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

2015 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
"Biofit"	Shanghai Biofit Environmental Technology Co., Ltd., a company incorporated in the PRC with limited liability
"Shanghai Xi Hua"	Xi Hua Shanghai Investment Management Company Limited, a company incorporated in PRC, and a wholly-owned subsidiary of the Company
"Concord"	Concord Ocean Ltd, a substantial shareholder of the Company, wholly-owned by Mr. Jin Chungen, an executive Director
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
Eastwest	Eastwest Holdings Group., Ltd, a company wholly-owned by Mr. Ling Chao, an executive Director of the Company
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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent third parties"	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

"IPO"	the initial public offering of the Shares by the Company in June 2012
"Latest Practicable Date"	13 April 2016
"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
"Placing Agent"	Qilu International Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"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 2015
"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
Ling Chao (appointed on 28 May 2015)

Non-executive Directors

Tseung Hok Ming
Yang Bin (resigned on 28 May 2015)

Independent non-executive Directors

Cao Guoqi
Cao Kuangyu
Lee Ho Yiu Thomas

Company Secretary

Sun Xin

Auditor

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Authorized Representatives

Xie Yingxia (appointed on 28 May 2015)
Sun Xin
Yang Bin (resigned on 28 May 2015)

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
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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
Wan Chai, Hong Kong

Hong Kong Legal Advisor

Li & Partners
22nd Floor, World-Wide House
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FINANCIAL HIGHLIGHTS

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

	2015	2014
Revenue	**222,512**	340,093
(loss)/profit from operating activities	**(13,021)**	11,488
(loss)/Profit before income tax	**(16,110)**	9,978
(loss)/Profit for the year	**(11,737)**	5,741
Basic and diluted earnings per share (expressed in RMB per Share)	**(0.021)**	0.011

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

	2015	2014
Non-current assets	**224,731**	204,245
Current assets	**278,068**	230,682
Total assets	**502,799**	434,927
Total equity	**363,817**	334,932
Non-current liabilities	**5,085**	7,134
Current liabilities	**133,897**	92,861
Total liabilities	**138,982**	99,995
Total equity and liabilities	**502,799**	434,927

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

	2015	2014
Net cash flows from operating activities	**36,681**	15,189
Net cash flows from investing activities	**(45,424)**	(107,174)
Net cash flows generated from financing activities	**40,722**	–
Net increase/(decrease) in cash and cash equivalents	**31,979**	(91,985)

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note 1)	*(note 1)*	*(note 1)*
Revenue	**222,512**	340,093	359,007	321,118	464,045
Cost of sales	**(226,382)**	(321,677)	(314,428)	(298,895)	(341,923)
(Gross loss)/gross profit	**(3,870)**	18,416	44,579	22,123	122,122
Operating (loss)/profit	**(13,021)**	11,488	28,659	10,388	116,567
(Loss)/profit before tax	**(16,110)**	9,978	25,216	5,592	109,378
Income tax (credit)/expense	**4,373**	(4,237)	(8,963)	(4,554)	(22,434)
(Loss)/profit for the year	**(11,737)**	5,741	16,253	1,038	86,944

Assets and liabilities

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Note 1)
Total assets	**502,799**	434,927	433,159	413,108	407,126
Total liabilities	**138,982**	99,995	103,968	100,170	167,184
Total equity	**363,817**	334,932	329,191	312,938	239,942

Note: 1. The figures for the three 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 and the longer plum rains in 2015, the Group proactively adjusted operating strategies, which included enhancing internal management, maintaining consistent product quality, expanding sales channels, but owing to the above adverse factors, the production volume, sales and operating income during the reporting period all recorded significant decrease as compared to 2014.

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 equipment and technologies, and strictly controlled the production cost. In 2015, the output for cement clinker amounted to 359,000 tons, and cement output amounted to 1,078,000 tons, among which, 468,000 tons were grade 32.5# cement and 610,000 tons were grade 42.5# cement. The production costs for grade 32.5 cement, grade 42.5 cement and cement segments decreased to some extent as compared to 2014. The supply of raw and auxiliary materials for the production, namely limestone, and 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. The Group proactively expanded sales with product sales volume reaching 1,040,000 tonnes, among which, 456,000 tonnes were grade 32.5# cement and 584,000 tonnes were grade 42.5# cement, the income of the cement segment from principal business amounted to RMB207,410,000. Both the sales volume and income decreased.

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 2015, together with audited consolidated financial statements.

Financial Results

In 2015, the sales volume of the Group's cement products amounted to approximately 1,039.8 thousand tonnes, representing a decrease of approximately 23.8% from 2014; the revenue amounted to approximately RMB207,410,000 representing a decrease of approximately 39.0% from 2014; the gross profit margin amounted to approximately -4.4%, representing a decrease of approximately 9.8% from 2014 in absolute terms. Further details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2015, profit attributable to the Shareholders and the basic earnings per share were RMB-11,737,000 and RMB-0.021, respectively.

Dividends

The Board does not recommend payment of any final dividend for the year ended 31 December 2015.

Business Operation in 2015

Affected by the factors such as slowdown of macro-economic growth, long rainy season and large-scale equipment maintenance to meet the requirement of environmental protection, the sales volume, revenue and gross profit margin of the Group in 2015 have decreased substantially compared to the corresponding period last year.

The Group entered into an acquisition agreement with an independent third party through its wholly-owned subsidiary Shanghai Xihua, and acquired entire equity interest in Shanghai Biofit. Biofit is a company possessing tier-3 professional contractor qualification for environmental engineering, and mainly engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services. The acquisition of Biofit will generate synergy with the existing operations and diversify business income streams of the Group.

Future Prospect

In 2016, 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.

In the field of environmental protection entered into recently, Biofit will continue to be devoted to such niches as sludge treatment and disposal, reclaimed water treatment, and dyeing wastewater treatment, with a long-term goal of becoming a provider of integrated environment services and an environmental protection platform.

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 2016. Thank you!

Chairman
Xie Yingxia

30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2015, China's major macroeconomic indicators have shown signs of stable growing. The gross domestic product for the year amounted to RMB67,670.8 billion, representing a growth of 6.3% over the corresponding period last year (2014: 7.4%); fixed asset investment of the country (excluding rural households) reached RMB55,159.0 billion, representing a nominal growth of 10% (the real growth was 12% after deducting the price factor) over the corresponding period last year, decrease by 5.7 percentage points as compared to 2014. National property development and investment reached RMB9,597.9 billion, representing a year-on-year nominal growth of 1.0% (the real growth was 2.8% after offsetting the influence of the price factor), down by 9.5 percentage points as compared to 2014. (Source: website of PRC National Statistics Bureau)

The production of cement companies over a designated size amounted to 2.348 billion tones in 2015, posting a year-on-year decrease of 5.3% (2014: posting a year-on-year increase of 1.8%). Under the background of that Chinese economy is in an adjustment period and the macro economy continuously declined, the growth in property investment recorded a significant decrease, and the demand for cement recorded the first significant decrease in 24 years in 2015. The average price of cement decreased significantly as compared with the game period of last year. (Source: Digital Cement Net).

The Group operates in a market in Eastern China. The price of cement dropped continuously from January to December in 2015 as compared with last year. The Group sales cement in main capital cities of provinces, including Jiangsu, Zhejiang and Shanghai. In early December 2015, the average selling price of PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB230 per tonne, RMB260 per tonne and RMB255 per tonne respectively, representing a decrease of 17.9%, 21.2% and 20.3% as compared with the corresponding period last year. (Source: Digital Cement Net)

In 2015, the sales volume, revenue and gross profit margin of the Group all exhibited an downwards movement as compared with the corresponding period of last year as a result of prolonged macroeconomic downturn, rainy season and equipment rebuilding.

Environmental Protection Segment

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

In view of this, the Group acquired the Biofit Group in 2015, aiming to expand to the environmental protection segment market. The Biofit Group is devoted to such niches as sludge treatment and disposal, reclaimed water treatment, and dyeing wastewater treatment. The operation of environmental protection segment of the Group has been incorporated into the consolidated statement of the Group on 30 April 2015.

The Risk Factors and Countermeasures of the Company

Significant fluctuations in the market price of cement may materially and adversely affect our profitability

Cement prices fluctuated significantly during the reporting period. The average prices of PC32.5 and PO42.5 dropped by approximately 17% and 27% from RMB206 per tonne and RMB242 per tonne in January 2015 to RMB172 per tonne and RMB177 per tonne in December 2015 respectively. The declines in the prices for cement was attributable to the intense competition among cement producers in the market. The price for cement may continue to experience significant fluctuations in the future due to changes in the supply and demand for cement products in our existing and future markets. The Group may try to expend the sales volume to decrease the adverse effect of this risk.

Our profitability hinges on general market conditions in the construction industry including the level of fixed assets investment of our regional markets in Jiangsu Province, Zhejiang Province and Shanghai

We supply our cement products produced at our production facility in Wujiang District, Suzhou City of Jiangsu Province to regional markets in Jiangsu Province, Zhejiang Province and Shanghai. As such, demand for our cement products in these areas is dependent upon the construction activities and the level of investment in fixed assets in Jiangsu Province, Zhejiang Province and Shanghai Municipality which in turn can be significantly affected by any material changes in gross national product and its growth rate, level of fixed assets investment, PRC government policies, mortgage interest, interest, inflation, rate of unemployment, demographic trends and other relevant national and regional economic factors and conditions.

Influenced by the national continued decline of fixed asset investment during the reporting period, fixed asset investment in Jiangsu Province, Zhejiang Province and Shanghai city also shows slowing down in growth. On the basis of maintaining a good relationship with existing customers, the Group actively explores new customers to reduce the adverse effects of the risk.

Our business operations are susceptible to disruptions by reasons beyond our control such as adverse climatic conditions and government activities

Our operations are susceptible to uncertainties and contingencies beyond our control that could result in material disruptions and adversely affect our revenues. These include fires, natural disasters, epidemics, raw material shortages, equipment and system failures or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or power grids. Adverse climatic conditions, such as extreme climatic and weather conditions, snow storms, heavy or sustained rainfall or drought affecting water levels in the Taihu lake and the Taipu River, may also affect our normal business operations. For example, we may encounter transportation delays in the supply and shipment of raw materials and products along the Taipu River at times of drought and flooding, causing water levels to fall or rise significantly, which could result in load restrictions being imposed or a suspension of river transportation services.

