another competitive edge to the Group in the course.

The Group will make continuous progress in light of the actual circumstances of the Group and the social development needs. Internally, we will constantly enhance production management, lower production costs; improve quality and services, stick to the path of building brand dominance; strengthen marketing management, consolidate and expand sales network; innovate unrelentingly and cultivate the Group's creativity. Externally, we pay assiduous attention to the development of up- and down-stream of the cement industry and the development of the associated industries, so as to expand outwardly in due course to scale up the Group and its revenue. We are confident that the Group will achieve better results and have a promising development future with its responsible attitude towards investors and its steering wheel in the hands of the experienced management team.

CHAIRMAN'S STATEMENT

On behalf of the Board of Dongwu Cement International Limited and its subsidiaries, I would like to present to the Shareholders the report for the year ended 31 December 2014, together with audited consolidated financial statements.

Financial Results

In 2014, the sales volume of the Group's cement products amounted to approximately 1,364.6 thousand tonnes, representing a decrease of approximately 2.8% from 2013; the revenue amounted to approximately RMB340,093,000 representing a decrease of approximately 5.3% from 2013; the gross profit margin amounted to approximately 5.41%, representing a decrease of approximately 7.01% from 2013 in absolute terms. Further details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2014, profit attributable to the Shareholders and the basic earnings per share were RMB5,741,000 and RMB0.011, respectively.

Dividends

The Board does not recommend payment of any final dividend for the year ended 31 December 2014.

Business Operation in 2014

Benefitting from the structural consolidation across the cement industry and the energy conservation and emission reduction in the second half of 2014, the sales volume, revenue and gross profit margin of the Group all exhibited a significant upward movement in 2014 as compared to previous year.

The Group entered into the Cooperation Agreement through Suzhou Dongwu, the wholly-owned subsidiary of the Company, with Hengtong Group Co. Ltd. (the "**Hengtong Group**"), to establish a joint venture company, namely, Suzhou Dongtong Construction and Development Company Limited ("**Dongtong**") (the "**Joint Venture**"), which is owned as to 50% and 50% by Suzhou Dongwu and Hengtong Group respectively. Involvement in the Joint Venture provides with the Company an opportunity to participate in the construction of infrastructure BT (build-transfer) projects, which could contribute to steady appreciation to the Company's external investment projects. In a bid to stabilise the annual income, the Group disposed its 10% equity interest in Dongtong in December 2014, and shifted the original income model to fixed income model, thus achieving sound investment incomes.

Future Prospect

In 2015, under the guidance of long-term development strategy, the Group will continue to enhance current manufacturing facility reform, proactively promote disposal of municipal sewage sludge, domestic waste and cement kiln unanimously, accelerate the transformation towards environment preservation-oriented cement manufacturing entity, and improve the comprehensive competitiveness and market position, to ensure the Group to become a leading cement manufacturing company within the region while focusing on local market.

Meanwhile, on 16 February 2015, the subsidiary of the Group Xihua Shanghai Investment Management Co., Ltd., a subsidiary of the Group, and Shanghai Biofit Environmental Technology Co., Ltd ("Shanghai Biofit") entered into the equity transfer agreement("the Equity Transfer Agreement") to acquire 100% equity interest of Shanghai Biofit. Shanghai Biofit owns a tier-3 professional contractor qualification for environmental engineering and principally engages in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services, and if materialized, will generate synergy with the existing operations and diversify business income streams of the Group.

CHAIRMAN'S STATEMENT

Appreciation

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all our Shareholders, customers, consigners and bankers for their consistent trust and supports. Meanwhile, I would like to thank the management and all employees as well for their hard work and dedicated efforts, without which we would not achieve what we have achieved today.

In the new fiscal year, we will strive to move forward together, and believe that we will achieve better results in 2015. Thank you!

Chairman
Xie Yingxia

21 April 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2014, China's major macro economic indicators have shown signs of growing slowly. The gross domestic product for the year amounted to RMB63,646.3 billion, representing a growth of 7.4% over the corresponding period last year (2013: 7.7%); fixed asset investment of the country (excluding rural households) reached RMB50,200.5 billion, representing a nominal growth of 15.7% (the real growth was 15.1% after deducting the price factor) over the corresponding period last year, decrease by 3.9 percentage points as compared to 2013. National property development and investment reached RMB9,503.6 billion, representing a year-on-year nominal growth of 10.5% (the real growth was 9.9% after deducting the price factor), down by 9.3 percentage points as compared to 2013. (Source: website of PRC National Statistics Bureau)

The cement production of cement companies over a designated size amounted to 2.48 billion tones in 2014, posting a year-on-year growth of 1.8% (2013: 9.6%), down by 5.7 percentage points as compared with the corresponding period of last year. In 2014, due to the slowdown of macro-economic growth and the gloomy real estate market, cement market saw a drop in prices and the yearly average price decreased significantly as compared with the corresponding period of last year.

In the eastern region where the Group is located, cement price experienced continuous decline from January to December 2014. For cement prices in early December 2014 in the capital cities of the Group's major markets (being Jiangsu province, Zhejiang province and Shanghai), prices of PO 42.5 Cement in Nanjing (capital city of Jiangsu province), Hangzhou (capital city of Zhejiang province) and Shanghai reported RMB280 per tonne, RMB330 per tonne, and RMB320 per tonne, respectively, down by 24.3%, 25% and 28.9% as compared with the corresponding period of last year. (Source: Digital Cement Net)

In 2014, product costs weighed on the Group. As different to cement companies with mines, price hike of production elements in 2014, especially that of limestone, caused pressure on the production costs of the Company. In the meantime, the cement kiln waste heat recovery power station exerted influence on the Group in 2014, and the decrease of the electricity generated also posed a negative impact on production costs of the Group for the year. In the first half of 2014, the Group made a large-scale update and maintenance on equipment, which adds more to the costs. In addition, price of clinker experienced great fluctuations in the year, making the costs of using self-produced clinker higher than that of buying from external producers.

Operating income and gross profit margin of the Group for 2014 decreased as compared with the corresponding period of last year due to the decline of cement price and the pressure on costs. However, in a bid to stabilise the annual income, the Group disposed of its 10% equity interest in Suzhou Dongtong construction and development Ltd ("Dongtong") in December 2014, and shifted the original income model to fixed income model, thus achieving sound investment incomes. The Group recorded RMB5,741,000 of profit in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Turnover

In 2014, the Group's turnover amounted to approximately RMB340,093,000, representing an decrease of approximately RMB18,914,000 or 5.3% from approximately RMB359,007,000 in 2013. The decrease was primarily attributable to the declining in sales volume and selling price of cement in 2014, with the average selling price of cement decreasing by approximately 2.6% and sales volume of cement decreasing by 2.3%.

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

	2014			2013		
	Sales Volum	**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	**732.4**	**270.0**	**197,783**	781.8	277.4	216,850
PC 32.5 Cement	**628.4**	**224.9**	**141,307**	610.7	228.4	139,512
Clinker	**3.8**	**263.9**	**1,009**	12.3	215.9	2,645

Categorized by product type, the sales volume of cement products in 2014 amounted to approximately 1,364.6 thousand tonnes, representing a decrease of approximately 2.9% from 2013, while the sales income of cement products was RMB339,090,000, down by approximately 4.8% from 2013. The sales income of clinker was approximately RMB1,003,000 in 2013, representing a decrease by approximately 62.1% from RMB2,645,000 of clinker sales income in 2013, which is mainly due to the significant decrease in selling clinker by the Group.

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

	2014		2013	
	Turnover	**% of total revenue**	Turnover	% of total revenue
	RMB'000		*RMB'000*	
Jiangsu Province	**300,220**	**88.3%**	282,695	78.7%
Wujiang District, Suzhou City	**251,369**	**73.9%**	242,572	67.5%
Suzhou City (excluding Wujiang District)	**48,851**	**14.4%**	40,123	11.2%
Zhejiang Province	**32,809**	**9.6%**	42,935	12.0%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**27,676**	**8.1%**	35,111	9.8%
Jiaxing	**5,133**	**1.5%**	7,824	2.2%
Shanghai	**7,064**	**2.1%**	33,378	9.3%
Total	**340,093**	**100.0%**	359,007	100.0%

Gross Profit and Gross Profit Margin

In 2014, the Group's gross profit amounted to approximately RMB18,416,000, decreasing by approximately RMB26,163,000 or 58.7% from approximately RMB44,579,000 in 2013, while the gross profit margin in 2014 reached approximately 5.4%, decreasing by approximately 7% from approximately 12.4% in 2013, which mainly resulted from the increase of production costs due to the following factors:

(1) The Group made large-scale update and maintenance on equipment in the first half of the year, amounting to approximately RMB11,656,000, up by RMB4,339,000 or 59.31% over 2013;

(2) Price hike of production elements, especially that of limestone, brought pressure on production costs, pulling production costs to RMB55 per tonne, up by 25% as compared with RMB44 per tonne in 2013; and

(3) Under the influence of cement kiln waste heat recovery power station, the decrease of the electricity generated posed a negative impact on production costs of the Group for the year, the power generation from residual heat recovery saved approximately RMB6,000,000 in electricity tariff during the year, down by RMB5,748,000 or 48.9% from RMB11,748,000 in 2013.

Other Revenue

In 2014, the Group's other revenue amounted to approximately RMB5,004,000, representing a decrease of approximately RMB2,222,000 or 30.8% from RMB7,226,000 in 2013. The decrease was mainly due to drop in the tax refunded as a result of the decline in the turnover of PC32.5 Cement as a percentage to total turnover.

Sales and Distribution Expenses

In 2014, the Group's Sales and distribution expenses amounted to approximately RMB2,432,000, increasing by approximately RMB530,000 or 27.9% from approximately RMB1,902,000 in 2013. The increase was mainly due to the increase of the drayage in terms of cement transportation fees caused by growing sales volume of CPC32.5 Cement. Sales and distribution expenses accounted for approximately 0.7% of the Group's consolidated turnover which increased as compared to approximately 0.5% in 2013.

General and Administrative Expenses

In 2014, the Group's general and administrative expenses amounted to approximately RMB14,799,000, representing a decrease of approximately RMB6,086,000 or 29.1% from approximately RMB20,885,000 in 2013. The decrease in the general and administrative expenses was primarily due to (1) RMB4,535,000 of write back of provision for bad debts; and (2) the decrease of employee bonus by RMB1,906,000.

Taxation

In 2014, the Group's income tax expense amounted to approximately RMB4,237,000, decreasing substantially from approximately RMB8,963,000 in 2013, mainly due to the decrease in the Group's profit before income tax in 2014.

Net Profit Margin

In 2014, the Group's net profit margin was approximately 1.69%, decreasing significantly from approximately 4.53% in 2013. The decrease was mainly due to the decline and then slight increase in sales income in 2014, resulting in an decrease in net profit to approximately RMB5,741,000 in 2014 from proximately RMB16,253,000 in 2013.

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 Company's IPO proceeds and part of proceeds from the placing of new shares.

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Cash and cash equivalents	**20,120**	112,105
Borrowings	**50,000**	50,000
Debt to equity ratio	**15%**	15%
Debt to Asset ratio	**11.4%**	12%

Cash Flow

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB20,120,000, representing an decrease of approximately RMB91,985,000 or 82.1% from approximately RMB112,105,000 as at 31 December 2013. The increase was primarily due to approximately RMB100,705,000 in the cash flow used in investment.

Borrowings

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Current:		
Bank borrowings	**50,000**	50,000

As at 31 December 2014, the Group's bank borrowings amounted to approximately RMB50,000,000, remaining the same as RMB50,000,000 as at 31 December 2013.

The aforesaid borrowings were not secured, pledged, or guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits (as at 31 December 2013: approximately RMB50,000,000 not secured, pledged, or guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits or by corporate guarantee made by related parties or non-related parties).

As at 31 December 2014, the Group still had unutilized banking facilities of RMB50,000,000.

Debt to Equity Ratio

As at 31 December 2014, the Group's debt to equity ratio was 15%, basically flat with 15% as at 31 December 2013.

The debt to equity ratio is calculated by dividing the debt by the difference of total assets minus total liabilities.

Capital Expenditure and Capital Commitments

In 2014, the Group's capital expenditure amounted to approximately RMB13,505,000, a substantial increase from RMB2,973,000 in 2013, mainly due to the addition of environment-friendly equipment and the update and maintenance of equipment.

As at 31 December 2014, the Group did not have any capital commitments.

IPO Proceeds and Use of the IPO Proceeds

The Company received IPO net proceeds of approximately RMB57,390,000. As disclosed in the announcement of the Company published on 29 November 2013, the Group was cautious about the expansion in the cement industry, and no substantial progress was made in the proposed acquisition of a ready-mixed concrete station and the investment in entrepots. To effectively utilize its proceeds and improve the return to shareholders, the Company has allocated the unutilized proceeds originally earmarked for acquisition of a ready-mixed concrete station and strengthening sales network totaling RMB37,878,000 to BT (build-transfer) projects of roads, bridges, tunnels and other infrastructures. As of 31 December 2014, the proceeds was utilized in full mainly for infrastructure investment in BT projects and updating production facilities.

