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

2017
Annual Report

CONTENTS

DEFINITIONS

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

associated corporation(s)	has the same meaning ascribed to it under the SFO
Articles of Association	the Memorandum and Articles of Association of the Company
associate(s)	has the same 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
Group	the Company and its subsidiaries
Director(s)	the director(s) of the Company
Biofit	Shanghai Biofit Environmental Technology Co., Ltd.*(上海百菲特環保科技有限公司), a company incorporated in the PRC with limited liability
Shanghai Xihua	Xihua Shanghai Investment Management Co., Ltd.*(熙華(上海)投資管理有限公司), a company registed in the PRC with limited liability, being a wholly-owned subsidiary of the Company
Concord	Concord Ocean Ltd, a substantial shareholder of the Company, wholly-owned by Mr. Jin Chungen, the chief executive officer of the Company
Corporate Governance Code	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
controlling shareholder(s)	has the same meaning ascribed to it under the Listing Rules
Goldview	Goldview Development Limited, a controlling shareholder and an associated corporation of the Company, wholly-owned by Mr. Tseung Hok Ming, a non-executive Director

DEFINITIONS

HK$	Hong Kong dollars, the lawful currency of Hong Kong
independent third Partie(s)	has the same meaning ascribed to it under the Listing Rules
IPO	the initial public offering of the Shares by the Company on June 2012
Latest Practicable Date	28 March 2018
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 2017
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shares	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 same meaning ascribed to it under the Listing Rules
%	per cent

CORPORATE INFORMATION

Board of Directors

Executive Directors

Xie Yingxia *(Chairman)*
Ling Chao
Peng Cheng
Wong Hin Shek (resigned on 28 August 2017)
Wang Jun
Chan Ka Wing (appointed on 1 September 2017)

Non-executive Director

Tseung Hok Ming

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
Sun Xin

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Stock Code

695

Company Website

www.dongwucement.com

Registered Office

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

Principal Place of Business in the PRC

East Taipu River Bridge Southeast
Lili Town,Wujiang District
Suzhou, Jiangsu Province, PRC

Principal Place of Business in Hong Kong

Suite 2510, 25/F, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queens Road East
Wan Chai, Hong Kong

Hong Kong Legal Advisor

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

Contacts Details

Tel: (852) 2520 0978
Fax: (852) 2520 0696
Email: admin@dongwucement.com

FINANCIAL HIGHLIGHTS

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

	2017	2016 (Re-presented)
Revenue		
– continuing operations	**356,982**	222,543
– discontinued operation	**581**	33,371
Operating profit from continuing and discontinued operations	**46,366**	8,632
Profit/(loss) before income tax		
– continuing operations	**47,823**	5,149
– discontinued operation	**(4,339)**	508
Profit for the year attributable to owners of the Company from continuing and discontinued operations	**25,899**	2,564
Basic and diluted earnings per share (expressed in RMB per share) from continuing and discontinued operations	**0.047**	0.005

Consolidated statement of financial position *(expressed in RMB'000)*

	2017	2016
Non-current assets	**193,297**	150,207
Current assets	**404,403**	357,683
Total assets	**597,700**	507,890
Total equity	**413,128**	388,032
Non-current liabilities	**9,352**	6,514
Current liabilities	**175,220**	113,344
Total liabilities	**184,572**	119,858
Total equity and liabilities	**597,700**	507,890

Consolidated statement of cash flows *(expressed in RMB'000)*

	2017	2016
Net cash flows from/(used in) operating activities	**11,259**	(48,592)
Net cash flows (used in)/from investing activities	**(22,137)**	1,442
Net cash flows generated from financing activities	**20,526**	14,000
Net increase/(decrease) in cash and cash equivalents	**9,648**	(33,150)

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
– continuing operations	**356,982**	222,543	207,410	340,093	359,007
– discontinued operation	**581**	33,371	15,102	–	–
	357,563	255,914	222,512	340,093	359,007
Cost of sales[1]	**289,475**	(231,164)	(226,382)	(321,677)	(314,428)
Gross profit/(gross loss)[1]	**68,088**	24,750	(3,870)	18,416	44,579
Operating profit/(loss)[1]	**46,366**	8,632	(13,021)	11,488	28,659
Profit/(loss) before tax[1]	**43,484**	5,657	(16,110)	9,978	25,216
Income tax (expense)/credit[1]	**(18,388)**	(1,442)	4,373	(4,237)	(8,963)
Profit/(loss) for the year attributable to owners of the company	**25,899**	2,564	(11,737)	5,741	16,253