The price and sales volume of cement were adversely affected by the prolonged rainy season, decrease of infrastructures, and the low ratio of return to work in first half of 2015. The commencement number of days was shortened due to the middle-east and sino meeting, namely "16+1 Summit" and G15 meeting held in November 2015 and December 2015 respectively, which caused a reduced total profit.

For the risks out of control, the Group will strive to keep the production in order and actively increase the sales volume when such risks have not yet appeared.

With the increasingly stringent PRC environmental regulatory framework, we may not be able to comply with relevant environmental regulations in the future on a cost-effective basis

We are subject to national and local environmental protection laws and regulations. These laws and regulations include provisions for prevention and treatment of noise, water, soil and air pollution and other industrial pollution. Failure to comply with these laws and regulations may result in penalties, fines, administrative sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. The PRC government has adopted various environmental policies to reduce the adverse effects of the cement industry on the environment. With the increasing awareness of environmental protection issues, we anticipate that the regulatory framework of Chinese government will become increasingly stringent. The government regulations affecting our business include those relating to air quality, solid waste management and sewage treatment. Such provisions are complicated and may be changed. It can't be ensured that the Chinese government will not issue more stringent new industrial pollution rules and regulations, and we may not be able to comply with other environmental regulations in the future on a cost-effective basis or at all. In such circumstances, our business, results of operations and financial condition could be materially and adversely affected.

During the reporting period, the Group conducted large-scale equipment maintenance to meet the requirement of environmental protection, energy conservation and emission reduction, amounting to over RMB10,000,000 in the period charges, thus having a material negative impact on the corporate earnings.

However, in view of the unsustainability of this impact, it is anticipated that the impact of this risk on earnings of the Group will be lowered significantly in 2016.

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

During the Reporting period, the Group's turnover amounted to approximately RMB222,512,000.

Among which, turnover income of cement in segment amounted to approximately RMB 207,410,000, representing a decrease of approximately RMB132,683,000 or 39.0% from approximately RMB340,093,000 in 2014. The decrease is primarily attributable to: 1. weak performance in cement industry and the significant decrease in the selling price of cement in East China as a result of slowdown of the macroeconomic; and 2. demand for cement significantly affected by the rainy season, which sustained for more than one month during the reporting period.

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

	2015			2014		
	Sales Volume	**Average selling price**	**Revenue**	Sales Volume	Average selling price	Revenue
	Thousand Tonnes	***RMB/Tonne***	***RMB'000***	*Thousand Tonnes*	*RMB/Tonne*	*RMB'000*
PO 42.5 Cement	**455.7**	**209.70**	**95,560**	732.4	270.0	197,783
PC 32.5 Cement	**584.1**	**191.49**	**111,850**	628.4	224.9	141,307
Clinker	**–**	**–**	**–**	3.8	263.9	1,003

Categorized by product type, the sales volume of cement products in 2015 amounted to approximately 1,039.8 thousand tones, representing a decrease of approximately 23.8% from 2014, while the sales income of cement products was approximately RMB207,410,000, representing a decrease of approximately 39.0% from 2014. A of clinker produced by the Group was used into the cement production without external sales in 2015. The sales income of clinker was approximately RMB1,003,000 for the same period in the last year.

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

	2015		2014	
	Turnover	**% of total revenue**	Turnover	% of total revenue
	RMB'000		*RMB'000*	
Jiangsu Province	**180,857**	**87.2%**	300,220	88.3
Wujiang district	**153,490**	**74.0%**	251,369	73.9
Suzhou City (excluding Wujiang District)	**27,367**	**13.2%**	48,851	14.4
Zhejiang Province	**23,243**	**11.2%**	32,809	9.6
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**22,698**	**10.9%**	27,676	8.1
Jiaxing City	**545**	**0.3%**	5,133	1.5
Shanghai	**3,310**	**1.6%**	7,064	2.1
Total	**207,410**	**100%**	340,093	100

During the reporting period, due to unsatisfactory sales volume, the sales income and the sales volume of cement products decreased dramatically as compared to the corresponding period of last year. The turnover of respective regions has decreased significantly as compared to the corresponding period last year.

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

As of 31 December 2015, a total of twelve projects have been completed or are in progress. Three new projects have been initiated since 30 June 2015. Among the five uncompleted projects, one having 100% of its work finished, two have 90% of their work finished, and two have 30% of their work finished.

Shao Xing Yu Environmental Technology Co., Ltd., a company affiliated to Biofit, is a third-party professional operator committed to industrial park environment, with a focus on facilities for wastewater treatment in the dyeing industry, and get services fees through providing the third-party operation services.

During the period from 30 April to 31 December 2015, the environmental protection segment achieved turnover of approximately RMB15,102,000.

Gross Profit and Gross Profit Margin

During the reporting period, the Group's gross loss amounted to approximately RMB3,870,000 in 2015.

As to cement segment, the gross loss amounted to approximately RMB9,034,000, a decrease of approximately RMB27,450,000 or approximately 149.1% compared to approximately RMB18,416,000 in 2014; while the gross profit margin amounted to approximately -4.4% in 2015, representing a decrease approximately of 9.8% compared to approximately 5.4% in 2014. The decrease is mainly due to the above mentioned obvious decline in price and demand of cement, as well as the cost pressure arising from the equipment rebuilding of energy saving equipments conducted by the Company in 2015:

As to environmental protection segment, during the period from 30 April to 31 December 2015, the gross profit amounted to approximately RMB5,164,000, and the gross profit margin amounted to approximately 34.2%.

Other Income

The Group's other income amounted to approximately RMB10,628,000 during the reporting period, representing an increase of approximately RMB5,624,000 or approximately 112.4% compared to approximately RMB5,004,000 in 2014. The increase was mainly due to the interest income of approximately RMB6,306,000 generated from the loans to Dongtong.

Sales and Distribution Expenses

The Group's sales and distribution expenses amounted to approximately RMB1,763,000 during the reporting period, representing a decrease of approximately RMB669,000 or approximately 27.5% compared to approximately RMB2,432,000 in 2014, all generated from cement segment. The decrease was mainly due to decreased turnover in 2015. Sales and distribution expenses accounted for approximately 0.9% of the revenue of the cement segment which is basically flat with that of approximately 0.7% in 2014.

As to the environmental protection segment, during the period from 30 April to 31 December 2015, the sales and distribution costs amounted to approximately RMB0.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately RMB22,194,000 during the reporting period.

As to the cement segment, the general and administrative expenses amounted to approximately RMB15,865,000, representing an increase of approximately RMB1,066,000 or approximately 7.2% from approximately RMB14,799,000 in 2014. The decrease in the general and administrative expenses was primarily due to the provision of approximately RMB638,000 for bad debts during the reporting period.

As to the environmental protection segment, during the period from 30 April to 31 December 2015, the general and administrative expenses amounted to approximately RMB6,329,000.

Tax

The Group's income tax credit amounted to approximately RMB4,373,000 during the reporting period.

As to the cement segment, the income tax credit amounted to approximately RMB3,981,000 in 2015, representing a significant decrease compared to approximately RMB4,237,000 of income tax expense in 2014, which was primarily due to the losses in 2015.

As to the environmental protection segment, during the period from 30 April to 31 December 2015, the income tax credit amounted to approximately RMB392,000.

Details of the Group's income tax are set out in note 15 to the condensed consolidated financial statements of this report.

Net Profit Margin

The Group's net profit margin was approximately -5.3% during the reporting period.

As to the cement segment, the net profit margin was approximately -3.9%, representing a significant decrease as compared to approximately 1.7% in 2014. The decrease was mainly due to the decrease in sales revenue, resulting in a decrease in profit from approximately RMB5,741,000 of 2014 to approximately RMB7,898,000 of 2015.

As to the environmental protection segment, during the period from 30 April to 31 December 2015, the net loss amounted to approximately RMB1,144,000, the net profit margin was approximately -7.6%.

Liquidity and Capital Resources

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

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Cash and cash equivalents	**52,099**	20,120
– Cement segment	**51,307**	20,120
– Environmental protection segment	**792**	N/A
Borrowings	**60,000**	50,000
– Cement segment	**50,000**	50,000
– Environmental protection segment	**10,000**	N/A
Debt to equity ratio	**38.2%**	15%
– Cement segment	**19.2%**	15%
– Environmental protection segment	**35.2%**	N/A
Debt to asset ratio	**27.6%**	11.4%
– Cement segment	**23.8%**	11.4%
– Environmental protection segment	**54.3%**	N/A

Cash Flow

As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB52,099,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB51,307,000, representing an increase of approximately 155.0% from approximately RMB20,120,000 as at 31 December 2014. The increase was primarily due to the recovery of investment in Dongtong of approximately RMB15,000,000.

Borrowing

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Current:		
Bank borrowings		
– Cement segment	**50,000**	50,000
– Environmental protection segment	**10,000**	–
Bank borrowings	**60,000**	50,000

As at 31 December 2015, the Group's bank borrowings amounted to approximately RMB60,000,000, representing an increase of approximately 20% as compared to approximately RMB50,000,000 in 31 December 2014. Which was mainly due to the environmental segment increased approximately RMB10,000,000.

The aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits. (as at 31 December 2014: 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 2015, the Group had unutilized bank financing facilities of RMB50,000,000.

Debt to Equity Ratio

As at 31 December 2015, the Group's debt to equity ratio was 38.2%.

As to the environmental protection segment, the debt to equity ratio was 35.2%. Among which, the debt to equity ratio was 19.2%, representing a slightly increase compared to 15% as at 31 December 2014.

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

Capital Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately RMB50,945,000 in 2015.

Among others, the capital expenditure of the cement segment amounted to approximately RMB45,866,000, representing a significant increase from approximately RMB13,505,000 of 2014, which was primarily due to consideration of approximately RMB30,254,000 paid to acquire Biofit on 16 February 2015.

As to the environmental protection segment, the capital expenditure amounted to approximately RMB5,079,000.

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

As at 31 December 2015, the Group did not have material capital commitments.

Pledge of Assets

As at 31 December 2015, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2015, 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.

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

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

As disclosed in the announcement of the Company dated 16 February 2015, Shanghai Xi Hua entered into the acquisition agreement with the Vendors, pursuant to which Shanghai Xi Hua agreed to purchase the entire equity interest of Biofit, at a consideration of RMB32 million. Biofit is a company possessing tier-3 professional contractor qualification for environmental engineering, and mainly engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services. According to the report issued by the independent auditors on 27 March 2015, the consideration of the acquisition was adjusted to RMB30,254,269. During the reporting period, the consideration has been fully paid. The acquisition of Biofit will generate synergy with the existing operations and diversify business income streams of the Group. Biofit has completed the industrial and commercial registration for its new shareholders in April 2015. For further details of the acquisition, please refer to the announcements of the Company dated 16 February 2015 and 13 April 2015.