Intended use	**Percentage**	**Net proceeds**	**Utilized amount**	**Unutilized amount**
		RMB'000	*RMB'000*	*RMB'000*
Infrastructure investment in BT projects	66%	37,877	37,877	0
Upgrading production facilities	26%	14,922	14,922	0
Working capital	8%	4,591	4,591	0
Total	100%	57,390	57,390	0

Pledge of Assets

As at 31 December 2014, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2014, 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 Group was not materially affected in operating business and operational capital due to fluctuations in foreign exchange rates.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group did not suffer from any currency exchange risks, nor did the Group implement any hedging measures for currency exchange risks.

As of 31 December 2014, HK$52,799,000 of the IPO net proceeds had been exchanged into and deposited in Renminbi while the remaining balance of the IPO net proceeds were deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical exchange rate 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 mainland China and/or internationally, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the Renminbi against foreign currencies upon 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 its foreign exchange exposure and will consider taking measures on hedging foreign currency exposure when necessary.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Reporting Period, the Group did not conduct any substantial acquisitions or disposals of its subsidiaries or associated companies.

As disclosed by the Company, on 16 February 2015, the Company acquired **Shanghai Biofit Environmental Technology Co., Ltd.**, a company possessing tier-3 professional contractor qualification for environmental engineering, mainly engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services, at an estimated consideration of RMB32,000,000. The Consideration of the Acquisition is adjusted to RMB30,254,269 in accordance with the report issued by independent auditors dated 27 March 2015. For further details of the acquisition, please refer to the announcement of the Company dated 16 February 2015 and 13 April 2015.

As disclosed in the announcement of the Company dated at 9 January 2014, Suzhou Dongwu and Hengtong Group Co., Ltd. ("Hengtong Group") entered into a cooperation agreement, pursuant to which the parties agreed to establish the Joint Venture Company Suzhou Dongtong Construction and Development Company Limited ("Suzhou Dongtong"). Suzhou Dongtong was incorporated on 15 January 2015, with a registered capital of RMB150,000,000. Suzhou Dongwu and Hengtong Group contributed RMB 75,000,000 respectively, holding 50% and 50% interest of the Joint Venture Company.

To stabilize the annual revenue of the Group, upon the approval of the Board, the Group entered into an agreement with an independent third party company on 22 December 2014, to disposal 10% equity interest in Suzhou Dongtong at a consideration of RMB 16.6 million, which was then received in January, 2015. Meanwhile, Suzhou Dongtong agreed to make fixed payment to the Group annually during the period from 23 December 2014 to 31 December 2017, with the remaining two shareholders as guarantors. The terms included receiving a payment of fixed interest income with annualized return rate of 10.68% at 31 December in each year, and the final collect date for the loan principle was 31 December 2017. The Group has agreed to terminate all rights of shareholders related to investment, and the directors appointed by the Group to the board of Dongtong had resigned from directors.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend payment of any final dividend for the year ended 31 December 2014.

Employees and Remuneration Policies

As at 31 December 2014, the Group has a total of 244 employees. The total remuneration of the Group's employees amounted to approximately RMB15,957,000 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 2015, the Group will continue to reduce costs in a effective manner through improving internal control; expand market share and increase product profitability by refining customer services; conduct prudent research for promoting acquisitions and mergers in the industry; and make attempts in capital operation to enhance management efficiency and improve comprehensive competitiveness.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Xie Yingxia (謝鶯霞), aged 38, is the Chairman and an executive Director of the Company, responsible for the overall planning and budget management of the Group. Ms. Xie obtained a bachelor degree in investment economics from Fudan University (復旦大學) and a master degree in business administration from China Europe International Business School (中歐國際工商學院), an accredited institution authorized by the PRC Ministry of Education to grant the said degree. Ms. Xie has extensive experience in financial management. From 1998 to 2001, Ms. Xie had worked for Xiamen International Bank as the account manager and the deputy head of the credit department, responsible for marketing, running account credit and account services. Subsequently from 2001 to 2008, Ms. Xie had worked for Orient Holdings Group Limited ("Orient Holdings"), an investment holding company, as the manager of the investment department, the chief financial officer and the vice president, responsible for evaluation and management of project investment, financial management, human resources and administrative matters, etc. Since joining our Group in July 2008, Ms. Xie has been serving as a Director of the Company and was responsible for formulating annual budget, business plan, long term/strategic development of the Company and monitoring the implementation, conducting internal audit as well as reviewing and monitoring the performance of our senior management. Through active involvement in daily operation and management of the Company, Ms. Xie gained specific knowledge and experience in cement industry. Ms. Xie did not hold any directorship in any other listed companies in the past three years.

Mr. Jin Chungen (金春根), aged 53, is the Chief Executive Officer and an executive Director of the Company, responsible for the Group's general operation. Mr. Jin has extensive experience in cement related industries such as highway operation, maintenance and renovation, etc. From 1995 to 2005, Mr. Jin had been the general manager of Wujiang Yuan Tong Road Construction and Development Co., Ltd. (吳江遠通公路建設發展有限公司), a company principally engaged in the operation and toll collection of the National Highway Road No. 318 (Wujiang Section), responsible for the company's day-to-day management such as operation of toll roads, daily maintenance and renovation of roads, human resources, financial and administrative matters, etc. During the said period, Mr. Jin was heavily involved in the operation of toll highways as well as maintenance and renovation of roads, and since the operation, maintenance and renovation of roads involve substantial use of, inter alia, cement, Mr. Jin has also gained specific knowledge and experience in cement. Mr. Jin also possesses over 33 years of experience in corporate management. Between 1979 and 1990, Mr. Jin had worked for Jiangsu Orient as an officer and supervisor, responsible for the company's daily operational and management affairs. Subsequently from 1991 to 1994, Mr. Jin had served as a general manager for Wujiang Fuyuan Garment Co., Ltd (吳江富源製衣有限公司), a company principally engaged in the garment processing, responsible for the company's overall management. Since joining our Group in January 2007, Mr. Jin has served as the Director, chairman and general manager, respectively, of the Company, and is responsible for the management of the Company's daily operation, such as making production plan, raw materials procurement and sales etc. On 11 September 2013, Mr. Jin resigned as general manager of Suzhou Dongwu, but remained as chairman and legal representative of Suzhou Dongwu. Currently, Mr. Jin is the vice chairman of the Cement Committee (the third session) of Jiangsu Province Building Material Industry Association (江蘇省建材行業協會第三屆水泥分會). Mr. Jin did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Tseung Hok Ming (蔣學明), aged 53, was appointed as a non-executive Director of the Company on 29 November 2011. Mr. Tseung possesses over 25 years of experience in business and investment. Mr. Tseung has been a director of Orient Financial Holdings Limited since July 2002, a director of Far East International since March 2004, a director of Orient International Petroleum & Chemical Limited since December 2004, a director of Sunshine Oilsands Limited, a company listed on the Stock Exchange (stock code: 02012) since March 2010, a director of Orient International Resources Group Limited since April 2010 and a director of Jiangsu Xinmin Textile Science & Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 002127) since 4 September 2013.

Mr. Tseung began his career in 1986 as a director of a factory in Jiangsu City and was responsible for overseeing textile manufacturing and trading. In 1996, Mr. Tseung established Orient International Group (HK) Limited, a company principally engaged in textile trading and investment business, and managed the business as a director until 2005. In 1995, Mr. Tseung invested into Wujiang Yuan Tong Highway Construction and Development Limited, a company principally engaged in highway construction and operations management business. He has acted as its vice chairman since 1995, and responsible for its investment and construction business. In 2003, Mr. Tseung invested in Anhui Hefei-Caohu-Wuhu Highway Limited, which principally engaged in the business of highway construction and maintenance, and acted as its chief representative until 2005. In June 2003, Mr. Tseung invested in the Company, whose main business scope is manufacture and sales of clinker and cement.

Mr. Tseung acted as a director of the second board of directors of China Foreign Affairs University since 2005. Mr. Tseung is currently a vice chairman of the Hong Kong Financial Services Institute and the Hong Kong China Education Fund. Mr. Tseung graduated from the Chinese Academy of Social Sciences (中國社會科學院) in 1998 majoring in International Trading. Save as disclosed above, Mr. Tseung did not hold any directorship in any other listed companies in the past three years.

Mr. Yang Bin (楊斌), aged 41, is a non-executive Director of the Company. Mr. Yang graduated from Tsinghua University (清華大學) with a bachelor degree in mechanical engineering and University of International Business and Economics (對外經濟貿易大學) with a master degree in business administration. Mr. Yang possesses over 10 years of experience in investment and capital markets. From 2000 to 2008, Mr. Yang was the manager of the investment division, assistant to the president and vice president of Orient Holdings. Since 2009, Mr. Yang has served as the vice president of Far East International Investment Company Limited ("Far East International"). Since joining the Group in March 2010, Mr. Yang has become a Director of the Company, and participated in the overall management of the Company, such as participating in the board meetings of the Company, reviewing major decisions submitted to the board on operational matters, and reviewing the reports by the general manager. Mr. Yang was re-designated from an executive Director to a non-executive Director of the Company with effect from 16 August 2013 due to his other business engagements which require more of his time and dedication. Mr. Yang served as the chairman of the board of Jiangsu Xinmin Textile Science & Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 002127) since 4 September 2013.

Independent Non-executive Directors

Mr. Cao Guoqi (曹國琪), aged 52, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Cao specializes in project investment, finance and management, fund operation and management, mergers and acquisitions, assets and capital operations, human resources management and project consultation. Mr. Cao obtained a doctoral degree in political economics from Shanghai Academy of Social Sciences (上海社會科學院) in 2004. Mr. Cao has been the MBA supervisor in Shanghai Advanced Institute of Finance, Shanghai Jiaotong University (上海交通大學上海高級金融學院) since December 2011, the part-time professor of Hunan University (湖南大學) since April 2008, the consultant to the government of Dongli District of Tianjin Municipality (天津市東麗區政府顧問) since March 2010, the executive director and general manager of Probest Limited in Hong Kong, the executive director and general manager of Master Energy INC in Hong Kong, and was appointed as the general manager of Shanghai Lingang New City Investment and Development Co., Ltd. (上海臨港新城投資開發集團有限公司) from April 2002 to April 2005. Mr. Cao is also an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8205).Mr. Cao is also an independent director of Inner Mongolia Jinyu Group Stock Company (內蒙古金宇集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600201). Mr. Cao serves as an executive director of China Smartpay Group Holdings Limited, a company listed on the Stock Exchange (stock code: 8325) since 18 September 2013. Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Mr. Cao Kuangyu (曹貺予), aged 65, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Cao has over 30 years of experience in the banking industry. Mr. Cao graduated from Hunan University in 1981 with a bachelor degree in economics, and obtained his masters degree in financial management from the University of London in 1998. Mr. Cao worked in the Bank of China, Hunan branch as a director and senior management from 1981 to 1996 and his last position was the deputy general manager of the branch. In 1996, Mr. Cao was transferred to the Singapore branch of Bank of China as deputy general manager until 1999. Mr. Cao worked in Citic Bank, Shenzhen branch from 1999 to 2003 and his last position was the president of the branch. Mr. Cao came to Hong Kong in 2003 when he worked as a managing director and head of global investment banking division of BOCI Asia Limited until 2007.

Mr. Cao served as an independent non-executive director of Simsen International Corporation Limited (stock code: 00993) from April 2010 to June 2010. Mr. Cao also served as an independent non-executive director of King Stone Energy Group Limited (stock code: 00663, formerly known as Yun Sky Chemical (International) Holdings Limited) from February 2010 to April 2012. Mr. Cao also served as a non-executive director of Continental Holdings Limited (stock code: 00513) from April 2010 to December 2011. Mr. Cao is currently an independent non-executive director of JLF Investment Company Limited (stock code: 00472, formerly known as Applied (China) Limited), Huili Resources (Group) Limited (stock code: 01303), Junefield Department Store Group Limited (stock code: 00758) and Dingyi Group Investment Limited (stock code: 00508). All the aforesaid companies are listed on the Stock Exchange. Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Ho Yiu, Thomas (李浩堯), aged 37, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Lee has extensive experience in auditing, accounting and financial management. Mr. Lee is currently a partner of Messrs. Lee, Au & Co., Certified Public Accountants. Mr. Lee previously worked as an assistant financial controller in a multinational luxury brands group and worked at one of the big four international accounting firms. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants, a practicing member of the Hong Kong Institute of Certified Public Accountants, a certified tax advisor and member of the Hong Kong Taxation Institute, a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the ISACA. Mr. Lee holds a bachelor's degree in science from the University of Warwick and a second bachelor's degree in Chinese law from Tsinghua University (清華大學) in Beijing. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063), ABC Communications (Holdings) Limited (stock code:0030) and Active Group Holdings Limited (stock code: 1096), respectively. All the aforesaid companies are listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

Senior Management

Mr. Wu Junxian (吳俊賢), aged 34, is deputy general manager of Suzhou Dongwu. Mr. Wu is responsible for human resources, internal control and procurement of the Group. Mr. Wu joined our Group in March 2009, and has held various positions in Suzhou Dongwu such as assistant to general manager and deputy general manager. Mr. Wu assumed the title of general manger of Suzhou Dongwu on 11 September 2013. Prior to joining our Group, Mr. Wu worked for Orient Holdings, an investment holding company, as an officer of the assets management department, responsible for project research and development from 2003 to 2007. Mr. Wu subsequently worked for Shanghai Keli Communications Technology Co., Ltd. (上海科立通訊科技有限公司), a company principally engaged in communication construction and services, as a project manager and was responsible for project development and customer service from 2007 to 2009. Mr. Wu graduated from Nanjing Audit University (南京審計學院) in 2003 with a bachelor degree in management administration.