Assets and liabilities

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**597,700**	507,890	502,799	434,927	433,159
Total liabilities	**184,572**	119,858	138,982	99,995	103,968
Total equity	**413,128**	388,032	363,817	334,932	329,191

[1] from continuing and discontinued operations

BUSINESS REVIEW

In 2017, in the context that the macroeconomic recorded steady growth and the cement industry witnessed recovery under the significant contributions of supply side, the Group proactively adjusted its strategies, strengthened internal management, diversified its revenue sources and enhanced cost reduction, controlled production and operation cost, maintained consistent product quality and expanded sales channels. During the Reporting Period, the Group recorded significant growth for its production volume, sales volume, revenue and profit as compared with 2016.

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 2017, the output for cement clinker amounted to approximately 736,000 tonnes, and cement output amounted to approximately 1,358,000 tonnes, among which, approximately 643,000 tonnes were grade 32.5R cement and approximately 715,000 tonnes were grade 42.5R cement. The production costs for grade 32.5R cement, grade 42.5R cement and cement segments increased to some extent as compared to 2016. The supply of raw and auxiliary materials for the production 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 recovery in cement sector, competition within cement market was fierce. During the year, the Group recorded product sales volume of approximately 1,376,000 tonnes, among which, approximately 725,000 tonnes were grade 32.5R cement and approximately 651,000 tonnes were grade 42.5 cement, the income of the cement segment from principal business amounted to approximately RMB356,982,000. Both the sales volume and income showed a significant increase as compared to last year.

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, improve production efficiency and reduce production cost and enhance 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.

During 2017, the Board had a discussion on business planning of the Group and formulating its business strategies for the coming years. It considered that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its revenue source by investing in businesses with growth potential and broaden its source of income. The Board commenced looking into possible acquisitions of the licensed corporation(s) to carry out financial services and investment businesses and the property development and property investment businesses.

BUSINESS REVIEW

In August 2017, the Group entered into conditional sale and purchase agreement for the acquisition of a company which is licensed corporations to carry out Type 1 (Dealing in securities) regulated activity under the SFO. Besides, in December 2017, the Group had acquired Golden Stars Assets Management Limited ("Golden Stars"), which is incorporated in Hong Kong and holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "Money Lenders Ordinance") to carry out money lending business in Hong Kong.

The Group continues to look into possible acquisitions of relevant licences and recruitments of qualified persons to carry out the corresponding financial services activities. We believe that the development of such services can complement the one-stop solutions that the Group can offer to its customers while creating an independent business segment that can bring values to our Shareholders through better deployment of available resources.

On the other hand, in October 2017, (i) the Group; (ii) a company wholly-owned by Mr. Tseung Hok Ming, the non-executive Director and the controlling shareholder of the Company, as vendor; and (iii) Mr. Tseung Hok Ming, as the guarantor, entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire and the vendor has conditionally agreed to sell (i) the entire issued share capital of Loyal Fame Global Limited and Greensburg Holdings Limited, being companies incorporated in the British Virgin Islands with limited liability (together with their subsidiaries, the "Saipan Group"); and (ii) all obligations, liabilities and debts owing or incurred by the Saipan Group to the vendor and its associates, at a consideration of HK$472,000,000.

We are confident with the future development of our property development business and financial services business, including but not limited to money lending, asset management, fund management, financial advisory and brokerage service, and we plan to further increase in the scale of our financial services business. We will also look into potential investees in the financial service platform to diversify our financial services business and achieve synergy effect.

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 2017, together with audited consolidated financial statements.