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

Dividend

The Board does not recommend payment of any final dividend for the year ended 31 December 2015.

Employees and Remuneration Policies

As at 31 December 2015, the Group has a total of 276 employees. The total remuneration amounted to approximately RMB16,197,000 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 2016, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase product profitability by refining customer services; continue to conduct prudent research and promote the businesses in environmental protection field; and make attempts in capital operation to enhance management efficiency and improve comprehensive competitiveness.

Executive Directors

Ms. Xie Yingxia (謝鶯霞), aged 39, 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. Ms. Xie has served as authorized representatives of the Company since 28 May 2015(for the purpose of Rule 3.05 of the HKEx Listing Rules).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. Ms. Xie has served as an authorised representative of the Company since 28 May 2015.

Mr. Jin Chungen (金春根), aged 54, 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.

Mr. Ling Chao (凌超先生), aged 37, was appointed as a Executive Director of the Company on 28 May 2015. Mr. Ling, is the chairman of Biofit since 1 April 2003. He has extensive experience in the financial and investment sectors and held senior position in investment, finance and risk management industries. Mr. Ling obtained his bachelor degree in management accounting from Xi'an University of Technology in 2001; master degree in industrial economics from Fudan University in 2004; master degree in finance from Arizona State University USA in 2009 and EMBA degree from Tsinghua University in 2013. Mr. Ling also qualifies as a financial controller. Mr. Ling has not held any other directorships in listed public companies in the last three years.

Non-executive Directors

Mr. Tseung Hok Ming (蔣學明), aged 54, is a non-executive Director of the Company. 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, a director of Jiangsu Xinmin Textile Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002127) since 4 September 2013 and a director of Fidelix Co., Ltd. a company listed on KOSDAQ (stock code: 032580) since 30 June, 2015.

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 session of the 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 42, 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. In addition, due to other business engagement, Mr. Yang has resigned as a non-executive director of the Company and ceased to be an authorized representative of the Company on 28 May 2015.

Independent Non-executive Directors

Mr. Cao Guoqi (曹國琪), aged 53, is an independent non-executive Director of the Company. 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 66, is an independent non-executive Director of the Company. 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.

Mr. Lee Ho Yiu, Thomas (李浩堯), aged 38, is an independent non-executive Director of the Company. 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. Li (李先生) was an independent non-executive director of ABC Communications (Holdings) Limited(Stock Code: 0030), a listed company on the Main Board of the Stock Exchange of Hong Kong, from January 2011 to February 2013. Mr. Li currently act as an independent non-executive director of SunCorp Technologies Limited (Stock Code: 1063) and Sino Energy International Holdings Group Limited (formerly Active Group Holdings Limited, Stock Code: 1096), which were listed on the Main Board of the Stock Exchange of Hong Kong. He is an independent non-executive director of Inno-Tech Holdings Limited (Stock Code: 8202), which was listed on the Growth Enterprise Market of Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

Mr. Wu Junxian (吳俊賢), aged 35, is deputy 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 47, 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 2014, Mr.馮, having been engaged in the finance matters and sales in the cement industry for about 20 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 business planning. Then Mr.馮 joined in Wujiang Xingyuan Cement Ltd., Co. as the vice president of sales, making the strategic plans for the Group.

Ms.蔡林芬女士, aged 45, is the deputy general manager of Suzhou Dongwu. Ms.蔡 is responsible for production of the Group. Ms.蔡 owns more than 25 years of experience in production management of cement. She has served as deputy general manager of Zhejiang Tongxing Cement Company Limited*（浙江桐星水泥股份有限公司）and Tongxiang South Cement Company Limited*（桐鄉南方水泥有限公司）before and was responsible for production respectively. Ms.蔡 joined the Group in 2014, and had taken the position of chief engineer and deputy general manager etc. Ms.蔡 graduated from Tongxiang Radio and TV University（桐鄉廣播電視大學）in 2013 and obtained a college degree in Management.

Ms. Sun Xin (孫馨), aged 32, 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 32, 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 2015.

Results and Dividends

The Group's results for the year ended 31 December 2015 are set out in the Consolidated Statement of Comprehensive Income on page 43.

The Board does not recommend payment of any final dividend for the year ended 31 December 2015.

Business Review

A review of the business of the Group for the year ended 31 December 2015 a discussion on the Group's future prospects, and an account of the principal risks and uncertainties facing the Group are provided in "Management Discussion and Analysis" in page 10 to 19 in this annual report, an analysis of the Group's performance during the Reporting Period using key performance indicators are provided in "Financial Highlights" in pages 5 to 6 in this annual report.

Environmental Policy and Performance

The Group not only attached importance to the improvement of the production technology to enhance its own market competitiveness, but also has strong social responsibility. It emphasizes on environmental protection, beauty, greening and the comprehensive utilization of resources, bearing the concept that building a harmonious factory is its always goal, and proactively driving the performance of energy-saving and emission reduction as well as the sustainable development.

In order to strengthen environmental protection, strictly control the arising of pollutant and comprehensively achieve the emission standard, the Group invested in more than 10 million on upgrading technology for environmental protection facilities and energy-saving and emission reduction projects in 2015. The Group implemented energy conservation and emissions reduction from several aspects, such as filter improvement and dust emissions deduction; improved denitration device to reduce nitrogen oxide emissions; built large water pool to save water resources; constructed loop water treatment and purification equipment to no longer use tap water; and equipped with muffler and sound barriers to further weaken the noise.

The Group made strong emphasis in cycle economy to drive cleaner production and conduct comprehensive utilization of resources. The Group has a capacity of digestion and save of coal ash, flue gas desulfurization gypsum and tailings more than 0.1 million tones every year. The Group also actively assisted the local government to disposal of urban domestic sludge and solid waste projects. The Group is confident of transition to green environmental protection enterprise with cycle economy. At the meantime, the Group will comprehensively promote the pure low-temperature residual heat power generation technology in NSP kilns to achieve energy-saving and cost-reducing by technical transformation, so as to reduce production cost and improve the efficiency of the enterprise.

Compliance of Laws and Regulations

The Company is aware of the importance of complying with the relevant laws and regulations. The Company has distributed human resources to guarantee our constant compliance to provisions and codes, and build good relationship with supervision authorities through effective communication. During the reporting period, to the knowledge of Directors, the Company has complied with SFO, Listing Rules and all other relevant legislations and regulations which have significant impacts on the Company.

Important Relationship with Employees, Clients and Suppliers

The relationships between the Group and employees, clients and suppliers have material impact on our business and constant development. Therefore, the Group has established good and stable relations with employees, customers and suppliers.

The Group regards its employees as the most important and valuable assets. The objective of human resources management is to motivate outstanding staffs with competitive remuneration package and comprehensive performance assessment, and assist the staff to develop their career and get promotion in the Group by providing suitable training and opportunities. Through a variety of incentive mechanism and organizing various activities, the Company has formed an enterprise culture that comprising able person should do more work, more pay for more work, competition out who ever needs upward, unity and harmony, Innovation. The Group encouraged employees to actively participate in the management of the enterprise, to adopt reasonable suggestion, promote all staff to treat plant as home, be proud of the factory, and give full play to the staff's enthusiasm and subjective initiative.

The Group has always adhered to the principle of customer first, and identified the customer's demand and improved customer satisfaction by customer information collection, analysis and processing. For consultation with customer by way of interviewing, letter, telephone, fax and so on, there is specially-assigned person to answer and record, collect. Through a variety of activities, the Company grasped the market dynamics and customer requirements timely. If found customer complaints, suggestions for improvement, implicit requirements or expectations, feedback immediately to the relevant departments, making necessary improvement measures and implementation, to ensure the increasing the customer satisfaction.

The Group established cooperation relationship of cooperation and mutual benefits and win-win with its suppliers, and jointly explore the market to expand market demands and share and reduce operating cost of the early stage of the product through the integration of resources and competitive advantages. The Group clear procurement requirements and exchange information to make the transparency of the procurement process, improve the efficiency of supply chain and the reaction ability and therefore maximize the interests on both sides. Details about employees, remuneration policies and retirement benefits are set out in note 11 to the financial statements.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016 (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 Friday, 20 May 2016, 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 Wednesday, 18 May 2016.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 16 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 29 to the consolidated financial statement of this annual report.

Share Capital

As at 31 December 2015, the authorised share Capital of the Company was HK$100,000,000, including issued shares of HK$5,520,000, divided into 552,000,000 shares with nominal value of HK$0.01 per share. On 23 January 2015, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has agreed to place, to not less than six placees who are independent third parties up to 40,000,000 new shares of the Company at a price of HK$1.30 per placing share. The placing was completed on 13 February 2015 and the independent third parties did not become substantial shareholders of the Company after the completion of placing. The aggregate nominal value of the placing shares issued is HK$400,000 (equivalent to approximately RMB316,000). Please refer to the announcements of the Company dated 23 January 2015 and 13 February 2015 for further details of the placing. During the Reporting Period, save for the foregoing, the Company has not issued any new shares.

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 RMB36,769,000 (31 December 2014: approximately RMB48,506,000) as at 31 December 2015.

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 consolidated financial statement on page 47.

Subsidiaries and associates

Details on the business performance of the Company's major subsidiaries and associates respectively are set out in the note 20, 21 to consolidated financial statement of this report.

Directors

The Directors of the Company during the year ended 31 December 2015 were as follows:

Chairman and Executive Director	Ms. Xie Yingxia
Chief Executive Officer and Executive Director	Mr. Jin Chungen
Executive Director	Mr. Ling Chao *(note 1)*
Non-executive Directors	Mr. Tseung Hok Ming
	Mr. Yang Bin *(note 2)*
Independent Non-executive Directors	Mr. Cao Guoqi
	Mr. Cao Kuangyu
	Mr. Lee Ho Yiu Thomas

note 1 Mr. Ling Chao has been appointed as executive director of the Company on 28 May 2015.
note 2 Mr. Yang Bin has resigned as non-executive director of the Company on 26 May 2015.

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. All 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, Ms. Xie Yingxia, Mr. Jin Chungen and Mr. Tseung Hok Ming 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 14 to the consolidated financial statement.