Mr.馮炳松, aged 46, is the deputy general manager of Suzhou Dongwu. Mr.馮 is responsible marketing and sales of the Group. Prior to joining to the Group in December 2004, Mr.馮, having been engaged in the finance matters and sales in the cement industry for about 30 years, has a knowledge of market trends and possesses extensive experience in sales. Mr.馮 once served as the financial officer of 溧陽東方水泥公司 and then was promoted as the deputy general manager, in charge of corporate finance and financial planning. Then Mr.馮 joined in Wujiang Xingyuan Cement Ltd., Co. as the vice president of sales, responsible for the strategic plans for corporate sales.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Han Fuliang (韓福亮), aged 46, is a deputy general manager of Suzhou Dongwu. Mr. Han is responsible for the production of the Group. Mr. Han possesses over 20 years of experience in the management of cement production, and was previously the head of the production departments in a number of cement enterprises including Jilin Yatai Cement Company Ltd (吉林亞泰水泥有限公司) and Zhejiang Shenhe Cement Company Ltd (浙江申河水泥股份有限公司), respectively. Mr. Han joined our Group in June 2008, and has held various positions in the Company such as chief engineer and deputy general manager. Mr. Han graduated from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) in 1993 and obtained tertiary education qualification in cement technologies.

Ms. Sun Xin (孫馨), aged 31, was appointed as the joint company secretary of the Company on 28 May 2012, and has been the chief financial officer of the Company since 16 August 2013. Ms. Sun joined the Group in August 2010. From August 2006 to August 2010, Ms. Sun acted as the senior consultant of the business advisory and tax consultancy department of Deloitte Touche Tohmatsu CPA Ltd. During the office term, Ms. Sun was responsible for the provision of due diligence service and structuring support to the foreign multi-national companies and the private equity funds concerning acquisition activities in the PRC, as well as the provision of tax consultancy services, including international tax consultancy, indirect tax consultancy, general domestic tax consultancy and tax standardization. From September 2002 to July 2006, Ms. Sun studied at Shanghai International Studies University (上海外國語大學) majoring in international economic law and obtained a bachelor degree in law. From September 2003 to June 2005, she studied at Shanghai University of Finance and Economics (上海財經大學) and obtained the Certificate for Second Major (輔修專業證書) in Accounting. Ms. Sun is currently a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Company Secretary

Ms. Sun Xin (孫馨), aged 31, was appointed as the joint company secretary of the Company on 28 May 2012. For details of the biography of Ms. Sun Xin, please refer to paragraph headed "Senior Management" of this section. Ms. Sun was confirmed by the Stock Exchange that she had sufficient experience to fulfill the responsibility of company secretary and served as company secretary of the Company with effect from 21 March 2014.

DIRECTORS' REPORT

Principal Activities

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2011. The Group mainly operates through its subsidiaries in the PRC. The Group is principally engaged in the production and sales of cement and clinker. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

Results and Dividends

The Group's results for the year ended 31 December 2014 are set out in the Consolidated Statement of Comprehensive Income on page 45.

The Board does not recommend payment of any final dividend for the year ended 31 December 2014.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015 (both days inclusive), during which period no transfer of shares will be registered. For determining Shareholders' entitlement to attend and vote at the annual general meeting to be held on Thursday, 28 May 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2015.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 7 to the consolidated financial statement of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in note 19 to the consolidated financial statement of this annual report.

Share Capital

As at 31 December 2014, the authorized share capital of the Company was HK$100,000,000, and the issued share capital of the Company was HK$5,120,000 divided into 512,000,000 Shares with a par value of HK$0.01 each. There was no change in the share capital of the Company during the Reporting Period. On 13 February 2015, the Company completed the placing of 40,000,000 new shares. As at the Latest Practical Date, the issued share capital of the Company was HK$5,520,000, divided into 552,000,000 Shares with a par value of HK$0.01 each.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity of this annual report.

Distributable Reserves

The Group's reserves available for distribution to Shareholders was approximately RMB48,506,000 (31 December 2013: approximately RMB43,699,000) as at 31 December 2014.

DIRECTORS' REPORT

Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted within the Listing Rules as of the Latest Practicable Date.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the Cayman Islands where the Company was incorporated.

Tax Reduction

Pursuant to the laws of Cayman Islands, the Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations by virtue of their interest in shares of the Company and there is no taxation in the nature of inheritance tax and estate duty.

Charge on the Assets and Contingent Liabilities

Details of the Group's charge on the assets and contingent liabilities for the year are set out in the note 31 to consolidated financial statement in this report.

Subsidiaries, jointly controlled entities and associates

Details on the business performance of the Company's major subsidiaries, jointly controlled entities and associates respectively are set out in the note 9(b) to consolidated financial statement of this report.

Directors

The Directors of the Company during the year ended 31 December 2014 were as follows:

Chairman and Executive Director	Ms. Xie Yingxia
Chief Executive Officer and Executive Director	Mr. Jin Chungen
Non-executive Directors	Mr. Tseung Hok Ming
	Mr. Yang Bin
Independent Non-executive Directors	Mr. Cao Guoqi
	Mr. Cao Kuangyu
	Mr. Lee Ho Yiu Thomas

There is no financial, business, family or other material/relevant relationship amongst the Directors.

Independence of Independent non-executive Directors

The Company has received from each of the independent non-executive Directors (namely Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas) a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines.

DIRECTORS' REPORT

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. Mr. Yang Bin has submitted his resignation as an executive Director to the Company on 13 April 2014, and his term of office will last until 28 May 2015. Mr. Yang has confirmed that he has no disagreement with the Board, and there are no other matters relating to his resignation that need to be brought to the attention of the Shareholders of the Company. Save for Mr. Yang Bin, a non-executive Director, other non-executive Directors and the independent non-executive Directors had signed letters of appointments with the Company for a term of three years with effect from their respective dates of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association.

In accordance with the Articles of Association, Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Emoluments and Five Highest Paid Individuals of the Company

All of the Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the remuneration committee.

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in note 29 to the consolidated financial statement.

For the years 2013 and 2014, senior management of the Company comprises 4 individuals.

The emoluments of senior management of the Company fell within the following bands:

Emolument band	**Number of individuals Year ended 31 December**	
	2014	2013
Nil – HK$1,000,000	**4**	4

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company, its holding companies, controlling shareholders, fellow subsidiaries or subsidiaries were parties and in which the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

At any time during the Reporting Period, none of the Company or any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their respective spouses or children under the age of eighteen, had any right to subscribe for the interests or debentures of the Company or any other body corporate, or had exercised any such rights.

Directors' Interests in a Competing Business

None of the Directors or controlling shareholders of the Company had interests in business which competes or may compete with the Group's business.

Connected Transactions

During the year ended 31 December 2014, the Group did not enter into any connected transactions or continuing connected transactions which need to be disclosed under Rule 14A.68 of the Listing Rules, and details for other connected transactions or continuing connected transactions are set out in note 32 to the consolidated financial statements for the year.

Pensions Scheme

The employees of members of the Group in the PRC are members of the state-managed employee benefit scheme (such as pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and housing fund) operated by PRC government. The Group is required to make contributions to the employee benefit scheme based on certain percentage of the salaries of its employees to fund the benefits.

During the year ended 31 December 2014, the employee benefit scheme contributions made by the Group amounted to approximately RMB1,914,000. Details of these schemes are set out in note 23 to the consolidated financial statement of this annual report.

Interests and Short Position of Directors and Chief Executive in the Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests of the Directors, chief executive or their respective associates in the Shares and underlying Shares of the Company and its associated corporations which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company are as follows:

Name	Capacity	Long position/ Short position	Number of shares held	Approximate percentage of shareholding interest
Tseung Hok Ming *(note 1)*	Interest of controlled corporation	Long position	297,500,000	58.11%
Jin Chungen *(note 2)*	Interest of controlled corporation	Long position	77,500,000	15.14%

Notes:

1. *Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of part XV of the SFO. Goldview is also an associated corporation of the Company.*

2. *Concord is wholly-owned by Mr. Jin Chungen, an executive Director. Accordingly, Mr. Jin is deemed to be interested in the same Shares of the Company held by Concord by virtue of part XV of the SFO.*

Save as the disclosed above, as at 31 December 2014, so far as is known to the Directors, no Directors or chief executive of the Company or their respective associates had or were deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations by virtue of part XV of the SFO which had to be notified to the Company and The Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO or the Model Code, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

As at 31 December 2014, none of the Directors and chief executive of the Company (including their respective spouses and children under the age of 18) had or were granted any rights to subscribe for the securities and share options of the Company and its associated corporations, nor had they exercised any such rights.

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As at 31 December 2014, so far as is known to the Directors, the person(s), not being the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register kept under section 336 of the SFO are set out below:

Name	**Capacity**	**Long position/ Short position**	**Number of shares held**	**Approximate percentage of shareholding interest**
Goldview[1]	Beneficial owner	Long position	297,500,000	58.11%
Tseung Hok Ming[1]	Interest of controlled corporation	Long position	297,500,000	58.11%
Qilu International Investment Limited[3]	Beneficial owner	Long position	297,500,000	58.11%
Qilu International Holdings Limited[3]	Interest of controlled corporation	Long position	297,500,000	58.11%
Qilu Securities Company Limited	Interest of controlled corporation	Long position	297,500,000	58.11%
Laiwu Steel Group Limited[3]	Interest of controlled corporation	Long position	297,500,000	58.11%
Shangdong Iron & Steel Group Co. Ltd.[3]	Interest of controlled corporation	Long position	297,500,000	58.11%
Concord[2]	Beneficial owner	Long position	77,500,000	15.14%
Jin Chungen[2]	Interest of controlled corporation	Long position	77,500,000	15.14%
Joy Wealth Finance Limited[4]	Beneficial owner	Long position	65,500,000	12.79%
Pacific Plywood Holdings Limited[4]	Interest of controlled corporation	Long position	65,500,000	12.79%
Allied Summit Inc.[4]	Interest of controlled corporation	Long position	65,500,000	12.79%
Su WeiBiao[4]	Interest of controlled corporation	Long position	65,500,000	12.79%

Notes:

1. *Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of part XV of the SFO.*

2. *Concord is wholly-owned by Mr. Jin Chungen, an executive Director. Accordingly, Mr. Jin is deemed to be interested in the same Shares of the Company held by Concord by virtue of part XV of the SFO.*

3. *Shangdong Iron & Steel Group Co. Ltd. owns 100% interest in Qilu Securities Company Limited through Laiwu Steel Group Limited, in which Shangdong Iron & Steel Group Co. Ltd. holds 45.71% interest. Qilu Securities Company Limited owns 100% interest in Qilu International Investment Limited through Qilu International Holdings Limited, in which Qilu Securities Company Limited holds 100% interest. Each of Qilu International Holdings Limited, Qilu Securities Company Limited, Laiwu Steel Group Limited and Shangdong Iron & Steel Group Co. Ltd. is deemed to be interested in the Share of the Company held by Qilu International Investment Limited by virtue of Part XV of the SFO.*

4. *Mr. Su WeiBiao owns 80% interests in Allied Summit Inc., which in turn owns 58.27% interests in Pacific Plywood Holdings Limited. As Pacific Plywood Holdings Limited owns 100% interests in Joy Wealth Finance Limited, each of Mr. Su WeiBiao, Allied Summit Inc. and Pacific Plywood Holdings Limited is deemed to be interested in the Shares of the Company held by Joy Wealth Finance Limited by virtue of part XV of the SFO.*

Save as the disclosed above, as at 31 December 2014, so far as is known to the Directors, no other persons had any interest or short position in the Shares and underlying Shares of the Company which have to be disclosed to the Company or the Stock Exchange pursuant to divisions 2 and 3 of part XV of SFO or which have to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 28 May 2012 (the "Adoption Date"). The purpose of the Share Option Scheme is to provide person(s) working for the interests of our Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group. Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, invite all of the Directors, any full-time or part-time employee of the Company or the Group and any advisor or consultant (whether on an employment or contractual or honorary basis and whether paid or unpaid) who our Board considers, in its sole discretion, have contributed to the Company or the Group (the "Eligible Person"), to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company (the "Option"). The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the third anniversary of the Adoption Date (the "Scheme Period"), after which period no further Options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of the Options remaining outstanding and exercisable on the expiry of the Scheme Period. The grantee may exercise the Option within 3 years from the date of grant (the "Date of Grant") of the Option ("Option Period"). All of the outstanding Option shall lapse if the Option Period expires, the holders' loss of office or cessation to be the member of the Group.