Financial Results

In 2017, as for the cement segment of the Group, the sales volume amounted to approximately 1,375.8 thousand tonnes, representing an increase of approximately 17.1% from 2016; the revenue amounted to approximately RMB356,982,000, representing an increase of approximately 61.7% from 2016; the gross profit margin amounted to approximately 19.1%, representing an increase of approximately 12.2% from 2016. Further details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2017, profit attributable to the Shareholders and the basic earnings per share were approximately RMB25,899,000 and RMB0.047, respectively.

Dividends

The Board does not recommend payment of any final dividend for the year ended 31 December 2017.

Business Operation in 2017

In 2017, as the macroeconomic recorded steady growth and the cement industry witnessed recovery under the significant contributions of supply side, the Group's sale volume, turnover and gross profit recorded obvious increase as compared with the previous year.

In 2015, the Group entered into an acquisition agreement with an independent third party through its wholly-owned subsidiary Shanghai Xihua, and acquired the entire equity interest in Shanghai Biofit Environmental Technology Co. Ltd ("Shanghai Biofit"). Shanghai 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 Group expected that the acquisition of Biofit may generate synergy with its existing operations and diversify business income streams of the Group. However, as we evaluated operation performance in past years, the Board considered Shanghai Biofit did not achieved expected significant progress in respect of its business. With the consideration and approval of the Board, the Group has entered a sale and purchase agreement with an independent third-party on 5 January 2018 to dispose the entire equity interests it holds in Biofit (representing approximately 62.26% of equity interests of Biofit) at the aggregate consideration of HK$40 million.

In August 2017, (i) a direct wholly-owned subsidiary of the Company, as the purchaser; (ii) third parties independent of the Company and its connected persons (as defined under the Listing Rules), as the vendor; and (iii) the Company (being the guarantor) entered into a conditional sale and purchase agreement for a proposed acquisition to acquire the entire issued share capital in Goldenway Securities Company Limited ("Goldenway"), which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the SFO at a total consideration of HK$16,000,000 (subject to adjustments determined by the net asset value of Goldenway as at the date of completion of the sale and purchase agreement). Completion is conditional upon the necessary approval(s) from the Securities and Futures Commission (the "SFC") being obtained, upon which Goldenway will become a wholly-owned subsidiary of the Company and the financial information of Goldenway will be consolidated into the financial information of the Group.

In December 2017, the Group entered into the money lending business through the acquisition of Golden Stars from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Golden Stars holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out lending business in Hong Kong.

On the other hand, in October 2017, (i) the Group; (ii) a company wholly-owned by Mr. Tseung Hok Ming, the non-executive Director and the controlling shareholder of the Company, as vendor; and (iii) Mr. Tseung Hok Ming, as the guarantor, entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire and the vendor has conditionally agreed to sell (i) the entire issued share capital of Loyal Fame Global Limited and Greensburg Holdings Limited, being companies incorporated in the British Virgin Islands with limited liability (together with their subsidiaries, the "Saipan Group"); and (ii) all obligations, liabilities and debts owing or incurred by the Saipan Group to the vendor and its associates, at a consideration of HK$472,000,000.

Future Prospect

In 2018, 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 and domestic waste unanimously, continue the transformation towards environmental preservation-oriented cement manufacturing entity, and improve the comprehensive competitiveness and market position, to ensure the Group becoming a leading cement manufacturing company within the region while focusing on local market.

In addition, the Group would further expand and diversify its financial services business and achieve synergy effect. The Group is currently looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

We are confident with the future development of our property development business and financial services business, including but not limited to money lending, asset management, fund management, financial advisory and brokerage service, and we plan to further increase in the scale of our financial services business. We will also look into potential investees in the financial service platform to diversify our financial services business and achieve synergy effect.

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 2018. Thank you!

Xie Yingxia
Chairman

28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2017, China's major macroeconomic indicators have shown signs of steady growth. The gross domestic product for the year amounted to RMB82,712.2 billion, representing a growth of 6.9% over the corresponding period of last year (2016: 6.7%). According to the statistics announced by National Bureau of Statistics on 18 January 2018, in 2017, fixed asset investment of China (excluding rural households) reached RMB63,168.4 billion, representing a year-on-year growth of 7.2%. National property development and investment reached RMB10,979.9 billion, representing a year-on-year nominal growth of 7.0% (Source: website of National Bureau of Statistics of the PRC).