For the years of 2014 and 2015, 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**	
	2015	2014
Nil to HK$1,000,000	**4**	4

Directors' Interests in Contracts of Significance

No transaction, arrangement or 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 (or an entity connected with a director) 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 2015, the Group did not enter into any connected transactions or continuing connected transactions which need to be disclosed in its annual report under Rule 14A.49 of the Listing Rules, and details for other connected transactions or continuing connected transactions are set out in note 41 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 2015, the employee benefit scheme contributions made by the Group amounted to approximately RMB2,745,000. Details of these schemes are set out in note 11 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 2015, 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	53.89%
Jin Chungen *(note 2)*	Interest of controlled corporation	Long position	77,500,000	14.04%
Ling Chao *(note 3)*	Interest of controlled corporation	Long position	2,078,000	0.38%

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.*

3. *Eastwest is wholly-owned by Mr. Ling Chao, an executive Director. Accordingly, Mr. Ling is deemed to be interested in the same Shares of the Company held by Eastwest by virtue of Part XV of the SFO.*

Save as disclosed in the above, as at 31 December 2015, 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 and 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 2015, 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 2015, 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
Goldview[1]	Beneficial owner	Long position	297,500,000	53.89%
Tseung Hok Ming[1]	Interest of controlled corporation	Long position	297,500,000	53.89%
Laiwu Steel Group Limited[3]	Interest of controlled corporation	Long position	297,500,000	53.89%
Shangdong Iron & Steel Group Co. Ltd.[3]	Interest of controlled corporation	Long position	297,500,000	53.89%
Zhongtai Financial Investment Limited[3]	Interest of controlled corporation	Long position	297,500,000	53.89%
Zhongtai Financial International Limited[3]	Interest of controlled corporation	Long position	297,500,000	53.89%
Zhongtai Securities Company Limited[3]	Interest of controlled corporation	Long position	297,500,000	53.89%
Concord[2]	Beneficial owner	Long position	77,500,000	14.04%
Jin Chungen[2]	Interest of controlled corporation	Long position	77,500,000	14.04%
Joy Wealth Finance Limited[4]	Beneficial owner	Long position	65,500,000	11.87%
Pacific Plywood Holdings Limited[4]	Interest of controlled corporation	Long position	65,500,000	11.87%
Allied Summit Inc.[4]	Interest of controlled corporation	Long position	65,500,000	11.87%
Su WeiBiao[4]	Interest of controlled corporation	Long position	65,500,000	11.87%

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. *Shandong Iron & Steel Group Co., Ltd. owns 45.71% interest in Zhongtai Securities Company Limited through Laiwu Steel Group Limited, in which Shandong Iron & Steel Group Co., Ltd. holds 100% interest. Zhongtai Securities Company Limited owns 100% interest in Zhongtai Financial Investment Limited through Zhongtai Financial International Limited, in which Zhongtai Securities Company Limited holds 100% interest. Each of Zhongtai Financial International Limited, Zhongtai Securities Company Limited, Laiwu Steel Group Limited and Shangdong Iron & Steel Group Co. Ltd. are deemed to be interested in the Share of the Company held by Zhongtai Financial 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 disclosed in the above, as at 31 December 2015, 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 had to be notified to the Company or The Stock Exchange pursuant to divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Share Option Scheme

The Share Option Scheme (the "Old Option Scheme") adopted by the Company on 28 May 2012 by way of Shareholders' resolution has expired on 27 May 2015, and the New Option Scheme (the "New Option Scheme") was approved by shareholders at the annual general meeting held in 28 May 2015 and adopted on the same date ("Adoption Date"). The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the "New Share Option Scheme Period"), after which period no further Options shall be granted but the provisions of the New Share Option 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 New Share Option Scheme Period.

Save for (i) the terms of the Old Share Option Scheme is 3 years whereas the New Share Option Scheme is 10 years; (ii) the grant of the Options to Substantial Shareholders or independent non- executive Directors of the Company, or any of their respective associates shall not exceed HK$1,000,000 in aggregate in the 12 months period up to an including the date of grant under the Old Share Option Scheme (HK$5,000,000 under the New Share Option Scheme), there is no difference to the terms between the Existing Share Option Scheme and the proposed New Share Option Scheme.

The purpose of the New Share Option Scheme is to provide person(s) and parties 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 the Group and thereby providing them with an incentive to work better for the interests of the Group.

Pursuant to the terms of the New Share Option Scheme, the Board shall have the right to determine and select all directors (whether executive or non-executive and whether independent or not), any employee (whether full time or part-time), any consultant or adviser of or to the Company or the Group (whether an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group ("Eligible Persons") to whom the Options may be granted. The eligibility of any of the Eligible Persons to an offer for the grant of Options under the New Share Option Scheme shall be determined by the Board from time to time on the basis of the contribution to the development and growth of the Group.

Unless otherwise determined by the Board in the relevant offer letter to a Grantee, there is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by the Grantee before it can be exercised. The maximum number of Shares which may be issued pursuant to the New Share Option Scheme on the Adoption Date will be 55,200,000 Shares, which represents 10% of the issued share capital of the Company as at the date of approval of the proposed adoption of New Share Option Scheme by the Shareholders at the AGM held on 28 May 2015 and as at Latest Practicable Date.

The maximum number of Shares which may be issued upon exercise of all Options granted under the new 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. Any Option lapsed in accordance with the terms of the New 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.

Subject to any condition or restriction in connection with the exercise of the Option which may be imposed by the Board when granting the Option and other provisions of the New Share Option Scheme, the Option may be exercised by the Grantee (or his or her legal personal representative) at any time during the Option Period (the Option Period shall not be more than ten years from the grant date).

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 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.

No Options under the Share Option Scheme have been granted during the year ended 31 December 2015.

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 2015 is as follows:

	Percentage of the Group's total sales (%)		Percentage of the Group's total purchases (%)
The largest customer	19.7	The largest supplier	28.0
Five largest customers in aggregate	48.3	Five largest suppliers in aggregate	70.0

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 2015 have been audited by BDO Limited ("BDO").

The term of office of PricewaterhouseCoopers ("PwC") expired at the annual general meeting of the Company held on 28 May 2015 and as recommended by the Audit Committee of the Company, the Board considered that for the purpose of the interest of the Company and its Shareholders as a whole and given the Group's future expansion and the overall services it required in the future, PwC would not be re-appointed as the auditors of the Company upon the expiration of its term of office. PwC has retired as the auditors of the Company upon expiration of its aforesaid term of office with effect from the conclusion of the annual general meeting of the Company held on 28 May 2015 and did not seek for reappointment.

Upon the recommendation made by the audit committee of the Company, the Board has approved the appointment of BDO as the auditors of the Company on the annual general meeting held on 28 May 2015 through ordinary resolution to fill the vacancy incurred by the resign of PwC and hold office until the conclusion of the forthcoming annual general meeting of the Company.

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

On 7 March 2016, Shanghai Dong Xi Investment Development Company Limited ("Shanghai Dong Xi"), being a company wholly owned by an executive director of the Company, Xihua Shanghai Investment Management Co. Ltd. ("Xihua Investment") and the Biofit, being subsidiaries of the Company, entered into a capital increase agreement (the "Capital Increase") pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20 million to the Biofit.

Approximately RMB7.35 million will be contributed to the registered capital of Biofit, and the remaining of approximately RMB12.65 million will be contributed to capital reserve of Biofit. Upon completion of the Capital Increase, Biofit will be held as to approximately 62.26% by Xihua Investment and 37.74% by Shanghai Dong Xi respectively. The registered capital of Biofit will be increased from approximately RMB12.12 million to approximately RMB19.47 million.

Save for the above mentioned, the Group had no major events after the Reporting Period subsequent to 31 December 2015.

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 2 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 4 provisional meetings, to consider and pass (among others) matters on the Placing and the acquisition of 100% equity interest in Biofit.

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 2015 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 2015, 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 three executive Directors, one 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 2015, the Board held 6 meetings in accordance to the operational and business development of the Group, including 2 regular meetings and 4 provisional meetings. The attendance of each Director is detailed as follows:

	Attended meetings/ convened meetings	Attendance rate
Executive Directors		
Ms. Xie Yingxia	6/6	100%
Mr. Jin Chungen	6/6	100%
Mr. Ling Chao *(note 1)*	2/2	100%
Non-executive Directors		
Mr. Tseung Hok Ming	6/6	100%
Mr. Yang Bin *(note 2)*	4/4	100%
Independent Non-executive Directors		
Mr. Cao Guoqi	6/6	100%
Mr. Cao Kuangyu	6/6	100%
Mr. Lee Ho Yiu Thomas	6/6	100%

note 1 Mr. Ling Chao has been appointed as executive director of the Company on 28 May 2015.

note 2 Mr. Yang Bin has resigned as non-executive director of the Company on 28 May 2015.

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 2015, the audit committee held 2 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 2014 as well as the interim results and financial statements of the Company for the six months ended 30 June 2015.

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 2015, the remuneration committee held two 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 meetings is as follows:

	Attended meetings/ convened meetings	Attendance rate
Mr. Cao Guoqi *(Chairman)*	2/2	100%
Mr. Lee Ho Yiu Thomas	2/2	100%
Mr. Cao Kuangyu	2/2	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 but not limit to 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 2015, the nomination committee held 2 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 meetings is as follows:

	Attended meetings/ convened meetings	Attendance rate
Mr. Cao Guoqi *(Chairman)*	2/2	100%
Mr. Lee Ho Yiu Thomas	2/2	100%
Mr. Cao Kuangyu	2/2	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 Company recognizes the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. 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 2015, 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 28 May 2015 to approve (among others) the audited consolidated financial statements of the Group for the year ended 31 December 2014, reports from Directors and auditors and re-elect Directors retired in rotation. All other Directors of the Company have attended the annual general meeting except that Mr. Cao Kuangyu was unable to attend the annual general meeting held on 28 May 2014 due to business engagement. 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	0/0	0%
Independent Non-executive Directors		
Mr. Cao Guoqi *(chairman of the remuneration committee and the nomination committee)*	1/1	100%
Mr. Cao Kuangyu	0/1	0%
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 2015, 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.

Amendments relevant to risk management and internal control set out in *Corporate Governance Code* and *Corporate Governance Report* of Appendix 14 of the *Listing Rules* will be effective for the accounting period beginning in or after 2016. The Company has approved the amendments to the *Working regulations for the Audit Committee of the Board of Dongwu Cement International Limited (《東吳水泥國際有限公司董事會審核委員會工作條例》)* based on the Code Provision C.2.1 of *Corporate Governance Code* on the board meeting held on 29 December 2015. The Company reviewed the effectiveness and sufficiency of the risk management and internal control systems with continuous commitment for compliance of the provisions for the amendment under *Listing Rules*.