The maximum number of Shares which may be issued upon exercise of all Options granted under the Share Option Scheme or any other share option schemes that the Company adopts must not exceed 30% of the Shares of the Company in issue from time to time. The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the Shares of the Company (or its subsidiaries) as of the Listing Date, being 50,000,000 Shares (the Scheme Mandate Limit") for this purpose, which represents approximately 9.06% of the total issued capital of the Company at the date of this report. Any Option lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. Unless approved by Shareholders in general meeting, the total number of Shares issued and to be issued upon grant of Options by each under the Share Option Scheme in any 12-month period must not exceed 1% of the Shares of the Company in issue at such time.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK$1 in favor of the Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by the Company.

The existing share option scheme adopted by the Company is scheduled to expire on 27 May 2015. The Company proposes to adopt the share option scheme which complies with Chapter 17 of the Listing Rules. For details, please refer to the circular of this general meeting.

The subscription price (the "Subscription Price") in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where the Company has been listed for less than 5 business days, the Offer Price shall be used as the closing price of any business day falling within the period before Listing.

The Company does not grant any Options under the Share Option Scheme during the year ended 31 December 2014.

Purchase, Sale or Redemption of Listed Securities

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

Management Contracts

Save for labor contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2014 is as follows:

	Percentage of the Group's total sales (%)		**Percentage of the Group's total purchases (%)**
The largest customer	12.2	The largest supplier	17.34
Five largest customers in aggregate	39.8	Five largest suppliers in aggregate	57.52

None of the Directors or their associates or any Shareholder holding more than 5% equity interest in the Company had any interest in any of the Group's five largest customers or five largest suppliers.

Auditors

The consolidated financial statements of the Company for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 have been audited by PricewaterhouseCoopers ("PwC").

The term of office of PwC will expire at the forthcoming AGM and as recommended by the Audit Committee of the Group, the Board considers that for the purpose of the interest of the Group and its Shareholders as a whole and given the Group's future expansion and the overall services it requires in the future, PwC will not be re-appointed as the auditors of the Group upon the expiration of its current term of office. PwC will retire as the auditors of the Group upon expiration of its current term of office with effect from the conclusion of the forthcoming annual general meeting of the Group to be held on 28 May 2015 (''AGM'') and will not seek for reappointment. The Board of Directors has confirmed that there is no disagreement between the Company and PwC, and the Board is not aware of matters in respect of proposed appointment of auditors that need to be brought to the attention of shareholders of the Group.

Upon the recommendation made by the audit committee of the Group, the Board has resolved to propose the appointment of BDO Limited ("BDO") as the auditors of the Group, to hold office until the conclusion of the next annual general meeting of the Group in 2016. Having regard to the resources and experience of BDO, the Board considers it would be in the best interests of the Group and its shareholders (''Shareholders'') as a whole to appoint BDO as the new auditors of the Group.

The proposed appointment of auditors is subject to the approval of the Shareholders at the AGM. An ordinary resolution will be proposed to the Shareholders at the AGM for appointing BDO as the auditors of the Group, to hold office until the conclusion of the next annual general meeting of the Group in 2016. The notice of AGM containing, among other matters, the proposed appointment of auditors, will be dispatched to the Shareholders in due course.

Material Litigation and Arbitration

Save as disclosed in the Prospectus, 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.

Events after the Reporting Period

As mentioned in the announcement of the Company dated 13 February 2015, the Company issued 40,000,000 new Shares at HK$1.3 of each through Placing, with HK$51,300,000 of net proceeds from the Placing. Part of the proceed will be used by the Company to acquire 100% equity interest of Shanghai Biofit Environmental Technology Co., Ltd. (detail of which is available in the announcement of the Company dated 16 February 2015).

Pursuant to the Equity Transfer Agreement, the Group has appointed an independent auditor to audit the financial information of the Shanghai Biofit as of the Base Date. According to the report issued by the independent auditor at 27 March 2015, the consideration for the acquisition was adjusted from the estimated RMB32 million to RMB30,254,269. For details relating to the consideration adjustment for the acquisition of 100% equity interest in Shanghai Biofit, please refer to the announcement of the Company dated 13 April 2015. As of the Latest Practical Date, the Group had paid consideration for the equity transfer, i.e. RMB12,000,000.

Save for the above mentioned, the Group had no major events after the Reporting Period subsequent to 31 December 2014.

CORPORATE GOVERNANCE REPORT

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 investor confidence, but also critical to the Group's longterm success. The Company has adopted the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange as its own code on corporate governance.

During the Reporting Period and up to the Latest Practicable Date, the Company has complied with the provisions of the Code, saved as the deviations (with reasons for deviation) disclosed in this report.

Code Provision A.1.1

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 at which all the Directors were present. The Board considers that during the Reporting Period, the Group had no significant matters which required the meeting and discussion of all Directors through formal meetings. Notwithstanding, 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 from time to time according to the development of the Group. During the Reporting Period, the Board held three provisional meetings, to consider and pass (among others) matters on the Placing and the acquisition of 100% equity interest in Shanghai Biofit Environmental Technology Co., Ltd..

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2014 and up to the Latest Practicable Date.

Board of Directors

Duties and Divisions

The Board acts for the interest of all Shareholders and is responsible for the general meeting. The Board is mainly responsible for executing the resolutions of the general meeting, overseeing and supervising all material matters of the Company, including developing and approving the overall strategy for management and operation, operation plan and investment proposals, reviewing organization structure, the systems of internal control and risk management and the financial performance regularly, determining dividend policies, developing, reviewing and monitoring policies and practices on corporate governance of the Company and the code of conduct applicable to employees and Directors, reviewing and monitoring the training and continuous professional development of Directors and senior management, policies and practices of the Company on compliance with legal and regulatory requirements, reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report, monitoring operational activities and performance of senior management, so as to protect and enhance the interests of the Company and its Shareholders. In respect of overseeing specific aspects in the Company's affairs, the Company has established 3 committees of the Board, i.e. the audit committee, remuneration committee and nomination committee. The Board has delegated various authorities to each of the committee of the Board, particulars of which are set out in the terms of reference for each committee.

The Board makes decisions on matters with specific responsibilities, and the management is authorized to execute and manage the daily affairs of the Company.

During the Reporting Period and up to the Latest Practicable Date, the Board had, among other things, considered and approved the annual budget, management performance and the latest performance as compared with the annual budget as well as the business reports of the management, the annual results for the year ended 31 December 2014, monitored the significant operational management and assessed the internal control and financial matters of the Group.

Board Composition

The Board currently comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The names and the profiles of these Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Board Meetings

The Board shall meet regularly and hold at least four Board meetings each year, so as to discuss the overall strategies and operational and financial performances of the Group. For the year ended 31 December 2014, the Board held five meetings in accordance to the operational and business development of the Group, including two regular meetings and three provisional meetings. The attendance of each Director is detailed as follows:

	Attended meetings/ convened meetings	Attendance rate
Executive Directors		
Ms. Xie Yingxia	5/5	100%
Mr. Jin Chungen	5/5	100%
Non-executive Directors		
Mr. Tseung Hok Ming	5/5	100%
Mr. Yang Bin	5/5	100%
Independent Non-executive Directors		
Mr. Cao Guoqi	5/5	100%
Mr. Cao Kuangyu	5/5	100%
Mr. Lee Ho Yiu Thomas	5/5	100%

During the Reporting Period, the Company held each regular meeting with prior notices of fourteen days, to ensure that all Directors have the opportunity to propose matters to be discussed into the agenda. The Company held provisional meetings with reasonable notice, to enable all Directors to attend in their conveniences.

Chairman and Chief Executive Officer

Ms. Xie Yingxia serves as Chairman of the Company.

The duties of the Chairman include: (a) approve and monitor the strategies and policies of the Company, annual budget and business planning, assess the performance of the Company, and oversee the management of the Company; (b) lead and monitor the duties of the Board to ensure the efficiency of the Board, perform due responsibilities, and discuss on all significant and appropriate issues in a timely manner; (c) ensure that all Directors are timely informed of the issues proposed at the Board meetings in due course, and all Directors are timely informed of sufficient and accurate information; and (d) examine and monitor the implementation of resolutions by the Board.

Mr. Jin Chungen serves as the Chief Executive Officer of the Company.

The duties of the Chief Executive Officer include: (a) manage the Group's businesses and coordinate the overall business operations; (b) participate in the formulation and implementation of the Group's policies and strategies approved by the Board, including facilitating the implementation of the Board resolutions, the annual operation plans and the investment plans of the Company; (c) with the assistance from the senior management team, submit the annual budget for the consideration and approval of the Board; (d) formulate the basic management systems of the Company, terms of reference, position standards and professional management procedures of each department as well as the performance assessing standards of the management of each level; and (e) fulfill other authorities granted by the Articles of Association and the Board.

Independent Non-executive Directors

During the Reporting Period, the Board had complied with the requirement as set out in the Listing Rules regarding appointment of at least three independent non-executive directors, one of which shall have appropriate professional qualifications or accounting or related financial management expertise. Independent non-executive directors play an important role through their independent judgments, advice of which is of great influence to the decision of the Board.

Each independent non-executive Director signed a letter of appointment with the Company for a term of three years since their respective dates of appointment. The Company has received the annual confirmations of independence from each of the three independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considered that all independent non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules.

Time Commitment of the Directors

Besides attending formal meetings to learn more about business, the Directors of the Company could attend affairs of the Company through other channels, including debriefing to the Company's management, reviewing the operating information provided regularly by the Company and paying on-site visits to the Company's business, in order to gain a full understanding to the Company's business and perform their duties effectively. Having been through serious review, the Board is of the opinion that the Directors of the Company had dedicated sufficient time and efforts to perform their duties during the year.

Directors' Continuous Training

Pursuant to the Code, all Directors should participate in the continuous professional training to improve and enrich their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, all Directors have (i) attended the directors' training held by competent professionals engaged by the Company, in relation to, among other things, responsibilities of directors, continuous responsibilities of the listed company on information disclosure, corporate governance and the latest amendment to the Listing Rules; and (ii) went through information on the Listing Rules and other latest information on regulatory requirements. The training records of each Director are kept and updated by company secretary of the Company.

Directors' Insurance

The Company has always emphasized the importance of risk prevention of our Directors liabilities and continued to purchase liability insurance for all the Directors.

Board Committees

The Board established the audit committee, the nomination committee and the remuneration committee. The Board committees have been provided with sufficient resources for performing their duties, and are able to seek independent professional advice under proper situation after proposing reasonable requests at the expense of the Company.

Audit Committee

The Company established the audit committee on 28 May 2012 in accordance with the requirements of Rule 3.21 of the Listing Rules and the Code. The written terms of reference of the audit committee were formulated in compliance with the Code. The audit committee is comprised of three members, namely, Mr. Lee Ho Yiu Thomas, Mr. Cao Kuangyu and Mr. Cao Guoqi, all of whom are Independent non-executive Directors. Mr. Lee Ho Yiu Thomas is the chairman of the audit committee. The primary duties of the audit committee include reviewing and supervising the Company's financial reporting processes and internal control systems, nominating and monitoring external auditors and providing advice and comments to the Directors.

For the year ended 31 December 2014, the audit committee held two meetings to discuss with the management the accounting standards and practices adopted by the Group, and to approve the results and financial statements of the Company for the year ended 31 December 2013 as well as the interim results and financial statements of the Company for the six months ended 30 June 2014.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Mr. Lee Ho Yiu Thomas *(Chairman)*	2/2	100%
Mr. Cao Guoqi	2/2	100%
Mr. Cao Kuangyu	2/2	100%

Remuneration Committee

The Company established the remuneration committee on 28 May 2012 in compliance with the Code. The written terms of reference of the committee were formulated in compliance with the Code. The remuneration committee is comprised of three members, namely, Mr. Lee Ho Yiu Thomas, Mr. Cao Kuangyu and Mr. Cao Guoqi, all of whom are Independent non-executive Directors. Mr. Cao Guoqi is the chairman of the remuneration committee. The primary duties of the remuneration committee include evaluating the performance of executive Directors and senior management and determining their remuneration packages and making recommendations on the remuneration of non-executive Directors.

For the year ended 31 December 2014, the remuneration committee held one meeting to consider and review the employee's salary and benefit, as well as the remuneration policies and structure of Directors and senior management of the Company.