The total production volume of cement companies over a designated size amounted to 2,316 billion tonnes in 2017, posting a year-on-year decrease of 0.2% (2016: a year-on-year increase of 2.5%). Negative growth was recorded for a second time after 2015 and cement demand declined gradually. 2017 was important for the implementation of the 13th Five-Year Plan, and structural reforms on the supply side deepened during the year. With declining fixed asset investment and consumption growth, domestic cement production in 2017 recorded negative growth for a second time after 2015. But unlike in previous years, the supply side made significant contributions. Owing to factors such as increasing cost resulted from atmospheric pollution control, supervision for environmental protection, mine reclamation, coal and off-peak hour transportation in many regions, the industry was not sluggish in off seasons and was even more active in peak seasons. The overall inventory of the industry is low and cement prices increased continually with profitability reaching the second highest in history. Especially in November 2017, corporate inventories were generally low and prices in the Southern China increased significantly due to tight supply and strong demand in the region, which drove the rebound of the entire cement industry. However, it remains a concern that production capacity is still growing as the capacity elimination policy was not carried out. Healthy development of the industry is still constrained by overcapacity (Source: Digital Cement Net).

The Group operates in Eastern China markets. Under the combined effect of slightly increased demand and decreased supply, the price of cement recorded continuous rise to the country's leading level. Taking the provincial capitals of our main sales regions (such as Jiangsu, Zhejiang and Shanghai) as examples, in early December 2017, the average selling price of PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB620 per tonne, RMB595 per tonne and RMB620 per tonne respectively, representing an increase of 107.35%, 105.88% and 110.17% as compared with the corresponding period of last year (Source: Digital Cement Net).

As a result of increased cement price, revenue and gross profit margin of cement segment of the Group for 2017 increased markedly as compared with the corresponding period of last year. The Group recorded a profit of approximately RMB44,647,000 from the cement segment in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Protection Segment

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

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

Recently, China has imposed high standards for sewage and sludge treatment, strictly monitored environmental pollution and protection while increasing environmental protection subsidies for enterprises, as a result of which, sewage and sludge treatment in cities and towns is currently in a stage of rapid development. In this stage, with the increasing investment in projects and the promotion under the national strategies, enterprises and investors in the capital market are paying more attention to environmental protection industry.

In view of this, the Group acquired the Biofit Group in 2015, aiming to explore the environmental protection segment market. The Biofit Group is devoted to such niches as sludge treatment and disposal, reclaimed water reusing and dyeing wastewater treatment. The operation of environmental protection segment of the Group has been incorporated into the consolidated statements of the Group since 30 April 2015. However, as we evaluated the operation performance in past years, the Board considered Shanghai Biofit did not achieved expected significant progress in respect of its business.

With the consideration and approval of the Board, the Group entered into a sale and purchase agreement with an independent third-party on 5 January 2018 to dispose the entire equity interests it holds in Shanghai Biofit (representing approximately 62.26% of equity interests of Shanghai Biofit) at the consideration of HK$40 million. For details of the above transaction, please refer to the Company's announcement dated 5 January 2018.

Money Lending and Financial Services Segment

In December 2017, the Group entered into the money lending business through the acquisition of Golden Stars from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Golden Stars holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong.

During the year, the money lending operation had not commenced yet. The management will formulate a fundamental policy to establish its internal control systems. The Group will adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer in order to maximise the return of the money lending business as well as diversify the credit risk.

In August 2017, (i) a direct wholly-owned subsidiary of the Company, as the purchaser; (ii) third parties independent of the Company and its connected persons (as defined under the Listing Rules), as the vendor; and (iii) the Company (being the guarantor) entered into a conditional sale and purchase agreement for a proposed acquisition to acquire the entire issued share capital in Goldenway, which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the SFO at a total consideration of HK$16,000,000 (subject to adjustments determined by the net asset value of Goldenway as at the date of completion of the sale and purchase agreement). Completion is conditional upon the necessary approval(s) from the SFC being obtained, upon which Goldenway will become a wholly-owned subsidiary of the Company and the financial information of Goldenway will be consolidated into the financial information of the Group.