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 2015, the Directors have adopted applicable accounting policies and applied consistently, and made prudent and reasonable judgments and estimates.

Auditor's Remuneration

BDO Limited was the independent auditor of the Company. For the year ended 31 December 2015, the remuneration payable by the Company to BDO Limited is set out below:

Services rendered by the auditor	**Remuneration** *(RMB'000)*
Annual audit service	840
Non-audit services (for review of the interim results of the Group)	120
Total	960

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

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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 47 to 106, which comprise the consolidated statement of financial position as at 31 December 2015, 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 disclosure requirement 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. This report is made solely to you, as a body, in accordance with agreed terms of engagement, 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.

INDEPENDENT AUDITOR'S REPORT

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 financial position of the Group as at 31 December 2015 and of its financial performance 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 requirement of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate no. P05443

Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December **2015** ***RMB'000***	 2014 *RMB'000*
Revenue	*7*	**222,512**	340,093
Cost of sales		**(226,382)**	(321,677)
Gross (loss)/profit		**(3,870)**	18,416
Distribution expenses		**(1,763)**	(2,432)
Administrative expenses		**(22,194)**	(14,799)
Other income	*8*	**10,628**	5,004
Other gains – net	*9*	**4,178**	5,299
Operating (loss)/profit		**(13,021)**	11,488
Finance income		**585**	873
Finance expenses		**(3,511)**	(3,442)
Finance expenses – net	*10*	**(2,926)**	(2,569)
Share of results of associates	*21*	**(163)**	1,059
(Loss)/Profit before income tax credit/(expense)	*11*	**(16,110)**	9,978
Income tax credit/(expense)	*15*	**4,373**	(4,237)
(Loss)/Profit and total comprehensive income for the year		**(11,737)**	5,741
(Loss)/Earnings per share			
– Basic and diluted (RMB per share)	*13*	**(0.021)**	0.011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**127,862**	121,556
Land use rights	*18*	**16,508**	16,912
Goodwill	*17*	**9,396**	–
Intangible assets	*19*	**7,944**	–
Interest in an associate	*21*	**–**	4,427
Available-for-sale financial assets	*22*	**2,898**	–
Other receivables	*24*	**60,123**	61,350
Total non-current assets		**224,731**	204,245
Current assets			
Inventories	*23*	**22,649**	33,369
Trade and other receivables	*24*	**173,320**	157,193
Short-term bank deposits	*26*	**30,000**	20,000
Cash and cash equivalents	*27*	**52,099**	20,120
Total current assets		**278,068**	230,682
Current liabilities			
Trade and other payables	*28*	**70,509**	39,337
Income tax payable		**3,388**	3,524
Borrowings	*29*	**60,000**	50,000
Total current liabilities		**133,897**	92,861
Net current assets		**144,171**	137,821
Total assets less current liabilities		**368,902**	342,066

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2015** ***RMB'000***	 2014 *RMB'000*
Non-current liabilities			
Deferred tax liabilities	*30*	**5,085**	7,134
Total non-current liabilities		**5,085**	7,134
Net Assets		**363,817**	334,932
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31*	**4,490**	4,174
Reserves		**359,327**	330,758
Total equity		**363,817**	334,932

On behalf of the Board

Xie Yingxia
Director

Yang Bin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Other reserves RMB'000 (note 32)	Retained earnings RMB'000	Total RMB'000
At 1 January 2014		4,174	281,317	43,700	329,191
Profit and total comprehensive income for the year		–	–	5,741	5,741
Appropriations to statutory reserves		–	935	(935)	–
At 31 December 2014 and 1 January 2015		4,174	282,252	48,506	334,932
Issue of shares	*31*	**316**	**40,306**	**–**	**40,622**
Loss and total comprehensive income for the year		**–**	**–**	**(11,737)**	**(11,737)**
At 31 December 2015		**4,490**	**322,558**	**36,769**	**363,817**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
(Loss)/profit before income tax credit/(expense)		**(16,110)**	9,978
Adjustment for:			
Depreciation of property, plant and equipment	*16*	**15,516**	24,511
Amortisation of land use rights	*18*	**404**	404
Amortisation of intangibles assets	*19*	**1,243**	–
Provision for impairment/(reversal of provision) for trade receivables	*24*	**690**	(1,281)
Losses on disposal of property, plant and equipment	*9*	**10**	1,442
Finance income	*10*	**(585)**	(873)
Finance expenses	*10*	**3,511**	3,442
Share of results of associates		**163**	(1,059)
Gain on disposals of equity interests in an associate	*9*	**–**	(6,760)
Gain on disposals of available-for-sale financial assets		**(4,188)**	–
Interest income from non-current other receivables	*8*	**(6,306)**	(152)
Operating (loss)/profit before working capital changes		**(5,652)**	29,652
Decrease/(Increase) in inventories		**10,720**	(7,019)
Decrease in trade and other receivables		**41,854**	4,209
Decrease in trade and other payables		**(6,480)**	(7,376)
Cash generated from operating activities		**40,442**	19,466
Interest paid		**(3,511)**	(3,453)
Income tax paid		**(250)**	(824)
Net cash generated from operating activities		**36,681**	15,189

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December **2015** ***RMB'000***	 2014 *RMB'000*
Cash flows from investing activities			
Interest received		**585**	1,301
Purchases of property, plant and equipment	*16*	**(20,691)**	(13,505)
Proceeds from disposal of property, plant and equipment	*9*	**–**	30
Proceeds from disposal of available-for-sale financial assets	*22*	**5,554**	–
Addition short-term bank deposits	*26*	**(10,000)**	(20,000)
Payment for acquisition of subsidiaries (net of cash and cash equivalent acquired)	*34*	**(20,872)**	–
Payment for acquisition of associate		**–**	(75,000)
Net cash used in investing activities		**(45,424)**	(107,174)
Cash flows from financing activities			
Proceeds from issues of shares		**40,622**	–
Proceeds from bank borrowings		**60,000**	50,000
Repayment for bank borrowings		**(59,900)**	(50,000)
Net cash generated from financing activities		**40,722**	–
Net increase/(decrease) in cash and cash equivalents		**31,979**	(91,985)
Cash and cash equivalents at beginning of the year		**20,120**	112,105
Cash and cash equivalents at end of the year	*27*	**52,099**	20,120

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

The Company is an investing holding company. The Company and its subsidiaries as mentioned in note 20 are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operation and construction services (A new business segment during the year). The principal place of the Group's business is Fenbu Economic Development Zone, Wujiang, Jiangsu Province, the People's Republic of China (the "PRC").

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group's financial statements.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

HKFRS 9 (2014) – Financial Instruments

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

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

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs, but other than as described above, the directors anticipated that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and position and/or on the disclosures set out in this report.

(c) *New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements*

The Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") issued by Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. Significant accounting policies

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. Significant accounting policies *(Continued)*

(b) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4. Significant accounting policies *(Continued)*

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. Significant accounting policies *(Continued)*

(e) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost or estimated residual value over their estimated useful lives on a straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Property and plant	20 years
Machinery	10 years
Motor vehicles	5 years
Furniture, fittings and equipments	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Construction in progress ("CIP") represents sewage treatment plant under construction and is stated at cost less impairment losses. CIP is not depreciated and is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

Gain or loss on disposals of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) 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 straight-line method over the lease period of 50 years.

(g) Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives as follows:

Patent	5 years
Software	5 years

(h) Leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentive received from the lessor are charged to profit or loss on straight-line method over the lease terms.

4. Significant accounting policies *(Continued)*

(i) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. Significant accounting policies *(Continued)*

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Available-for-sale financial assets

Available-for-sale equity investment is carried at cost. Impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. Significant accounting policies *(Continued)*

(i) Financial instruments (Continued)

(iii) Financial liabilities

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of director issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contact is discharged, cancelled or expired.

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. Significant accounting policies *(Continued)*

(k) Revenue recognition

Revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Revenue from provision of sewage and sludge treatment is recognised when services are rendered.

Revenue from sewage and sludge treatment construction service is recognised by reference to the percentage of completion of the contracts at the reporting date. The stage of completion is measured by reference to the contract cost incurred as a percentage of total actual on estimated project cost (note 4(s)).

Interest income is accrued on time proportion on the principal outstanding at the applicable interest rate.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. Significant accounting policies *(Continued)*

(m) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(n) Employee benefits

(i) Pension schemes

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

(ii) Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

4. Significant accounting policies *(Continued)*

(o) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less cost to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Government grant

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

4. Significant accounting policies *(Continued)*

(s) Construction contracts

The balances of construction contracts represent the net amount of construction costs incurred to date and recognised profits (less recognised losses), less progress billings and provision for foreseeable contract losses. Construction contract costs are valued at actual cost, and comprise direct materials, direct labour costs, construction machinery costs, other direct costs and construction overheads. For an individual contract whose costs incurred to date plus recognised profits (less recognised losses) exceed progress billings, the gross amount is presented as amounts due from customers for construction work. For an individual contract whose progress billings exceed costs incurred to date plus recognised profits (less recognised losses), the gross amount due to customers for contract work in advance from customers is presented as advances from customers.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(t) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business component and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its HKFRSs financial statements, except that administrative expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude cash and bank balances, and corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude current liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

4. Significant accounting policies *(Continued)*

(u) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting estimates and judgments

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Carrying value of property, plant and equipment

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 recognised 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.

(b) Useful lives of machinery

Management determines 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. Management 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.

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

(c) Estimated impairment of trade and other receivables

The Group maintains a provision for impairment of trade and other receivables arising from the inability of its customers to make the required repayments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that actual impairment loss might be higher than expected, the Group would revise the basis of making the impairment. As at 31 December 2015, provision for impairment on trade receivables amounted to RMB1,366,000 (2014: RMB676,000).

(d) Estimated impairment of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the management's 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 recognised liabilities for anticipated tax charges 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.