The attendance of the meeting is as follows:

	Attended meetings/ convened meetings	Attendance rate
Mr. Cao Guoqi *(Chairman)*	1/1	100%
Mr. Lee Ho Yiu Thomas	1/1	100%
Mr. Cao Kuangyu	1/1	100%

Nomination Committee

The Company established the nomination committee on 28 May 2012 in compliance with the Code. The written terms of reference of the committee were formulated in compliance with the Code. The nomination committee is comprised of three members, namely, Mr. Lee Ho Yiu Thomas, Mr. Cao Kuangyu and Mr. Cao Guoqi, all of whom are independent non-executive Directors. Mr. Cao Guoqi is the chairman of the nomination committee. The primary duties of the nomination committee include reviewing the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge) of the Board; making recommendations on any proposed changes to the Director and senior management to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members; making recommendations to the Board on appointment or re-appointment of the Directors; in identifying suitable individuals, considering individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board; reviewing the board diversity policy, as appropriate; and assessing the independence of the independent non-executive Directors.

For the year ended 31 December 2014, the nomination committee held one meetings to consider and review the structure and composition of the Board, assess the independence of independent non-executive Directors, nominate the Directors retired in rotation and review the board diversity policy.

The attendance of the meeting is as follows:

	Attended meetings/ convened meetings	Attendance rate
Mr. Cao Guoqi *(Chairman)*	1/1	100%
Mr. Lee Ho Yiu Thomas	1/1	100%
Mr. Cao Kuangyu	1/1	100%

Board Diversity Policy

According to the latest amendments to the Listing Rules on board diversity, the Board formulated and adopted the board diversity policy ("Board Diversity Policy"). The nomination committee reviewed the board composition pursuant to the above policy and the requirement of the Listing Rules and was of the opinion that the board members of the Company comply with the board diversity as required by the Listing Rules in respect of age, educational background and professional experience. For details on the composition of the board of Directors of the Company, please refer to section headed "Biographical Details of Directors and Senior Management".

Company Secretary

Ms. Sun Xin was appointed as a joint company secretary of the Company on 28 May 2012, and has been the company secretary since 21 March 2014. Details of the profiles of Ms. Sun Xin are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

According to Rule 3.29 of the Listing Rules, Ms. Sun Xin took no less than 15 hours of relevant professional training for the year ended 31 December 2014, respectively.

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the article 58 of the Articles of Association, Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by sending written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for making enquiries to the Board

Any Shareholder who has enquiries or advice may deliver to the Board through mail at Unit 8505B-06A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong by post, or send an E-mail to admin@dongwucement.com.

Procedures for putting forward proposals at general meetings

Shareholders can feel free to put forward proposals relating to the operations, strategy and/or management of the Group for discussion at general meetings. Such proposals shall be submitted to the Board or the company secretary by written requisition. Pursuant to the Articles of Association, Shareholders who proposed to submit proposals should convene extraordinary general meeting in accordance to the procedures as set out in the "procedures for shareholders to convene an extraordinary general meeting" above.

In respect of recommendation on proposing certain candidate to be elected as a Director, please refer to (i) the procedures as set out in the articles published on the websites of the Company and the Stock Exchange; and (ii) the procedures as set out in the guidance of "procedures for shareholders to propose a candidate to be elected as a Director of the Company" on the website of the Company.

General Meeting

During the Reporting Period, the Company convened an annual general meeting on 16 May 2014 to approve (among others) the audited consolidated financial statements of the Group for the year ended 31 December 2013, reports from Directors and auditors and re-elect Directors retired in rotation. All other Directors of the Company have attended the annual general meeting. The attendance of each Director is detailed as follows:

	Attended general meetings/convened meetings	**Attendance rate**
Executive Directors		
Ms. Xie Yingxia	1/1	100%
Mr. Jin Chungen	1/1	100%
Non-executive Director		
Mr. Tseung Hok Ming	1/1	100%
Mr. Yang Bin	1/1	100%
Independent Non-executive Directors		
Mr. Cao Guoqi *(chairman of the remuneration committee and the nomination committee)*	1/1	100%
Mr. Cao Kuangyu	1/1	100%
Mr. Lee Ho Yiu Thomas *(chairman of the audit committee)*	1/1	100%

Nomination of Director

According to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, provided that a Notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting is given, stating his intention to propose such person for election and also a Notice signed by the person to be proposed is given, stating his willingness to be elected, both of which shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting for such election) the period for lodging of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting for such election and end no later than seven (7) days prior to the date of such general meeting.

Internal Control

The Board is responsible for maintaining an effective internal control system to safeguard the assets and the interests of Shareholders of the Group, and regularly reviewing and monitoring the effectiveness of internal control and risk management system to ensure an adequate and sufficient system. The Group implemented internal control system to minimize the risks encountered by the Group, and functioned it as a management tool of daily business operation management. The system only provides reasonable, rather than absolute, guarantee against misstatements or losses.

The Company has adopted a set of guides and policies on internal control, including manuals on corporate governance, to improve the existing internal control system, covering corporate governance, risk management, operation, legal affairs, finance and audit.

During the Reporting Period, the Company has engaged external independent consultant to evaluate the internal control of the Group, so as to maintain high-level corporate governance. The Board has conducted annual review on the implemented systems and procedures, covering finance, operation, legal compliance control, and risk management functions.

For the year ended 31 December 2014, the Board considered the internal control system was adequate and effective, and the Company also complied with the code provisions in relation to internal control as set out in the Code. The Audit Committee will constantly review and assess the effectiveness of the internal control system of the Group, and report the results to the Board. The Board would conduct review and assessment of the internal control system of the Group at least once a year, so as to ensure that it is free from any major supervisory deficiency.

Directors' Responsibilities in Respect of Financial Statements

The Directors acknowledge that they are responsible for giving honest, clear, and plain assessment on the performance, position and prospect of the consolidated financial statements as set out in annual and interim reports of the Group in accordance to the statutory requirements and the applicable accounting standards. Having made all reasonable enquiries, the Directors confirm, to the best of their knowledge, information and belief, that they were unaware of any significant uncertainties relating to the events or situations that may seriously cause doubt on continuing operation of the Company on an ongoing basis. To prepare the financial statements for the year ended 31 December 2014, the Directors have adopted applicable accounting policies and applied consistently, and made prudent and reasonable judgments and estimates.

Auditor's Remuneration

PricewaterhouseCoopers was the independent auditor of the Company. For the year ended 31 December 2014, the remuneration payable by the Company to PricewaterhouseCoopers is set out below:

Services rendered by the auditor	**Remuneration** *(RMB'000)*
Annual audit service	1,308
Non-audit services, if any	–
Total	1,308

Amendments to the Articles of Association

The Company adopted the existing Articles of Association on 28 May 2012, which became effective on the Listing Date. Subsequently and up to the date of this report, there is no significant change to the Articles of Association.

Investor Relationship

The Company leverages on various formal channels of communication to ensure a fair and transparent disclosure on the business and financial performance. The information on the Company will be published on its website at www.dongwucement.com. The interim and annual reports, circulars and notices of the Group will be dispatched to Shareholders in due course.

The website of the Company provides information such as E-mail address, correspondence address and telephone number for public enquiries, as well as information on the business activities of the Company.

The annual general meeting of the Company provides a communicative opportunity between the Board and the Shareholders. The notice for the annual general meeting and related documents will be dispatched to the Shareholders in accordance to the Listing Rules, and will be published on the website of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Dongwu Cement International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Dongwu Cement International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 *RMB'000*	 2013 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**121,556**	134,034
Land use rights	*8*	**16,912**	17,316
Investments accounted for using the equity method	*9(b)*	**4,427**	4,608
Trade and other receivables	*11*	**61,350**	–
		204,245	155,958
Current assets			
Inventories	*10*	**33,369**	26,350
Trade and other receivables	*11*	**157,193**	138,746
Short-term bank deposits	*13*	**20,000**	–
Cash and cash equivalents	*14*	**20,120**	112,105
		230,682	277,201
Total assets		**434,927**	433,159
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*15*	**4,174**	4,174
Other reserves	*16*	**282,252**	281,317
Retained earnings		**48,506**	43,700
Total equity		**334,932**	329,191
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	*17*	**7,134**	4,773

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Current liabilities			
Trade and other payables	*18*	**39,337**	46,723
Current income tax payable		**3,524**	2,472
Borrowings	*19*	**50,000**	50,000
		92,861	99,195
Total liabilities		**99,995**	103,968
Total equity and liabilities		**434,927**	433,159
Net current assets		**137,821**	178,006
Total assets less current liabilities		**342,066**	333,964

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements on page 42 to 102 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

Xie Yingxia
Director

Yang Bin
Director

STATEMENT OF FINANCIAL POSITION

	Note	2014 RMB'000	2013 RMB'000
		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment in a subsidiary	*9(a)*	**208,245**	208,245
Current assets			
Amount due from subsidiaries	*9(a)*	**54,055**	54,790
Other receivables	*11*	**63**	136
Cash and cash equivalents	*14*	**1,018**	2,388
		55,136	57,314
Total assets		**263,381**	265,559
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*15*	**4,174**	4,174
Other reserves	*16*	**275,714**	275,714
Accumulated losses	*28*	**(17,996)**	(14,635)
Total equity		**261,892**	265,253
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	*9(a)*	**1,489**	306
Total equity and liabilities		**263,381**	265,559
Net current assets		**53,647**	57,008
Total assets less current liabilities		**261,892**	265,253

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements on page 42 to 102 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

Xie Yingxia
Director

Yang Bin
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*6*	**340,093**	359,007
Cost of sales	*22*	**(321,677)**	(314,428)
Gross profit		**18,416**	44,579
Distribution expenses	*22*	**(2,432)**	(1,902)
Administrative expenses	*22*	**(14,799)**	(20,885)
Other income	*20*	**5,004**	7,226
Other gains/(losses) – net	*21*	**5,299**	(359)
Operating profit		**11,488**	28,659
Finance income		**873**	1,495
Finance expenses		**(3,442)**	(4,546)
Finance expenses – net	*24*	**(2,569)**	(3,051)
Share of profit/(loss) of investments accounted for using the equity method	*9(b)*	**1,059**	(392)
Profit before income tax		**9,978**	25,216
Income tax expense	*25*	**(4,237)**	(8,963)
Profit for the year		**5,741**	16,253
Profit attributable to the equity holders of the Company		**5,741**	16,253
Total comprehensive income for the year		**5,741**	16,253
Total comprehensive income attributable to equity holders of the Company		**5,741**	16,253
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB per share)			
– Basic and diluted earnings per share	*26*	**0.011**	0.032

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holders of the Company			
		Share capital	**Other reserves**	**Retained earnings**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013		4,174	279,244	29,520	312,938
Comprehensive income					
Profit for the year		–	–	16,253	16,253
Transactions with owners					
Transfer to statutory reserves	*16(a)*	–	2,073	(2,073)	–
Balance at 31 December 2013		4,174	281,317	43,700	329,191
Comprehensive income					
Profit for the year		**–**	**–**	**5,741**	**5,741**
Transactions with owners					
Transfer to statutory reserves	*16(a)*	**–**	**935**	**(935)**	**–**
Balance at 31 December 2014		**4,174**	**282,252**	**48,506**	**334,932**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*30*	**19,466**	30,318
Interest paid		**(3,453)**	(4,441)
Income tax paid		**(824)**	(5,851)
Net cash generated from operating activities		**15,189**	20,026
Cash flows from investing activities			
Interest received		**1,301**	1,495
Purchase of property, plant and equipment	*7*	**(13,505)**	(2,972)
Proceeds from disposal of property, plant and equipment	*21(a)*	**30**	8
Increase in short-term bank deposits	*13*	**(20,000)**	–
Payment for acquisition of associates	*9(b)*	**(75,000)**	(5,000)
Net cash used in from investing activities		**(107,174)**	(6,469)
Cash flows from financing activities			
Proceeds from bank borrowings		**50,000**	50,000
Repayment of bank borrowings		**(50,000)**	(50,000)
Net cash generated from financing activities		**–**	–
Net decrease/(increase) in cash and cash equivalents		**(91,985)**	13,557
Cash and cash equivalents at beginning of the year	*14*	**112,105**	98,548
Exchange loss on cash and cash equivalents		**–**	–
Cash and cash equivalents at end of the year	*14*	**20,120**	112,105

The accompanying notes form an integral part of these consolidated financial statements.

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. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, the People's Republic of China (the "PRC").

As at 31 December 2014, the Company has direct or indirect interests in the subsidiaries as set out below:

Name	Place and date of incorporation	Principal activities and type of entity	Particulars of issued/paid-in capital	Equity interest held	
				Direct	Indirect
Dongwu International Investment Limited ("Dongwu Investment")	British Virgin Islands ("BVI") 29 November 2011	Investment holding, a limited liability company	USD50,000	100%	–
Dongwu Cement (Hong Kong) Limited ("Dongwu HK")	Hong Kong 16 December 2011	Investment holding, a limited liability company	HK$1	–	100%
蘇州東吳水泥有限公司 (Suzhou Cement Co., Ltd.*, "Dongwu Cement")	PRC 5 June 2003	Production and sales of cement, a limited liability company	USD29,000,000	–	100%
Dongwu Science & Technology Investment Company Limited ("Dongwu Technology")	Hong Kong 2 October 2013	Science and technology Investment, a limited liability company	HK$1	–	100%
熙華(上海)投資管理有限公司 (Xihua Shanghai Investment Management Co., Ltd.*, "Xihua Investment")	PRC 19 November 2014	Investment management and consultation	USD10,000,000**	–	100%

* Xihua Investment was newly set up by the Group in 19 November 2014, which is an investment holding company.