Upon completion of the above acquisition, the Group would further expand and diversify its financial services business and achieve synergy effect. The Group is also looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

Business Review

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

Turnover

During the Reporting Period, the Group's turnover from continuing and discontinued operations amounted to approximately RMB357,563,000, representing an increase of approximately RMB101,649,000 or 39.7% from approximately RMB255,914,000 in 2016.

In particular, turnover of cement segment amounted to approximately RMB356,982,000, representing an increase of approximately RMB134,439,000 or 60.4% from approximately RMB222,543,000 in 2016. The increase was primarily attributable to the significant increase of selling price of cement during the Reporting Period.

The table below sets forth the analysis of the Group's turnover of cement segment by product category:

	2017			2016		
	Sales Volume	Average selling price	Turnover	Sales Volume	Average selling price	Turnover
	Thousand Tonnes	*RMB/ Tonne*	*RMB'000*	*Thousand Tonnes*	*RMB/ Tonne*	*RMB'000*
PO 42.5 Cement	**724.6**	**282.13**	**204,429**	618.9	195.51	121,004
PC 32.5R Cement	**651.2**	**234.3**	**152,553**	555.7	179.61	99,811
Clinker	**–**	**–**	**–**	7.9	218.73	1,728

Categorized by product type, the sales volume of cement products in 2017 amounted to approximately 1,375.8 thousand tonnes, representing an increase of approximately 17.1% from 2016, while the sales income of cement products was approximately RMB356,982,000, representing an increase of approximately 61.7% from 2016. The sales income of clinker amounted to nil in 2017. All of the clinker produced by the Group was used for cement production without external sales in this year.

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

	2017		2016	
	Turnover	% of total turnover	Turnover	% of total turnover
	RMB'000		*RMB'000*	
Jiangsu Province	**300,130**	**84.07%**	191,786	86.18%
Wujiang District	**283,990**	**79.55%**	174,833	78.56%
Suzhou (excluding Wujiang District)	**16,140**	**4.52%**	16,953	7.62%
Zhejiang Province	**33,132**	**9.28%**	25,368	11.40%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**32,600**	**9.13%**	24,715	11.11%
Jiaxing	**532**	**0.15%**	653	0.29%
Shanghai	**23,720**	**6.65%**	5,389	2.42%
Total	**356,982**	**100.00%**	222,543	100%

During the Reporting Period, due to improved sales volume, the sales income and the sales volume of cement products increased significantly as compared to the corresponding period of last year. The sale amount of respective region has generally recorded different extents of increase as compared to the corresponding period of last year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2017, a total of three projects are in progress. Two new projects have been initiated in 2017. During the Reporting Period, one has 0.0% work finished, one has 25.0% work finished, and one has 68.0% work finished.

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

During the Reporting Period, the environmental protection segment achieved turnover of approximately RMB581,000. During 2016, the turnover of environmental protection segment amounted to approximately RMB33,371,000.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit from continuing and discontinued operations amounted to approximately RMB68,088,000.

As to cement segment, the gross profit amounted to approximately RMB68,314,000, representing an increase of approximately RMB53,012,000 compared to a gross profit of approximately RMB15,302,000 in 2016; while the gross profit margin amounted to approximately 19.1% in 2017, representing an increase of approximately 12.2% compared to the approximately 6.9% in 2016. The increase was mainly due to the significant rise in cement price.

As to environmental protection segment, during the Reporting Period, the gross loss amounted to approximately RMB226,000, and the gross loss margin amounted to approximately 38.9%, while in 2016, the gross profit was approximately RMB9,448,000 and the gross profit margin was approximately 28.3%. Decrease was mainly because revenue from major works have not been recognised based on the percentage of completion of works.

Other Income

The Group's other income from continuing and discontinued operations amounted to approximately RMB16,300,000 during the Reporting Period, representing an increase of approximately RMB4,794,000 or approximately 41.7% compared to approximately RMB11,506,000 in 2016. The increase was mainly due to (i) increase of tax refund of cement segment of approximately RMB2,450,000; (ii) increase of interest income from loans to an independent third party of approximately RMB1,760,000; and (iii) increase of rental income of the Biofit Group of approximately RMB1,085,000 during the Reporting Period.