(f) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(g) Estimated impairment of intangible assets

Determining whether the intangible assets are impaired requires an estimation of the value-in-use of the CGUs. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

6. Segment information

The chief operating decision-maker has been identified by the Board. During the year, the Group established, among others, new business segment, resulting in a change in composition of reportable operating segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's product and service lines identified as reportable operating segments are as follow:

(i) Production and sales of cements;

(ii) Provision of sewage and sludge treatment operation and construction services. (new segment during the year)

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

6. Segment information *(Continued)*

Corresponding items of segment information for the year ended 31 December 2014, during which, the Board considered the Group had one reporting segment, have been restated for consistent presentation with current year's segment information.

Year ended 31 December 2015

	Production and sales of cements *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Segment revenue	207,410	15,102	222,512
Segment results	(11,879)	(1,536)	(13,415)
Unallocated expenses			(2,695)
Income tax credit	3,981	392	4,373
Loss for the year			(11,737)
As at 31 December 2015			
Segment assets	429,010	63,740	492,750
Unallocated assets			10,049
Total assets			502,799
Segment liabilities	103,512	34,630	138,142
Unallocated liabilities			840
Total liabilities			138,982

6. Segment information *(Continued)*

Year ended 31 December 2014 (restated)

	Production and sales of cements *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Segment revenue	340,093	–	340,093
Segment results	12,652	–	12,652
Unallocated expenses			(2,763)
Income tax expense	(4,148)	–	(4,148)
Profit for the year			5,741
As at 31 December 2014			
Segment assets	433,381	–	433,381
Unallocated assets			1,546
Total assets			434,927
Segment liabilities	99,992	–	99,992
Unallocated liabilities			3
Total liabilities			99,995

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. Revenue derived from one of the external customers amounted to 19.7% of the Group's revenue for the year ended 31 December 2015 (2014: 12%).

7. Revenue

Revenue, which is also the Group's turnover, mainly represents the income from sale of cement products and clinker, provision of sewage and sludge treatment operation and construction services. An analysis of revenue is as follows:

	2015	2014
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**95,560**	197,783
Composite Portland cement strength class 32.5	**111,850**	141,307
Clinker	**–**	1,003
Sewage and sludge treatment operation and construction services	**15,102**	–
	222,512	340,093

8. Other income

	2015	2014
	RMB'000	*RMB'000*
Tax refund *(Note(a))*	**2,493**	4,122
Government grants	**900**	730
Income from loans due from Dongtong *(Note 21)*	**6,306**	152
Exchange difference	**844**	–
Others	**85**	–
	10,628	5,004

a) This is refund of value added tax ("VAT"). Pursuant to the Notice regarding Policies relating to VAT on Products Made through Comprehensive Utilisation of Resources and Certain Other Products issued by the Ministry of Finance and the State Administration of Taxation (財政部國家稅務總局關於部分資源綜合利用及其他產品增值稅政策問題的通知) promulgated on 9 December 2008, the Group's PRC subsidiary, Dongwu Cement, is eligible for VAT refund for utilising recycled materials as raw materials for producing cement. VAT refund is recognised as other income upon the receipt of tax refund approval from the tax bureau.

9. Other gains – Net

	2015 RMB'000	2014 RMB'000
Gain on disposal of available-for-sale financial assets *(Note 22)*	**4,188**	–
Gain on disposal of equity interests in an associate	**–**	6,760
Losses on disposal of property, plant and equipment	**(10)**	(1,442)
Others	**–**	(19)
	4,178	5,299

10. Finance expenses – Net

	2015 RMB'000	2014 RMB'000
Finance expense:		
– Borrowings wholly repayable within 5 years	**(3,511)**	(3,442)
Finance income:		
– Bank deposits	**585**	873
Net finance expenses	**(2,926)**	(2,569)

11. (Loss)/profit before income tax credit/(expense)

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

	2015 RMB'000	2014 RMB'000
Cost of inventories sold	**215,791**	320,521
Depreciation of property, plant and equipment	**15,516**	24,511
Amortisation of land use rights	**404**	404
Amortisation of intangible assets	**1,243**	–
Provision for impairment/(reversal of provision) for trade receivables	**690**	(1,281)
Minimum lease payments under operating leases for building	**798**	–
Research and development expenses	**439**	–
Employee expenses (including directors' remuneration)		
– wages and salaries	**13,452**	14,043
– pension scheme contribution	**2,745**	1,914
Auditors' remuneration	**960**	1,308

12. Dividends

No dividends were declared by the Board of the Company for the years ended 31 December 2015 and 2014.

13. (Loss)/Earning per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 Group and held as treasury shares if any.

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity shareholders of the Company *(RMB'000)*	**(11,737)**	5,741
Weighted average number of ordinary shares in issue *('000 share)*	**547,178**	512,000
Basic and diluted (loss)/earnings per share *(RMB)*	**(0.021)**	0.011

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2015 and 2014, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

14. Directors' and senior management's emoluments and five highest paid individuals

(a) *Directors' emoluments*

Directors' emolument for the year, disclosed pursuant to the Listing Rules and Section 383 of the Hong Kong Companies Ordinance, (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

Name	Fees	Salary, allowance and other benefits	Employer's contribution to pension scheme and discretionary bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015				
Executive directors				
Ms. Xie Yingxia	–	193	–	193
Mr. Jin Chungen	–	193	–	193
Mr. Ling Chao *(note (i))*	–	113	–	113
Non-executive director				
Mr. Tseung Hok Ming	193	–	–	193
Mr. Yang Bin *(note (ii))*	80	–	–	80
Independent non-executive directors				
Mr. Lee Ho Yiu Thomas	145	–	–	145
Mr. Cao Kuangyu	145	–	–	145
Mr. Cao Guoqi	145	–	–	145
	708	499	–	1,207

Notes:

(i) Appointed on 28 May 2015.

(ii) Resigned on 28 May 2015.

14. Directors' and senior management's emoluments and five highest paid individuals *(Continued)*

(a) ***Directors' emoluments*** *(Continued)*

Name	Fees	Salary, allowance and other benefits	Employer's contribution to pension scheme and discretionary bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014				
Executive directors				
Ms. Xie Yingxia	–	190	–	190
Mr. Jin Chungen	–	190	–	190
Non-executive director				
Mr. Tseung Hok Ming	190	–	–	190
Mr. Yang Bin	190	–	–	190
Independent non-executive directors				
Mr. Lee Ho Yiu Thomas	143	–	–	143
Mr. Cao Kuangyu	143	–	–	143
Mr. Cao Guoqi	143	–	–	143
	809	380	–	1,189

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2015 (2014: nil).

14. Directors' and senior management's emoluments and five highest paid individuals *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 included four of the directors of the Company (2014: four).

Emoluments paid and payable to the remaining one (2014: one) individual for the year ended 31 December 2015 are as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries and other benefits	**193**	190
Discretionary bonuses	**–**	–
Employer's contribution to pension scheme	**–**	–
	193	190

Emolument paid to the above non-director highest paid individual fell within the band of Nil-HK$1,000,000 (2014: Nil-HK$1,000,000).

During the year, no emolument was paid by the Group to the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: nil).

15. Income tax (credit)/expense

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of all the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2015 and 2014.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2015 (2014: nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil).

Income tax credit/(expense) charged to the consolidated statement of comprehensive income represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax on profit for the year		
– Current year	**–**	1,876
– Under provision in respect of prior years	**114**	–
	114	1,876
Deferred tax on origination and reversal of temporary differences *(Note 30)*	**(4,487)**	2,361
Income tax (credit)/expense	**(4,373)**	4,237

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

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit before income tax (credit)/expense	**(16,110)**	9,978
Tax calculated at the PRC profits tax rate of 25% (2014:25%)	**(4,028)**	2,495
Effect of different tax rates in other jurisdictions	**594**	790
Tax effect of expenses not deductible for tax purposes	**228**	344
Utilisation of tax losses previously not recognised	**(284)**	–
Tax effect of tax loss not recognised	**1,529**	933
Tax effect of revenue not taxable for tax purposes	**(992)**	(1,431)
Tax effect of share of results of associates	**41**	265
Effect of temporary difference not recognised	**(392)**	–
Under provision in respect of prior years	**114**	–
Deferred taxation on withholding tax	**(1,183)**	841
Income tax (credit)/expense	**(4,373)**	4,237

16. Property, plant and equipment

	Construction in progress	Properties and plant	Machinery	Motor vehicles	Furniture, fittings and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	–	–	(1,466)	(6)	–	(1,472)
Depreciation	–	(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
Year ended 31 December 2015						
Opening net book amount	**–**	**79,360**	**39,518**	**1,302**	**1,376**	**121,556**
Addition from acquired of subsidiaries *(Note 34)*	**–**	**–**	**–**	**569**	**572**	**1,141**
Additions	**5,079**	**3,346**	**10,918**	**–**	**1,348**	**20,691**
Disposals	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Depreciation	**–**	**(6,861)**	**(7,454)**	**(563)**	**(638)**	**(15,516)**
Closing net book amount	**5,079**	**75,845**	**42,982**	**1,308**	**2,648**	**127,862**
At 31 December 2015						
Cost	**5,079**	**148,923**	**202,690**	**2,942**	**11,626**	**371,260**
Accumulated depreciation	**–**	**(73,078)**	**(159,708)**	**(1,634)**	**(8,978)**	**(243,398)**
Net book amount	**5,079**	**75,845**	**42,982**	**1,308**	**2,648**	**127,862**

17. Goodwill

Goodwill of RMB9,396,000 (2014: Nil) was acquired through business combination during the year ended 31 December 2015 (note 34) and it is solely allocated to the CGU, namely the Biofit Group (as defined in note 34).

The recoverable amount of the goodwill has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period. We extrapolated using an estimated weighted averaged growth rate of 1%.

Discount rate	21%
Operating margin*	21%-23%
Growth rate within the five-year period	10%-30%

* defined as profit before income tax expense divided by revenue

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation and the result of the market research and prediction.

18. Land use rights

	2015	2014
	RMB'000	*RMB'000*
Beginning of year	**16,912**	17,316
Amortisation	**(404)**	(404)
End of year	**16,508**	16,912

The Group's land use rights represent prepaid operating lease payments in the PRC on the leases of between 10 to 50 years, outside Hong Kong.

Amortisation of land use rights is included in administrative expenses in the consolidated statement of comprehensive income.