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements are approved by the Board of Directors (the "Board") for issue on 25 March 2015.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

All companies comprising the Group have adopted 31 December as their financial year end date.

Up to the date of issuance of these consolidated financial statements, the HKICPA has issued the following new Hong Kong accounting standard ("HKAS"), amendments and interpretations which are related to the Group's operation but not yet effective for the annual accounting period beginning 1 January 2014 and which have not been early adopted.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

		Effective for annual periods beginning on or after
HKAS 19 (Amendment)	Employee benefits	1 July 2014
HKAS 8, HKAS 38, HKAS 16, HKAS 24	Annual improvements 2012	1 July 2014
HKFRS 3, HKFRS 13, HKAS 40	Annual improvements 2013	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (Amendment)	Joint arrangements	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKFRS 10 (Amendment)	Consolidated financial statements	1 January 2016
HKAS 28 (Amendment)	Investments in associates	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HFRS 5, HKFRS7, HKAS19, HKAS 34	Annual improvements 2014	1 July 2016
HKFRS 1	Presentation of financial statements	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation (Continued)

2.1.1 Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 19.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2. Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries (Continued)

2.2.1 Consolidation *(Continued)*

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of significant accounting policies *(Continued)*

2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of loss of investments accounted for using equity method' in the statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2. Summary of significant accounting policies *(Continued)*

2.5 Foreign currency translation

(a) 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"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income" or "finance expenses".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2. Summary of significant accounting policies *(Continued)*

2.6 Property, plant and equipment

Construction-in-progress represents properties under construction and is carried at cost, which includes development and construction expenditure incurred, less any accumulated impairment losses. Construction-in-progress is not depreciated until such time as the assets are completed and available for use. When the assets concerned are available for use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated below.

All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives
Properties and plant	20 years
Machinery	10 years
Motor vehicles	5 years
Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses)" in the statement of comprehensive income.

2. Summary of significant accounting policies *(Continued)*

2.7 Land use rights

Land use rights represent prepaid operating lease payments. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period of 50 years.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "short-term bank deposits" in the consolidated statement of financial position (Notes 2.11 and 2.12).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Summary of significant accounting policies *(Continued)*

2.9 Financial assets (Continued)

2.9.3 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies *(Continued)*

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For those short-term highly liquid investments with original maturities exceeding three months are accounted for as short-term bank deposit.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. Summary of significant accounting policies *(Continued)*

2.15 Borrowings and borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies *(Continued)*

2.16 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to the taxable temporary difference arising from the associates undistributed profit is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies *(Continued)*

2.17 Employee benefits

The Group's company registered in PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organized by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.18 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in the consolidated financial statements, but to be disclosed by the Group, unless the possibility of an outflow of resources embodying economic benefits is remote.

2. Summary of significant accounting policies *(Continued)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

The Group produces and sells cement products to customers in the Jiangsu province, Zhejiang province and Shanghai city of the PRC. Sales of goods are recognized when a group entity has delivered products to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the relevant sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.20 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

2. Summary of significant accounting policies *(Continued)*

2.21 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of over the period necessary to match them with the costs that they are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized as income in profit or loss of the period in which it becomes receivable.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the comprehensive income on a straight-line basis over the expected lives of the related assets.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the company's equity holders is recognized as a liability in the Group's and the Company's statement of financial position in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under the policies approved by the Board, which provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing of excess liquidity.

3. Financial risk management *(Continued)*

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Company's cash and cash equivalents are denominated in Hong Kong Dollars ("HKD"). Foreign exchange risk of the Group primarily arises from cash and cash equivalents of the Company. The Group follows the guidance promulgated by PRC State Administration of Foreign Exchange as the Group mainly operates in PRC. Conversion of HKD into RMB is subject to rule and regulations of foreign exchange control promulgated by the PRC government. The Group has not used any derivatives to hedge its exposure to foreign currency risk.

(ii) Commodity price risk

The Group consumes coal and raw materials including gypsum, flyash, pyrite cinder and slag in the production of its cement products and is exposed to fluctuations in the prices of the aforesaid which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of coal and other raw materials could adversely affect its business, financial condition and results of operations. The Group has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(iii) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. Fluctuation of deposit interest rates to financial assets does not have a significant impact to the Group's performance.

The Group's interest rate risk arises from short-term borrowings. Borrowings with variable floating rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk. The Group does not have formal policies on interest rate risk. As at 31 December 2014 and 2013, the Group's borrowings were all in fixed rate and denominated in RMB.

At 31 December 2014, if interest rates on borrowings had been 70 basis points (2013: 70 basis point) higher/lower with all other variables held constant, post-tax profit for the year would have been RMB262,000 (2013: RMB262,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amounts of the bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

3. Financial risk management *(Continued)*

3.1 *Financial risk factors (Continued)*

(b) Credit risk *(Continued)*

As at 31 December 2014, the Group's bank deposits were placed in the commercial banks with high credit ratings.

The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivable is low. Based on past experience, the customer payment default rate is low. The Group has a significant concentration of credit risk in trade receivables, which is accounted for by amounts due from the Group's top five customers as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Balance of trade receivables from top five customers	**27,160**	51,050
Balance of trade receivables *(Note 11)*	**74,473**	99,959
Percentage	**36.47%**	51.07%

The decrease in the above percentage in 2014 was mainly attributable to the collection efforts made by the Group on the major customers.

It is the Group's policy to receive settlement from customers in the form of cash, cheques or endorsed bank accepted bills. Credit sales are made only to selected customers with long-term business trading history. The issuing banks of these bank acceptance bills are either state-owned banks with investment grade ratings or local banks with good reputation. The Group considered the default risk from these bank acceptance bills is low. Therefore the Directors consider the Group's bank acceptance bills and trade receivables have no significant exposure to credit risk.

As at 31 December 2014 and 2013, there was no financial guarantee provided by the Group.

(c) Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, short-term bank borrowings and the financial support provided by the equity holders.

3. Financial risk management *(Continued)*

3.1 Financial risk factors (Continued)

(c) Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	RMB'000
At 31 December 2014	
Borrowings (including interest payment)*	**51,010**
Trade and other payables**	**35,883**
	86,893
At 31 December 2013	
Borrowings (including interest payment)*	52,413
Trade and other payables**	35,202
	87,615

* Interest on borrowings is calculated based on borrowings held as at 31 December.

** Excluding advances from customers, other taxes payable and salary payable.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio equals total borrowings divided by total equity.

3. Financial risk management *(Continued)*

3.2 *Capital risk management (Continued)*

The debt-to-equity ratio at 31 December 2014 is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Total borrowings *(Note 19)*	**50,000**	50,000
Total equity	**334,932**	329,191
Debt-to-equity ratio	**14.93%**	15.19%

3.3 *Fair value estimation*

The Group's financial instruments measured at fair value after initial recognition use valuation method to determine the fair value. There are many levels of inputs in the valuation techniques. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

Specific valuation techniques used to value level 3 financial instruments include techniques such as discounted cash flow analysis.

In applying the discounted cash flow technique, management has taken into account the estimated amount that the Group would receive to sell the instrument at the balance sheet date, taking into account current interest rates and the current credit worthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

As at 31 December 2013 and 2014, the Group has no financial instruments measured at fair value after initial recognition.

There were no transfers of financial assets between the fair value hierarchy classifications for the years ended 31 December 2013 and 2014.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying value of non-current assets

Non-current assets, mainly including property, plant and equipment are carried at cost less accumulated depreciation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts are revised, and this may have an impact on the Group's results of operations or financial position.

4. Critical accounting estimates and judgments *(Continued)*

4.1 Critical accounting estimates and assumptions (Continued)

(b) Useful lives of machinery

The directors determine the estimated useful lives and related depreciation charges for its machinery. This estimate is based on the historical experience of the actual useful lives of machinery of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the actual useful lives of the manufacturing machinery is 10% shorter than or longer than that of the directors' estimate, the estimated depreciation expenses of the machinery charged for the year ended 31 December 2014 would be RMB2,723,000 (2013: RMB2,714,000) higher or RMB2,228,000 (2013: RMB2,221,000) lower, respectively.

(c) Estimated impairment of trade and other receivables

The Group maintains a provision for impairment of trade and other receivable arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the impairment.

(d) Estimated impairment of inventories

The Group writes down inventories to net realizable value based on an assessment of the realizability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed.

(e) Income taxes

The Group is mainly subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognized liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

4.2 Critical judgements in applying the Company's accounting policies

There are no such critical judgements for the year ended 31 December 2013 and 2014.

5. Segment information

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board that makes strategic decisions.

The Group is principally engaged in the production and sales of cement and 100% of its sales are derived in the PRC during the year ended 31 December 2014 (2013: 100%).

The revenue derived from one of the external customers amounted to RMB41,461,000 (2013: RMB28,354,000), which is 12% of the Group's revenue for the year ended 31 December 2014 (2013: 8%).

6. Revenue

Revenue of the Group for the year ended 31 December 2014 is analyzed as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**197,783**	216,850
Composite Portland cement strength class 32.5	**141,307**	139,512
Clinker	**1,003**	2,645
	340,093	359,007

The Group aims to maintain long-term relationship with reputable customers in the expansion of its business. Revenue from the top five customers is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue from the top five customers	**135,202**	109,239
Total revenue	**340,093**	359,007
Percentage	**39.75%**	30.43%

Turnover of the Group consists of revenues from sales of cement products and clinker, and not includes revenues and gains that arise incidentally.

7. Property, plant and equipment – Group

	Properties and plant RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2013						
Opening net book amount	86,946	64,513	739	620	2,678	155,496
Additions	367	1,696	658	251	–	2,972
Disposals *(Note 21(a))*	–	–	(5)	–	–	(5)
Transfers	2,678	–	–	–	(2,678)	–
Depreciation *(Note 22)*	(6,810)	(17,289)	(160)	(170)	–	(24,429)
Closing net book amount	83,181	48,920	1,232	701	–	134,034
At 31 December 2013						
Cost	142,708	184,498	2,188	8,982	–	338,376
Accumulated depreciation	(59,527)	(135,578)	(956)	(8,281)	–	(204,342)
Net book amount	83,181	48,920	1,232	701	–	134,034
Year ended 31 December 2014						
Opening net book amount	**83,181**	**48,920**	**1,232**	**701**	**–**	**134,034**
Additions	**2,869**	**9,308**	**394**	**934**	**–**	**13,505**
Disposals *(Note 21(a))*	**–**	**(1,466)**	**(6)**	**–**	**–**	**(1,472)**
Depreciation *(Note 22)*	**(6,690)**	**(17,244)**	**(318)**	**(259)**	**–**	**(24,511)**
Closing net book amount	**79,360**	**39,518**	**1,302**	**1,376**	**–**	**121,556**
At 31 December 2014						
Cost	**145,577**	**191,772**	**2,373**	**9,916**	**–**	**349,638**
Accumulated depreciation	**(66,217)**	**(152,254)**	**(1,071)**	**(8,540)**	**–**	**(228,082)**
Net book amount	**79,360**	**39,518**	**1,302**	**1,376**	**–**	**121,556**

7. Property, plant and equipment – Group *(Continued)*

(a) Depreciation expense has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Cost of sales	**23,678**	22,584
Administrative expenses	**833**	1,845
	24,511	24,429

(b) As at 31 December 2014 and 2013, no property, plant and equipment was mortgaged for bank borrowings of the Group.

8. Land use rights – Group

The Group's land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**16,912**	17,316

Land use rights represent prepaid operating lease payments. All land use rights of the Group are located in the PRC and are held on leases of 50 years. Movements in land use rights are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Beginning of year	**17,316**	17,720
Amortization *(Note 22)*	**(404)**	(404)
End of year	**16,912**	17,316

Amortization of land use rights is included in administrative expenses in the consolidated statement of comprehensive income. As at 31 December 2014 and 2013, no land use right was pledged for borrowing for the Group.

9(a). Investment in and amount due from and due to subsidiary – Company

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Investment in Dongwu Investment *(Note (i))*	**315**	315
Deemed investment *(Note 16(c))*	**207,930**	207,930
	208,245	208,245
Amount due from Dongwu HK *(Note (ii))*	**54,013**	54,778
Amount due from Dongwu Investment *(Note (iii))*	**28**	12
Amount due from Dongwu Technology *(Note (iv))*	**14**	–
	54,055	54,790
Amount due to Dongwu Investment *(Note (v))*	**306**	306
Amount due to Dongwu HK *(Note (vi))*	**1,183**	–
	1,489	306

(i) On 29 November 2012, the Company set up its subsidiary - Dongwu Investment with a registered capital of USD50,000 (equivalent to RMB315,000).

(ii) The amount due from Dongwu HK is denominated in HKD, which is interest-free and collectible on demand.

(iii) The amount due from Dongwu Investment is denominated in HKD, which is paid on behalf of Dongwu Investment.