Sales and Distribution Expenses

The Group's sales and distribution expenses from continuing and discontinued operations amounted to approximately RMB3,324,000 during the Reporting Period, representing an increase of approximately RMB622,000 or approximately 23.0% compared to approximately RMB2,702,000 in 2016, which were all generated from cement segment. The increase was mainly due to the increase in sales volume in 2017. Sales and distribution expenses in 2017 accounted for approximately 0.9% of the consolidated turnover of the cement segment, which has decreased slightly as compared to approximately 1.2% in 2016.

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

General and Administrative Expenses

The Group's general and administrative expenses from continuing and discontinued operations amounted to approximately RMB39,398,000 during the Reporting Period.

As to the cement segment, the general and administrative expenses amounted to approximately RMB32,698,000, representing an increase of approximately RMB17,088,000 or approximately 109.5% from approximately RMB15,610,000 in 2016. The increase in the general and administrative expenses was primarily due to (i) increase of salary & bonus of approximately RMB5,737,000; (ii) increase of rental expense of approximately RMB2,471,000; (iii) increase of professional & legal expenses of approximately RMB2,367,000; and (iv) increase of provision for bad debts of approximately RMB1,822,000 during the Reporting Period.

As to the environmental protection segment, the general and administrative expenses decreased by approximately RMB3,090,000 or 31.6% from approximately RMB9,790,000 in 2016 to approximately RMB6,700,000 during the Reporting Period.

Tax

The Group's income tax expense from continuing and discontinued operations amounted to approximately RMB18,388,000 during the Reporting Period.

As to the cement segment, the income tax expense amounted to approximately RMB18,769,000 in 2017, representing an obvious increase from approximately RMB1,698,000 of income tax expense in 2016, which was mainly because the Group recorded significant profit growth in 2017.

As to the environmental protection segment, during the Reporting Period, the income tax credit increased by approximately RMB125,000 or 48.8% from approximately RMB256,000 in 2016 to approximately RMB381,000 in 2017.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin from continuing and discontinued operations was approximately 7.0%.

As to the cement segment, the net profit margin was approximately 12.5%, representing a significant increase as compared to approximately 3.4% in 2016. The increase was mainly attributable to the increase in both sales volume and price driven by the improving cement market in the Reporting Period, resulting in an increase from a net profit from approximately RMB7,535,000 in 2016 to a net profit of approximately RMB44,647,000 in 2017.

As to the environmental protection segment, during the Reporting Period, the net loss amounted to approximately RMB3,916,000, and the net loss margin was approximately 674.0%. In 2016, the net profit amounted to approximately RMB768,000, and the net profit margin was approximately 2.3%.

Liquidity and Capital Sources

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Cash and cash equivalents	**28,597**	18,949
– Cement Segment	**27,738**	18,860
– Environmental Protection Segment	**852**	89
– Money lending and financial services segment	**7**	–
Borrowings	**64,910**	54,000
– Cement Segment	**50,000**	50,000
– Environmental Protection Segment	**5,000**	4,000
– Unallocated	**9,910**	–
Debt to equity ratio	**15.7%**	13.9%
– Cement Segment	**13.3%**	14.8%
– Environmental Protection Segment	**10.9%**	8.0%
Debt to asset ratio	**30.9%**	23.6%
– Cement Segment	**27.5%**	23.1%
– Environmental Protection Segment	**37.1%**	26.6%

Cash Flow

As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately RMB28,597,000.

As to the cement segment, the cash and cash equivalents amounted to approximately RMB27,738,000, representing an increase of approximately 47.1% from approximately RMB18,860,000 as at 31 December 2016. The increase was primarily due to profit generated during the year.

Borrowings

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current:		
Borrowings		
– Cement segment	**50,000**	50,000
– Environmental protection segment	**5,000**	4,000
– Unallocated	**9,910**	–
Borrowings	**64,910**	54,000

As at 31 December 2017, the Group's borrowings of continuing and discontinued operations amounted to approximately RMB64,910,000, representing an increase of approximately 20.2% from approximately RMB54,000,000 as at 31 December 2016, which was mainly due to the increase of borrowings.