19. Intangible assets

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 31 December 2014 and 1 January 2015	–	–	–
Addition from acquired of subsidiaries *(Note 34)*	6	9,181	9,187
At 31 December 2015	6	9,181	9,187
Accumulated amortisation:			
At 31 December 2014 and 1 January 2015	–	–	–
Amortisation	2	1,241	1,243
At 31 December 2015	2	1,241	1,243
Net book value:			
At 31 December 2015	4	7,940	7,944
At 31 December 2014	–	–	–

20. Investment in a subsidiary

The particulars of the Company's subsidiaries as at 31 December 2015 are as follow:

Name	Place and date of incorporation	Place of operation, 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 in Hong Kong, a limited liability company	USD50,000	100%	–
Dongwu Cement (Hong Kong) Limited ("Dongwu HK")	Hong Kong, 16 December 2011	Investment holding in Hong Kong, a limited liability company	HK$1	–	100%
蘇州東吴水泥有限公司 (Suzhou Cement Co., Ltd.*, "Dongwu Cement")	PRC, 5 June 2003	Production and sales of cement in the PRC, 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 in Hong Kong, 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 in the PRC, a limited liability company	USD10,000,000	–	100%

20. Investment in a subsidiary *(Continued)*

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued/paid-in capital	Equity interest held Direct	Equity interest held Indirect
上海百菲特環保科技有限公司 (Shanghai Biofit Environmental Technology Co., Ltd.*, "Shanghai Biofit")	PRC, 5 July 2011	Provision of sewage treatment operation and construction services in the PRC, a limited liability company	RMB12,121,200	–	100%
濟寧百菲特環保科技有限公司 (Jining Biofit Environmental Technology Co., Ltd.,* "Jining Biofit")	PRC, 11 January 2013	Provision of sewage treatment operation and construction services in the PRC, a limited liability company	RMB10,000,000	–	100%
上海富誠環保科技有限公司 (Shanghai Fu Cheng Environmental Technology Co., Ltd.,* "Shanghai Fu Cheng")	PRC, 15 December 2009	Provision of sewage treatment operation and construction services in the PRC, a limited liability company	RMB5,000,000	–	100%
紹興祥禹環保科技有限公司 (Shao Xing Yu Environmental Technology Co., Ltd.,* "Shao Xing Yu")	PRC, 30 April 2014	Provision of sewage treatment operation and construction services in the PRC, a limited liability company	RMB3,000,000	–	100%

* The English translation of the entities names are for reference only. The official names of these entities are in Chinese.

21. Investment in an associate

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

	2015	2014
	RMB'000	*RMB'000*
Share of net assets of an associate	**–**	4,427

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

	2015	2014
	RMB'000	*RMB'000*
Associate *(note (i))*	**–**	1,240
Individually immaterial associate *(note (ii))*	**(163)**	(181)
	(163)	1,059

(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.

	2015	2014
	RMB'000	*RMB'000*
Opening balance at 1 January	**–**	–
Additions *(Note (a))*	**–**	75,000
Share of profit	**–**	1,240
Disposals *(Note (b))*	**–**	(76,240)
Closing balance at 31 December	**–**	–

21. Investment in an associate *(Continued)*

(i) Interests in an associate (Continued)

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 (a)	Equity

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

Notes:

(a) For the period from 15 January to 21 December 2014, the Group held 50% equity interest of Dongtong upon its incorporation. The Group had significant influence to the board of directors of Dongtong as the Group had appointed one director into the board of a total of three directors, and the board decision is approved by simple majority.

(b) 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. The Group has recognised a disposal gain amounting to RMB1,352,000. The consideration was subsequently received in January 2015.

On the same date, in order to stabilise the annual return to the Group, after approval by the board of directors of Dongtong, the Group agreed to received a fixed annual payment to the Group for the period from 23 December 2014 up to 31 December 2017 under the guarantees of two other shareholders of Dongtong. The fixed annual income (which is interest income) is receivable on 31 December each year and the loan principal of RMB60,000,000 is to be repaid on 31 December 2017. In return, the Group agreed to terminate all its shareholder's rights associated to the investments and the assigned director from the Group to the board of Dongtong has resigned from the directorship. As such, the Group disposed of its 40% equity interest in Dongtong and recognised a disposal gain amounting to RMB5,408,000. Loans due from Dongtong amounting to RMB66,400,000 (Note 24) are thus initially recognised at fair value and subsequently carried at amortised cost using effective interest method.

21. Investment in an associate *(Continued)*

(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.

	2015	2014
	RMB'000	*RMB'000*
Carrying amount of the associate		
At 1 January	**4,427**	4,608
Amount of the reporting entity's share of:		
Share of losses	**(163)**	(181)
Derecognition to available-for-sale financial assets *(note)*	**4,264**	–
At 31 December	**–**	4,427

The Group acquired 10% equity interest in GinkgoPharma for a cash consideration of RMB5,000,000 on 18 February 2013. In 2014, as the Group exercised significant influence by appointment of one director to the board of directors of GinkgoPharma out of a total of five directors and has the power to participate in the financial and operating policy decisions of GinkgoPharma, this investment was accounted for under equity method.

Note: On 21 May 2015, the director of GinkgoPharma appointed by the Group was removed, and thereafter the Group had no representation in the board of directors in GinkgoPharma. As a result, management is in the opinion that the Group had no further significant influence over GinkgoPharma, and the carry amount of investment was derecognised as available-for-sale financial assets on the same date.

22. Available-for-sale financial assets

	Note	2015 RMB'000	2014 RMB'000
At 1 January		**–**	–
During the year,			
– Derecognition of an associate *(Note 21(ii)))*	*(a)*	**4,264**	–
– Disposals	*(b)*	**(1,366)**	–
Unlisted equity securities, at cost		**2,898**	–

Notes:

(a) The balance as at 31 December 2015 (2014: Nil) represents equity investment in GinkgoPharma (Note 21), which is engaged in manufacturing and trading of pharmaceutical products in the PRC. The carrying amount was transfer from investment in associate as a result of loss of representation in the board of directors (Note 21(ii)(note)). The balance related to unlisted equity interest and is measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant. Accordingly, the directors of the Company are of the opinion that fair value cannot be reliably measured. As management intends to hold the investments for long term, the balance is classified as an non-current asset at 31 December 2015.

(b) On 20 September 2015, the Group entered into an agreement with an independent third party company and disposed of 2.78% equity interest in GinkgoPharma at a consideration RMB 5,554,000. A disposal gain of RMB4,188,000 is thus recognised as other gain (Note 9). As at 31 December 2015, the Group hold 5.887% equity interest in GinkgoPharma (2014: Nil).

23. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**11,913**	19,246
Work-in-progress	**3,282**	8,700
Finished goods	**7,454**	5,423
	22,649	33,369

24. Trade and other receivables

	2015	2014
	RMB'000	*RMB'000*
Trade and bills receivables due from third parties	**124,313**	119,202
Less: provision for impairment of trade receivables	**(1,366)**	(676)
Trade and bills receivables, net *(note (i))*	**122,947**	118,526
Amounts due from customers for construction work *(Note 25)*	**16,137**	–
Prepayments	**13,672**	16,446
Loans to Dongtong	**66,400**	66,400
Amount due from a third party company	**–**	16,600
Advances to suppliers	**5,230**	–
Other receivables	**9,057**	571
Prepayments, deposits and other receivables	**94,359**	100,017
Total trade and other receivables	**233,443**	218,543
Less: non-current portion		
– Prepayments for acquisition of machinery	**–**	(1,030)
– Loans to Dongtong	**(60,123)**	(60,320)
	(60,123)	(61,350)
Trade and other receivables – current portion	**173,320**	157,193

As at 31 December 2015 and 2014, no trade and bills receivable was pledged for the borrowings. All non-current receivables are due within five years from the end of the year.

24. Trade and other receivables *(Continued)*

(i) Trade and bills receivables

Credit terms given to its customers in cement segment is generally ranged from 30 to 90 days (2014: 30 to 90 days), while those given to those in the sewage and sludge treatment segment (new segment) is generally 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.

Ageing analysis of trade and bills receivables (net of impairment losses) is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**53,253**	77,991
From 91 days to 180 days	**32,636**	35,098
From 181 days to 1 year	**21,462**	4,263
From 1 year to 2 years	**13,694**	1,140
Over 2 years	**1,902**	34
	122,947	118,526

As at 31 December 2015, trade receivables of RMB1,366,000 (2014: RMB676,000) had been impaired. The amount of the provision was RMB690,000 (2014: RMB186,000). The individually impaired receivables mainly related to certain customers, which are in unexpectedly difficult economic situations.

24. Trade and other receivables *(Continued)*

(i) Trade and bills receivables (Continued)

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a))*	**62,691**	98,535
1 to 90 days past due *(note (b))*	**23,198**	14,554
91 to 180 days past due *(note (b))*	**21,462**	4,263
181 to 1 year past due *(note (b))*	**13,694**	1,140
More than 1 year past due *(note (b))*	**1,902**	34
	122,947	118,526

Notes:

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

(b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Except for the trade receivables amounted to approximately RMB4,359,000 are guaranteed by the former owners of Biofit Group. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2015	2014
	RMB'000	*RMB'000*
Beginning of year	**676**	6,756
Provision for the year	**690**	186
Release of provision upon collection during the year	**–**	(1,467)
Receivables written off during the year as uncollectible	**–**	(4,799)
End of year	**1,366**	676

The origination and release of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(i)(ii).

25. Amounts due from Customers for construction work

	2015 *RMB'000*	2014 *RMB'000*
Contracts in progress at the end of year:		
Contract cost incurred	**30,610**	–
Recognised profits less recognised losses	**309**	–
	30,919	–
Progress billings	**(14,782)**	–
	16,137	
Represented by:		
Due from customers included in current assets	**16,137**	–

26. Short-term bank deposits

The balances as at 31 December 2015 and 2014 are all short-term bank deposits with original maturities exceeding three months. These deposits are all denominated in RMB, with an interest rate of 1.98% (2014: 3.06%) per annum.

27. Cash and cash equivalents

The balance of RMB42,212,000 was denominated in RMB at 31 December 2015 (2014: RMB18,659,000). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. Trade and other payables

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**56,452**	33,274
Advances from customers	**1,047**	1,288
Salary payables	**1,569**	1,165
Other tax payables *(Note (a))*	**2,153**	1,001
Other payables	**3,630**	2,609
Amount due to a director of subsidiary	**5,658**	–
	70,509	39,337

The credit period granted by the Group's principal suppliers in cement segment is generally ranged from 30 to 90 days (2014:30 to 90 days), which those granted by those in the sewage and sludge treatment segment (new segment) is generally ranged from 30 to 90 days.