(iv) The amount due from Dongwu Technology is denominated in HKD, which is paid on behalf of Dongwu Technology.

(v) The amount due to Dongwu Investment is denominated in US dollars ("USD"), which is payable on demand.

(vi) The amount due to Dongwu HK is denominated in HKD, which is payable on demand.

A list of the subsidiaries of the Company is set out in Note 1.

9(b). Investments accounted for using the equity method

The amounts recognized in the consolidated statement of financial position are as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Associates	**4,427**	4,608

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Associate *(i)*	**1,240**	–
Individually immaterial associate *(ii)*	**(181)**	(392)
	1,059	(392)

(i) Interests in an associate

Set out below is the movement of an associate invested and disposed of by the Group in 2014 which, in the opinion of the directors, is material to the Group.

	Year ended 31 December 2014
	RMB'000
Opening balance at 1 January	–
Additions *(Note 1)*	75,000
Share of profit	1,240
Other comprehensive income	–
Disposals *(Note 2)*	(76,240)
Closing balance at 31 December	–

No transaction costs have been treated as part of the investment in the associate.

9(b). Investments accounted for using the equity method *(Continued)*

(i) Interests in an associate (Continued)

Nature of investment in the associate for the year:

Name of entity	Place and date of incorporation	% of ownership interest	Measurement Method
蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*,"Dongtong")	PRC 15 January 2014	Note 1	Equity

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

Note 1: For the period from 15 January to 21 December 2014, the Group held 50% equity interest of Dongtong at the date of Dongtong's incorporation. The Group had significant influence to the board of directors of Dongtong because the Group was only able to appoint one director into the board of a total of three directors, and the board decision is approved by simple majority.

Note 2: On 22 December 2014, the Group entered into an agreement with an independent third party company and disposed of 10% equity interest in Dongtong at a consideration of RMB16,600,000 (Note 11). The Group has recognized a disposal gain amounting to RMB1,352,000 (Note 21). The transaction consideration was subsequently received in January 2015.

On the same date, in order to stabilize the annual return to the Group, after approval by the Board of Directors of Dongtong, Dongtong agreed to guarantee a fixed annual payment to the Group for the period from 23 December 2014 up to 31 December 2017 with the two other shareholders of Dongtong as guarantors. The terms include the annual receipt of a fixed interest income at 31 December each year and the final collection of the loan principal at 31 December 2017. 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. As such, the Group disposed of the 40% equity interest held in Dongtong and recognized a disposal gain amounting to RMB5,408,000 (Note 21), and then recognized loans due from Dongtong amounting to RMB66,400,000 (Note 11). Loans due from Dongtong are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

(ii) Individually immaterial associate

The Group has interest in an individually immaterial associate – 銀杏樹藥業(蘇州)有限公司 (GinkgoPharma Co. Ltd., "GinkgoPharma" English translation for reference only) that is accounted for using the equity method.

9(b). Investments accounted for using the equity method *(Continued)*

(ii) Individually immaterial associate (Continued)

	2014
	RMB'000
Carrying amount of the associate	
At 1 January	4,608
Amount of the reporting entity's share of:	
Share of loss	(181)
Other comprehensive income	–
At 31 December	4,427

The Group acquired 10% of the share capital of GinkgoPharma for a cash consideration of RMB5,000,000 on 18 February 2013.

Although the Group holds less than 20% of the equity shares of GinkgoPharma, the Group exercises significant influence by appointment of one director to the board of directors of GinkgoPharma of a total of five directors and has the power to participate in the financial and operating policy decisions of GinkgoPharma.

There are no contingent liabilities relating to the Group's interest in the associate.

10. Inventories – Group

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Raw materials	**19,246**	20,320
Work-in-progress	**8,700**	3,201
Finished goods	**5,423**	2,829
	33,369	26,350

The cost of inventories recognized as an expense and included in "cost of sales" amounted to approximately RMB321,677,000 for the year ended 31 December 2014 (2013: RMB314,428,000). No inventory write-down was made for the years ended 31 December 2014 and 2013.

11. Trade and other receivables

Group

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables due from third parties	**74,473**	99,959
Less: provision for impairment of trade receivables	**(676)**	(6,756)
Trade receivables, net	**73,797**	93,203
Bills receivable	**44,729**	36,114
Trade and bills receivables	**118,526**	129,317
Prepayments for		
– acquisition of materials	**15,416**	8,333
– acquisition of machinery	**1,030**	–
	16,446	8,333
Loans to Dongtong *(Note 9(b).(i))*	**66,400**	–
Amount due from a third party company *(Note 9(b).(i))*	**16,600**	–
Other receivables	**571**	1,096
	218,543	138,746
Less: non-current portion		
– Prepayments for acquisition of machinery	**(1,030)**	–
– Loans to Dongtong *(Note 9(b).(i))*	**(60,320)**	–
	(61,350)	–
Trade and other receivables	**157,193**	138,746

As at 31 December 2014 and 2013, no bills receivable was pledged for the borrowings.

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

11. Trade and other receivables *(Continued)*

Group *(Continued)*

The fair values of trade and other receivables are as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**73,797**	93,203
Bill receivables	**44,729**	36,114
Loans to Dongtong *(Note 9(b).(i))*	**66,400**	–
Amount due from a third party company *(Note 9(b).(i))*	**16,600**	–
Other receivables	**571**	1,096
	202,097	130,413

The fair value of loans to Dongtong is determined by reference to the consideration obtained by the Group for the disposal of 10% equity interests of Dongtong, which was based on the recent observable market transaction prices. The fair value is within level 2 of the fair value hierarchy.

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Loans to Dongtong	**10.45%**	–

The credit terms for most of the customers range from 30 to 90 days. For ready-mixed concrete stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1 million and RMB3.5 million with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

11. Trade and other receivables *(Continued)*

***Group** (Continued)*

The aging of trade receivables of third parties is determined from the date when the corresponding revenue was recognized. As at 31 December 2014, the aging analyses of trade receivables due from third parties are as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Below 90 days	**53,806**	61,331
From 91 days to 180 days	**14,554**	2,626
From 181 days to 1 year	**4,263**	15,776
From 1 year to 2 years	**1,356**	16,733
Over 2 years	**494**	3,493
	74,473	99,959

As at 31 December 2014, trade receivables of RMB676,000 (2013: RMB6,756,000) had been impaired. The amount of the provision was RMB676,000 (2013: RMB6,756,000). The individually impaired receivables mainly related to certain customers, which are in unexpectedly difficult economic situations.

The aging analyses of impaired trade receivables are as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Below 90 days	**–**	768
From 91 days to 180 days	**–**	962
From 1 year to 2 years	**216**	1,567
Over 2 years	**460**	3,459
	676	6,756

11. Trade and other receivables *(Continued)*

Group *(Continued)*

As at 31 December 2014, trade receivables of RMB19,991,000 (2013: RMB32,640,000) were past due but not impaired. These related to a number of customers for whom there was no history of credit default. The aging analysis of these trade receivables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Overdue for 1 to 90 days	**14,554**	16,975
Overdue for 91 to 180 days	**4,263**	465
Overdue for 181 to 1 years	**1,140**	15,166
Overdue for more than 1 year	**34**	34
	19,991	32,640

Other receivables were all expected to be recoverable and therefore no provision was made. Aging analysis of other receivable at the end of each reporting period is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Below 1 year	**246**	826
From 1 year to 2 years	**325**	270
	571	1,096

The Group's trade and other receivables are all denominated in RMB.

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

11. Trade and other receivables *(Continued)*

***Group** (Continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Beginning of year	**6,756**	3,502
Provision for the year *(Note 22)*	**186**	3,297
Release of provision upon collection during the year *(Note 22)*	**(1,467)**	(43)
Receivables written off during the year as uncollectible	**(4,799)**	–
End of year	**676**	6,756

The origination and release of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statement of comprehensive income (Note 22). Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Other receivables	**63**	136

The Company's other receivables are all denominated in Hong Kong dollars, and the carrying values approximate to their fair values.

12. Financial instruments by category

Group

(a) **31 December 2014**

	Loans and receivables *RMB'000*
Financial assets:	
Trade and other receivables excluding prepayments	202,097
Cash and cash equivalents	20,120
Short-term bank deposits	20,000
Total	242,217

	Financial liabilities at amortized cost *RMB'000*
Financial liabilities:	
Borrowings	50,000
Trade and other payables excluding non-financial liabilities	35,883
Total	85,883

12. Financial instruments by category *(Continued)*

Group *(Continued)*

31 December 2013

	Loans and receivables *RMB'000*
Financial assets:	
Trade and other receivables excluding prepayments	130,413
Cash and cash equivalents	112,105
Total	242,518

	Financial liabilities at amortized cost *RMB'000*
Financial liabilities:	
Borrowings	50,000
Trade and other payables excluding non-financial liabilities	35,202
Total	85,202

12. Financial instruments by category *(Continued)*

Company

31 December 2014

	Loans and receivables *RMB'000*
Financial assets:	
Amount due from subsidiaries	**54,055**
Other receivables	**63**
Cash and cash equivalents	**1,018**
	55,136

	Financial liabilities at amortized cost *RMB'000*
Financial liabilities:	
Amount due to a subsidiary	**1,489**

12. Financial instruments by category *(Continued)*

Company *(Continued)*

31 December 2013

	Loans and receivables *RMB'000*
Financial assets:	
Amount due from a subsidiary	54,790
Trade and other receivables	136
Cash and cash equivalents	2,388
	57,314

	Financial liabilities at amortized cost *RMB'000*
Financial liabilities:	
Amount due to a subsidiary	306

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit risk exposure of the Group's trade and other receivables which are not impaired and bank deposits have been disclosed in the Note 11 and Note 3.1(b).

13. Short-term bank deposits – Group

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Short-term bank deposits with original maturities exceeding three months	**20,000**	–

The Group's short-term bank deposits are denominated in RMB, with the annual interest rate of 3.06%.

14. Cash and cash equivalents

Group

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Cash at bank and in hand	**20,120**	112,105

The Group's cash at bank and on hand are denominated in:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	**18,659**	108,801
HKD	**1,456**	3,298
USD	**5**	6
	20,120	112,105

Company

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Cash at bank and in hand	**1,018**	2,388

All the Company's cash and cash equivalents are denominated in HKD.

15. Share capital – Company

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK$'000	*RMB'000*
Authorized:			
Ordinary shares of HK$0.01 each as at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	100,000	81,520
Issued:			
Ordinary shares of HK$0.01 each as at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	512,000,000	5,120	4,174

16. Other reserves

Group

	Share premium	Statutory reserve *(Note (a))*	Merger reserve *(Note (b))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	67,784	19,449	192,011	279,244
Appropriation to statutory reserves	–	2,073	–	2,073
At 31 December 2013	67,784	21,522	192,011	281,317
Appropriation to statutory reserves	–	935	–	935
At 31 December 2014	67,784	22,457	192,011	282,252

16. Other reserves *(Continued)*

Company

	Share premium	Capital reserve *(Note (c))*	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013, 31 December 2013 and 2014	67,784	207,930	275,714

(a) Statutory reserve

The Company's subsidiary in the PRC is required to appropriate 10% of their profit after income tax calculated in accordance with the PRC accounting standards to the statutory reserve until the balance reaches 50% of its registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any and may be converted into paid-in capital of the PRC subsidiary in proportion to their existing shareholding after approval from the appropriate authorities, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of paid-in capital for the PRC subsidiary. For the year ended 31 December 2014, the Company's subsidiary in the PRC has appropriated RMB935,000 (2013: RMB2,073,000) to statutory reserve.

(b) Merge reserve

The Company was incorporated on 29 November 2011 and the Group's reorganization was completed prior to 31 December 2011. The merger reserve in the consolidated statement of financial position as at 31 December 2014 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

On 26 December 2011, Dongwu HK acquired the entire equity interest in Dongwu Cement from Far East International Investment Company Limited ("Far East International", a limited liability company incorporated on 29 September 2003 in Samoa, wholly-owned by the same ultimate shareholder), at a consideration of US$33,000,000 (equivalent to RMB207,930,000). The consideration payable to Far East International was regarded as a deemed distribution to equity holders of the Company. The consideration payable was novated to Goldview Development Limited ("Goldview", a limited liability company incorporated in the British Virgin Islands ("BVI") on 16 March 2004, wholly-owned by the same ultimate shareholder) and Concord Ocean Limited ("Concord", a limited liability company incorporated in the BVI on 25 October 2000, wholly-owned by the controlling shareholder) in proportion to their then respective shareholdings in the Company and subsequently Goldview and Concord gave written confirmations in relation to their unconditional and irrevocable waiver as to the Company's repayment obligation of US$33,000,000 (equivalent to RMB207,930,000). As such, the waived payable was regarded as deemed contribution from shareholders.