As at 31 December 2017 and 31 December 2016, 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 2017, bank borrowings of approximately RMB5,000,000 (31 December 2016: approximately RMB4,000,000) was secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family member.

As at 31 December 2017, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 31 December 2017, the Group's debt to equity ratio of continuing and discontinued operations was 15.7%.

Among others, the debt to equity ratio of the cement segment was 13.3%, which decreased as compared with 14.8% as at 31 December 2016.

As to the environmental protection segment, the debt to equity ratio was 10.9%, representing an increase from 8.0% as at 31 December 2016 as a result of the increase of bank borrowings.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure and Capital Commitments

The Group's capital expenditure of continuing and discontinued operations amounted to approximately RMB11,306,000 in 2017.

Among others, the capital expenditure of the cement segment amounted to approximately RMB10,903,000, representing a significant increase from approximately RMB2,973,000 in 2016. As to the environmental protection segment, the capital expenditure amounted to RMB nil during the Reporting Period, which decreased from approximately RMB2,000 in 2016.

As at 31 December 2017, the Group did not have capital commitments.

Pledge of Assets

As at 31 December 2017, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. During the Reporting Period, the Group was not materially affected in operating business and working capital due to fluctuations in foreign exchange rates.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

Except as described below and in note 42 to the consolidated financial statements, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of other subsidiaries or associated companies.

As disclosed in the announcement of the Company dated 30 October 2017 regarding the major and connected transaction of the sale shares and the sale loan involving the issue of the convertible bonds, pursuant to which, (i) the Group; (ii) a company wholly-owned by Mr. Tseung Hok Ming, the non-Executive Director and the controlling shareholder of the Company, as vendor; and (iii) Mr. Tseung Hok Ming, as the guarantor, entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire and the vendor has conditionally agreed to sell (i) the entire issued share capital of Loyal Fame Global Limited and Greensburg Holdings Limited, being companies incorporated in the British Virgin Islands with limited liability with their principal activities being investment holding (together with their subsidiaries, the "Saipan Group"); and (ii) all obligations, liabilities and debts owing or incurred by the Saipan Group to the vendor and its associates, at a consideration of HK$472,000,000. The consideration shall be settled by way of procuring the Company to issue convertible bonds to the vendor upon completion. Upon completion, the Saipan Group will become subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Group.

Dividend

The Board does not recommend payment of any final dividend for the year ended 31 December 2017.

Employees and Remuneration Policies

As at 31 December 2017, the Group has a total of 248 employees. The total remuneration amounted to approximately RMB22,639,000 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 2018, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase profitability of our products by refining customer services; continue to conduct prudent research and promote the businesses in environmental protection field; and make attempts in capital operation to enhance operating efficiency and improve overall competitiveness.

For money lending and financial services businesses, the management expects that the money lending business segment will become one of the Group's stable income sources.

In the coming year, the management is going to put more effort to develop the money lending operation and aims to gain a higher level of loan advance balance with significant returns. It is believed that expansion of money lending operation will help the Group to lay a solid capital foundation for the development of financial sector and maintenance of a healthy cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS

The management continues looking into possible acquisitions of relevant licensed corporations, asset management companies and other financial service platforms, in order to build a strong, growing and diversified financial services sector.

The management will go on paying close attention to the development of the money lending and financial services business segment and to promptly react to the demand in the market.

For property development business, the Board considers that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income in order to enhance value of the shareholders and to hedge the uncertainties imposed by the price fluctuations of cement. The Commonwealth of the Northern Mariana Islands (the "CNMI") is a United States of America Territory with "commonwealth" status, comprising fifteen islands in the Pacific Ocean. CNMI is a popular tourism destination. The economies of the CNMI are vitally driven by tourism and are well-known as a perfect getaway for tourists around the world featuring the rich cultural history and tropical marine weather that offer year-round outdoor activities including but not limited to, world class diving, golfing and gambling. According to Marians Visitors Authority, the number of visitors has been continuously raising since the last calendar year. As in January 2017, the total number of visitors was 63,346, representing an approximately increase of 37.7% as compared to the same period in 2016 and 90% of the CNMI visitors travelled to the island for pleasure purpose. It is believed by the Board that by acquiring the Saipan Group and develop into resorts and/or hotels has enormous potential in the CNMI and represents an excellent opportunity for the Group to expand its business portfolio into a unique market, comprising the hospitality sector.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Xie Yingxia (謝鶯霞), aged 41, is the Chairman and an executive Director of the Company, responsible for the overall planning and budget management of the Group. Ms. Xie also served as the authorized representative of the Company (for the purpose of Rule 3.05 of the Listing Rules of the Stock Exchange). 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 Listing Rules of the Stock Exchange). Through active involvement in daily operation and management of the Company, Ms. Xie gained specific knowledge and experience in cement industry. Ms. Xie did not hold any directorship in any other listed companies in the past three years.