Ageing analysis of trade payables is as follows:

	2015	2014
	RMB'000	*RMB'000*
Below 30 days	**12,212**	14,947
From 31 to 90 days	**14,044**	14,246
From 91 days to 180 days	**9,881**	1,795
From 181 days to 1 year	**5,131**	1,018
From 1 year to 2 year	**14,325**	495
Over 2 years	**859**	773
	56,452	33,274

Note:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2014: 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.

29. Borrowings

The balances at 31 December 2015 and 2014 are all unsecured bank borrowings repayable within one year. Interest is charged on the outstanding balances of these borrowings at the rate of ranged between 5.58% and 6.53% (2014: 6.44% to 6.90%) per annum.

30. Deferred tax liabilities

Movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets	**Provisions**	**Tax loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	1,689	–	1,689
Charged to profit or loss	(1,520)	–	(1,520)
At 31 December 2014	169	–	169
Credited to profit or loss	159	2,753	2,912
At 31 December 2015	328	2,753	3,081

Deferred tax liabilities	**Withholding tax for attributable profit relating to equity holders** *(Note (a))*	**Revaluation of intangible assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	6,462	–	6,462
Charged to profit or loss	841	–	841
At 31 December 2014	7,303	–	7,303
Acquisition through business combination *(Note 34)*	–	2,438	2,438
Credited to profit or loss	(1,183)	(392)	(1,575)
At 31 December 2015	6,120	2,046	8,166

30. Deferred tax liabilities *(Continued)*

(a) Pursuant to the PRC Corporate Income Tax Law, effective from 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC 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 the PRC in respect of their earnings generated from 1 January 2008.

(b) Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of losses amounting to RMB2,361,000 (2014: RMB3,375,000) that generated from the companies established in Cayman Islands and the BVI as they are not subject to any income tax in those jurisdictions.

For the purpose of presentation in consolidated statement of financial position, deferred tax assets and liabilities have been offset.

	2015	2014
	RMB'000	*RMB'000*
Deferred tax liabilities, net	**5,085**	7,134

Movements in deferred tax liabilities are as follows:

	2015	2014
	RMB'000	*RMB'000*
Opening balance at 1 January	**7,134**	4,773
Acquisition through business combination *(Note 34)*	**2,438**	–
(Credit)/charged to profit or loss *(Note 15)*	**(4,487)**	2,361
Closing balance at 31 December	**5,085**	7,134

31. Share capital

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	10,000,000,000	100,000	81,520
Issued:			
Ordinary shares of HK$0.01 each as at 1 January 2014, 31 December 2014, 1 January 2015	512,000,000	5,120	4,174
Issue of shares *(Note)*	40,000,000	400	316
As 31 December 2015	552,000,000	5,520	4,490

Note: On 23 January 2015, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has agreed to place, to not less than six places who are independent third parties to subscribe up to 40,000,000 new shares at a price of HK$1.30 per placing share. The placing was completed on 13 February 2015 and the independent third parties did not become substantial shareholders of the Company after the completion of placing. Total proceeds of the placing share issued were HK$52,000,000 (equivalent to approximately RMB40,622,000), of which HK$400,000 (equivalent to approximately RMB316,000) and HK$51,600,000 (equivalent to approximately RMB40,306,000 (note 32) were credited to share capital and share premium respectively.

32. Other reserves

	Share premium RMB'000	Statutory reserve *(Note (a))* RMB'000	Merger reserve *(Note (b))* RMB'000	Total RMB'000
At 1 January 2014	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
Issue of shares	40,306	–	–	40,306
At 31 December 2015	108,090	22,457	192,011	322,558

32. Other reserves *(Continued)*

(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 subsidiaries 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 subsidiaries. For the year ended 31 December 2015, the Company's subsidiaries in the PRC has reported loss and no appropriation to the statutory reserve (2014: RMB935,000).

(b) Merge reserve

The Company was incorporated on 29 November 2011 and the Group's reorganisation was completed prior to 31 December 2011. This reserve as at 31 December 2015 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

In 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.

33. Statement of financial position

	Notes	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**208,245**	208,245
Current assets			
Amount due from subsidiaries		**90,026**	54,055
Other receivables		**162**	63
Cash and cash equivalents		**8,924**	1,018
Total current liabilities		**99,112**	55,136
LIABILITIES			
Current liabilities			
Amount due to a subsidiary		**1,665**	1,489
Total current liabilities		**1,665**	1,489
Net current assets		**97,447**	53,647
Total assets less current liabilities		**305,692**	261,892
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31*	**4,490**	4,174
Reserves		**301,202**	257,718
Total equity		**305,692**	261,892

On behalf of the Board

Xie Yingxia
Director

Yang Bin
Director

34. Business combination

On 30 April 2015, the Group acquired entire equity interest in Shanghai Biofit Environmental Technology Co. Ltd and its subsidiaries (together the "Biofit Group") at a consideration of RMB30,254,000. The Biofit Group is principally engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services.

Goodwill of RMB9,396,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The fair value of identifiable assets and liabilities of the Biofit Group as at the date of acquisition were:

	RMB'000
Property, plant and equipment	1,141
Intangible assets	9,187
Trade receivables	6,685
Amount due from customers for contract work	16,896
Prepayments, deposits and other receivables	27,557
Bank and cash balances	9,382
Trade payables	(35,096)
Accruals and other payables	(2,556)
Borrowings	(9,900)
Deferred tax liabilities recognised upon fair value adjustments *(Note 30)*	(2,438)
Net assets attributed to the Group acquired	20,858
Bank and cash balances acquired	9,382
Cash consideration paid	(30,254)
Net cash outflow	(20,872)

Since the acquisition date, the Biofit Group has contributed RMB15,102,000 and RMB1,536,000 to Group's revenue and loss respectively. If the acquisition had occurred on 1 January 2015, the Group's revenue and loss would have been RMB18,557,000 and RMB3,356,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future performance.

The acquisition-related costs of RMB190,000 had been expensed and were included in administrative expenses.

35. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Financial assets:		
Available-for-sale financial assets	**2,898**	–
Loan and receivables		
Trade and other receivables excluding prepayments	**219,771**	202,097
Cash and cash equivalents	**52,099**	20,120
Short-term bank deposits	**30,000**	20,000
Total	**304,768**	242,217
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	**60,000**	50,000
Trade and other payables excluding non-financial liabilities	**60,082**	35,883
Total	**120,082**	85,883

36. Financial risk management and fair value

The Group has various financial assets and liabilities such as cash and cash equivalents, trade and other receivables, trade and other payables and balances with related companies and directors.

The main risks arising from the Group's financial instruments are foreign currency risk, cash flow interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk is limited to its bank balances denominated in Hong Kong Dollars ("HKD") as majority of the Group's transactions, monetary assets and liabilities are denominated in RMB.

The carrying amounts of the Group's material monetary assets that are denominated in RMB at the end of reporting period are as follows:

	Assets	
	2015	2014
	RMB'000	*RMB'000*
HKD	**9,881**	1,456
USD	**6**	5
	9,887	1,461

Sensitivity analysis

The following table indicates the approximate change in the Group's profit before income tax expense for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number below indicates an increase in profit or decrease in loss.

	Effect on profit for the year	
	2015	2014
	RMB'000	*RMB'000*
HKD to RMB		
Appreciated by 3%	**296**	44
Depreciated by 3%	**(296)**	(44)
USD to RMB		
Appreciated by 3%	**–**	–
Depreciated by 3%	**–**	–

36. Financial risk management and fair value *(Continued)*

(a) Foreign currency risk (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of reporting period and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

(b) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group 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 fair value interest rate risk arises primarily from short-term borrowings as disclosed in note 29. Borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

	2015		2014	
	Effective interest rate ***(% per annum)***	**Amount** ***RMB'000***	Effective interest rate *(% per annum)*	Amount *RMB'000*
Financial assets				
Fixed rate receivables				
– Short-term bank deposits	**1.98%**	**30,000**	3.06%	20,000
– Loan receivables	**10.45%**	**66,400**	10.45%	66,400
Financial liabilities				
Fixed rate borrowing				
– Bank borrowings	**6.13%**	**60,000**	6.59%	50,000

36. Financial risk management and fair value *(Continued)*

(c) 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.

As at 31 December 2015, 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 and bill receivables, which is accounted for by amounts due from the Group's top five customers as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Balance of trade and bill receivables from top five customers	**52,316**	27,160
Balance of trade and bill receivables *(Note 24)*	**122,947**	118,526
Percentage	**42.55%**	22.91%

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 2015 and 2014, there was no financial guarantee provided by the Group.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, was less than one year.

(e) Fair value

The carrying amounts of the financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments.

37. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the year.

Management regards total equity attributable to owners of the Company as capital. The amount of capital as at 31 December 2015 amounted to approximately RMB363,817,000 (2014: RMB334,932,000) which management considers as optimal having considered the projected capital expenditures and the strategic opportunities.

38. Non-cash transactions

The principal non-cash transactions are the disposals of 40% equity interests held in Dongtong (Note 21) for the year ended 31 December 2014.

39. Lease commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under operating leases which fall due as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**953**	–
In the second to fifth year, inclusive	**852**	–
	1,805	–

Operating lease payment represented rental payable by the Group for certain of its offices. Leases are negotiated for lease terms of one to three years.

40. Capital commitments

There was no capital expenditure of property, plant and equipment contracted but not yet incurred as at 31 December 2015 (2014: RMB176,000).

41. Related party transactions

Key management compensation

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

	2015	2014
	RMB'000	*RMB'000*
Basic salaries and benefit in kind	**1,207**	1,813

The remuneration of the Group's key management personal fell within the band of nil to HK$1,000,000 for the years ended 31 December 2015 and 2014.

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2015 (31 December 2014: Nil).

42. Events after the balance sheet date

On 7 March 2016, Shanghai Dong Xi Investment Development Company Limited ("Shanghai Dong Xi"), being a company wholly owned by an executive director of Shanghai Biofit, Xihua Investment and the Shanghai Biofit, entered into a capital increase agreement (the "Capital Increase") pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20 million to the Shanghai Biofit.

Approximately RMB7.35 million will be contributed to the registered capital of Shanghai Biofit, and the remaining of approximately RMB12.65 million will be contributed to capital reserve of Shanghai Biofit. Upon completion of the Capital Increase, Shanghai Biofit will be held as to approximately 62.26% by XiHua Investment and 37.74% by Shanghai Dong Xi respectively. The registered capital of Shanghai Biofit will be increased from approximately RMB12.12 million to approximately RMB19.47 million.

43. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016.