17. Deferred income tax liabilities – Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Deferred tax assets:		
– deferred tax asset to be recovered after 12 months	**(169)**	(1,689)
Deferred tax liabilities:		
– deferred tax liability to be settled after 12 months	**7,303**	6,462
Deferred tax liabilities, net	**7,134**	4,773

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Beginning of year	**4,773**	3,720
Charged to profit or loss *(Note 25)*	**2,361**	1,053
End of year	**7,134**	4,773

17. Deferred income tax liabilities – Group *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Withholding tax for attributable profit relating to equity holder** *(Note (a))* *RMB'000*
At 1 January 2013	4,596
Charged to profit or loss *(Note 25)*	1,866
At 31 December 2013	6,462
Charged to profit or loss *(Note 25)*	841
At 31 December 2014	7,303

Deferred tax assets	**Provisions** *RMB'000*
At 1 January 2013	(876)
Credited to profit or loss	(813)
At 31 December 2013	(1,689)
Charged to profit or loss	1,520
At 31 December 2014	(169)

(a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of their earnings generated from 1 January 2008.

17. Deferred income tax liabilities – Group *(Continued)*

(b) Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognized deferred income tax assets in respect of losses amounting to RMB3,375,000 (2013: RMB3,509,000) that generated from the companies established in Cayman Islands and the BVI who are not subject to any income tax in those jurisdictions.

18. Trade and other payables – Group

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**33,274**	32,779
Advances from customers	**1,288**	2,370
Salary payables	**1,165**	2,969
Other tax payables *(Note (a))*	**1,001**	6,182
Other payables	**2,609**	2,423
	39,337	46,723

The credit period granted by the Group's principal suppliers is 30 to 90 days.

The Group's trade and other payables are all denominated in RMB.

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

Aging analysis of trade and bills payables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Below 30 days	**14,947**	20,807
From 31 to 90 days	**14,246**	7,295
From 91 days to 180 days	**1,795**	3,415
From 181 days to 1 year	**1,018**	476
From 1 year to 2 year	**495**	125
Over 2 years	**773**	661
	33,274	32,779

18. Trade and other payables – Group *(Continued)*

(a) Other tax payable mainly represented the value added tax ("VAT"). The sales of self-manufactured products of the PRC subsidiary are subject to VAT. The applicable tax rate for domestic sales is 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.

19. Borrowings – Group

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current:		
Unsecured bank borrowings	**50,000**	50,000

(a) The weighted average effective interest rates for the years ended 31 December 2014 and 2013 are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Bank borrowings	**6.80%**	6.90%

As at 31 December 2014 and 2013, the Group's borrowings were repayable within one year.

(b) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity dates whichever is the earlier are as follows:

	6 months or less
	RMB'000
– 31 December 2014	**50,000**
– 31 December 2013	50,000

(c) The carrying amounts of the Group's borrowings approximated to their fair values.

(d) The Group's borrowings are denominated in RMB.

20. Other income

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Tax refund *(Note(a))*	**4,122**	6,035
Government grants	**730**	1,139
Income from loans due from Dongtong *(Note 9(b))*	**152**	–
Others	**–**	52
	5,004	7,226

a) Tax refund mainly represented the refund of VAT. Pursuant to the Notice regarding Policies relating to Value-Added Tax on Products Made through Comprehensive Utilization of Resources and Certain Other Products issued by the Ministry of Finance and the State Administration of Taxation (財政部國家税務總局關於部分資源綜合利用及其他產品增值税政策問題的通知) promulgated on 9 December 2008, the Group's PRC subsidiary, Dongwu Cement, is eligible for VAT refund for utilizing recycled materials as raw materials for producing cement. VAT refund is recognized when there is a reasonable assurance that the VAT refunds will be received and the Group will comply with all the relevant conditions. In practice, the Group recognized it as other income upon the receipt of tax refund approval from tax bureau.

21. Other gains/(losses) – net

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Gain on disposal of equity interests in an associate *(Note 9(b).(i))*	**6,760**	–
(Loss)/gain on disposal of property, plant and equipment *(Note (a))*	**(1,442)**	3
Compensation for employee accidents	**(27)**	(370)
Others	**8**	8
	5,299	(359)

21. Other gains /(losses) – net *(Continued)*

(a) The (loss)/gain on disposal of property, plant and equipment was derived from:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Proceeds from disposal of property, plant and equipment	**30**	8
Net book amount of property, plant and equipment *(Note 7)*	**(1,472)**	(5)
	(1,442)	3

22. Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are analyzed as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(8,093)**	15,522
Raw materials and consumables used	**228,688**	204,993
Utilities and energy costs	**51,986**	50,819
Depreciation and amortization expenses *(Notes 7, 8)*	**24,915**	24,833
Employee benefit expenses *(Note 23)*	**15,957**	16,008
Transportation expenses	**4,136**	3,306
Office expenditure	**1,365**	1,381
Taxes and levies	**2,679**	2,159
Entertainment expenses	**305**	709
Pollution discharge expenses	**914**	552
Vehicle expenses	**446**	533
Repair and maintenance expenses	**12,084**	8,187
Consultancy, legal and professional fees	**1,848**	2,140
(Write back)/Net provision for impairment of trade receivables *(Note 11)*	**(1,281)**	3,254
Travelling expenses	**145**	214
Auditors' remuneration – audit services	**1,308**	1,250
Other expenses	**1,506**	1,355
Total cost of sales, distribution costs and administrative expenses	**338,908**	337,215

23. Employee benefit expenses

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**13,300**	13,395
Welfare benefits	**743**	954
Pension costs – defined contribution plans *(Note (a))*	**1,914**	1,659
	15,957	16,008

(a) Pensions scheme – defined contribution plans

The employees of the Group in the PRC participate in defined contribution retirement schemes based on laws and regulations in the PRC. The local government authorities of the PRC are responsible for the pension liabilities to these retired employees. For the year ended 31 December 2014, the Group made monthly contributions to the retirement schemes at rates of 20% (2013: 20%) of the basic salaries of employees.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments above.

24. Finance expenses – net

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interest expense:		
– Borrowings wholly repayable within 5 years	**(3,435)**	(3,856)
– Others	**(7)**	(690)
Finance expenses	**(3,442)**	(4,546)
Finance income:		
– Bank deposits	**873**	1,495
Net finance expenses	**(2,569)**	(3,051)

25. Income tax expense

The Group is subject to income tax on an entity basis on profits arising on or derived from the jurisdictions in which members of the Group are domiciled and operate.

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current tax on profit for the year	**1,876**	7,910
Deferred tax on origination and reversal of temporary differences *(Note 17)*	**2,361**	1,053
Income tax expense	**4,237**	8,963

Pursuant to the rules and regulations of Cayman Islands and the BVI, the Company and Dongwu Investment are not subject to any income tax in those jurisdictions.

Hong Kong profits tax rate is 16.5% for the year ended 31 December 2014 (2013: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the year ended 31 December 2014 and 2013.

Under the Law of the People's Republic of China on Corporate Income Tax and Implementation Regulation of the People's Republic of China on Corporate Income Tax, the tax rate of the PRC subsidiary is 25%.

The Group's sole PRC subsidiary – Dongwu Cement is able to carry forward taxable loss for five years.

Hence, the applicable income tax rate for the year ended 31 December 2014 was 25% (2013: 25%).

25. Income tax expense *(Continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the income tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**9,978**	25,216
Tax calculated at domestic tax rates applicable to profit in PRC	**2,495**	6,304
Tax effects of:		
– Associate's results reported net of tax	**45**	98
– Expenses not deductible for tax purposes	**99**	59
– Tax losses for which no deferred income tax asset was recognized	**851**	877
– Withholding tax on attributable profit *(Note 17)*	**841**	1,866
– Income not subject to tax	**(94)**	(241)
Tax charge	**4,237**	8,963

26. 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 during the year excluding ordinary shares purchased by the Company and held as treasury shares if any.

	Year ended 31 December	
	2014	2013
Profit attributable to equity shareholders of the Company *(RMB'000)*	**5,741**	16,253
Weighted average number of ordinary shares in issue *('000 share)*	**512,000**	512,000
Basic and diluted earnings per share *(RMB)*	**0.011**	0.032

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2014 and 2013, diluted earnings per share is the same as basic earnings per share.

27. Dividends

No dividends were declared by the Board of the Company for the years ended 31 December 2014 and 2013.

28. Loss attributable to equity owners of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB3,361,000 (2013: RMB3,488,000).

29. Emoluments of directors, chief executive and senior management

(a) Directors' and chief executive's emoluments

Name	Salary	Employer's contribution to pension scheme, discretionary bonuses and other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2014			
Executive directors			
Ms. Xie Yingxia (謝鶯霞)	190	–	190
Mr. Jin Chungen (金春根)#	190	–	190
Non-executive director			
Mr. Tseung Hok Ming (蔣學明)	190	–	190
Mr. Yang Bin (楊斌)	190	–	190
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	143	–	143
Cao Kuangyu (曹貺予)	143	–	143
Cao Guoqi (曹國琪)	143	–	143
	1,189	–	1,189

29. Emoluments of directors, chief executive and senior management *(Continued)*

(a) *Directors' and chief executive's emoluments (Continued)*

Name	Salary	Employer's contribution to pension scheme, discretionary bonuses and other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2013			
Executive directors			
Ms. Xie Yingxia (謝鶯霞)	191	–	191
Mr. Jin Chungen (金春根)#	191	–	191
Non-executive director			
Mr. Tseung Hok Ming (蔣學明)	191	–	191
Mr. Yang Bin (楊斌)	191	–	191
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	144	–	144
Cao Kuangyu (曹貺予)	144	–	144
Cao Guoqi (曹國琪)	144	–	144
	1,196	–	1,196

Notes:

Mr. Jin Chungen is also the chief executive officer of the Company.

29. Emoluments of directors, chief executive and senior management *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 included four of the directors of the Company (2013: four).

The emoluments paid and payable to the remaining one (2013: one) individual for the year ended 31 December 2014 are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Basic salaries	**190**	161
Discretionary bonuses and other benefits	**–**	–
Employer's contribution to pension scheme	**–**	–
	190	161

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2014	2013
Emolument band		
Nil – HK$1,000,000	**1**	1

30. Cash generated from operations

(a) Reconciliation of profit for the year to cash generated from operations:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**5,741**	16,253
Adjustments for:		
– Income tax expense *(Note 25)*	**4,237**	8,963
– Depreciation *(Note 7)*	**24,511**	24,429
– Amortization *(Note 8)*	**404**	404
– (Release of provision)/ Provision for impairment for trade receivables *(Note 11)*	**(1,281)**	3,254
– Loss/(gain) disposal of property, plant and equipment *(Note 21)*	**1,442**	(3)
– Finance income *(Note 24)*	**(873)**	(1,495)
– Finance expenses *(Note 24)*	**3,442**	4,546
– Share of (profit)/loss from investments accounted for using equity method *(Note 9(b))*	**(1,059)**	392
– Gain on disposal of equity interests in an associate *(Note 21)*	**(6,760)**	–
– Income from loans due from Dongtong *(Note 20)*	**(152)**	–
Changes in working capital		
– Inventories	**(7,019)**	1,321
– Trade and other receivables	**4,209**	(28,327)
– Trade and other payables	**(7,376)**	581
Cash generated from operations	**19,466**	30,318

(b)* *Non-cash transactions

The principal non-cash transactions are the disposals of 50% equity interests held in Dongtong (Note 9(b).(i)).

31. Commitments – Group

Capital expenditure of property, plant and equipment contracted but not yet incurred as of 31 December 2014 amounts to RMB176,000 (2013: Nil).

Xihua Investment was newly set up by the Group in 19 November 2014 for the subsequent acquisition of 上海百菲特環保科技有限公司 (Shanghai Biofit Environmental Technology Co., Ltd, "Shanghai Biofit", English translation for reference only) (Note 33), whose registered capital amounting to USD10,000,000 has all not been paid as at 31 December 2014. According to the Article of Association, this capital will be fully injected by 2034.

32. Related party transactions

(a) The ultimate parent of the Group is Far East International (incorporated in PRC) for the years ended 31 December 2014 and 2013:

Company name	Relationship with the Group
Far East International	Controlled by the same ultimate individual shareholders

(b) ***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:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Basic salaries and benefit in kind	**1,813**	1,898

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2014 (31 December 2013: Nil).

33. Events after the balance sheet date

On 23 January 2015, the Group issued 40,000,000 placing shares at a price of HK$1.30 per placing share to six placees who are independent third parties. The gross proceeds and net proceeds arising from the placing are HK$52,000,000 (equivalent to RMB41,021,000) and approximately HK$51,300,000 (equivalent to RMB40,469,000) respectively. The Group intends to use the net proceeds for acquiring 100% equity interest in Shanghai Biofit and for increasing working capital of the Group.

On 16 February 2015, Dongwu Cement, a wholly owned subsidiary of the Company entered into an agreement with the shareholders of Shanghai Biofit to acquire 100% equity interest in Shanghai Biofit for a consideration of RMB32,000,000. As a result, control of the operations of Shanghai Biofit will be transferred to the Group and Shanghai Biofit will become a subsidiary of the Group from the completion date onwards. As at the date of this report, the proposed acquisition is yet to complete.