Mr. Ling Chao (凌超), aged 39, is an executive Director of the Company. 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.

Mr. Peng Cheng (彭程), aged 35, was appointed as an executive Director of the Company on 17 October 2016. Mr. Peng completed a Bachelor of Commerce/Bachelor of Information Systems double degrees from the University of Melbourne in 2004. In addition to his Chartered Financial Analyst designation, he is also a member of The Institute of Chartered Accountants in Australia. Mr. Peng has extensive experience in corporate strategy, corporate finance and financial advisory. Prior to joining the Company, he worked in a global institutional bank as an associate director responsible for advising on cross border merger and acquisition transactions as well as ancillary financing and risk management. Mr. Peng had also previously worked in a large listed company in Australia during 2009 to 2012 focusing on corporate development and strategy, as well as a global investment bank during 2006 to 2008 focusing on investment analysis. Save as disclosed above, Mr. Peng has not held any other directorships in listed public companies in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Hin Shek（王顯碩）, aged 48, was appointed as an executive Director of the Company on 14 November 2016. Mr. Wong obtained a Bachelor of Commerce degree from the University of Toronto in Canada and a Master of Science degree in Financial Management from the University of London in the United Kingdom. Mr. Wong has over 22 years of experience in the investment banking industry. He has been involved in the management, business development and strategic investment of listed companies in Hong Kong, having operations in environmental protection, hotel, and manufacturing industries. Mr. Wong is the responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Wong is currently the chairman and an executive director of both DeTai New Energy Group Limited (stock code: 559) and Bisu technology Group International Limited (stock code: 1372). He was re-designated as non-executive director from executive director and ceased to act as chairman of the board of directors of Sino Golf Holdings Limited (stock code: 361) in November 2016. Mr. Wong was an executive director of KuangChi Science Limited (formerly known as "Climax International Company Limited", stock code: 439) from June 2007 to August 2014. The shares of these companies are listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Wong did not hold any directorship in any other listed companies in the past three years. Mr. Wong Hin Shek resigned as an executive Director of the Company on 28 August 2017.

Mr. Wang Jun（汪俊）, aged 36, was appointed as an executive Director of the Company on 14 November 2016. Mr. Wang graduated from Chongqing Normal University majoring in Finance. He has extensive experience in public relations, leadership, management and business development strategies. Mr. Wang held senior management positions in various private companies. Mr. Wang was an executive director of Enterprise Development Holdings Limited (stock code: 1808), the shares of which are listed on the Main Board of the Stock Exchange, from January 2014 to November 2016. Save as disclosed above, Mr. Wang did not hold any directorship in any other listed companies in the past three years.

Mr. Chan Ka Wing（陳嘉榮）, aged 35, was appointed as an executive Director of the Company on 1 September 2017. Mr. Chan graduated from The Hong Kong University of Science and Technology with a bachelor's degree in Business Administration in Accounting. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 2010. Mr. Chan has over 10 years of experience in financial accounting and auditing of listed companies in Hong Kong. He has been involved in the management and business development of two listed companies and several private companies in Hong Kong, having operations in integrated resort development, property development, consultancy and financial services.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Tseung Hok Ming（蔣學明）, aged 56, 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 Orient International Resources Group Limited since April 2010 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 Suzhou City and was responsible for overseeing textile manufacturing and trading. In 1996, he established Orient International Group (HK) Limited, a company principally engaged in textile trading and investment business, and managed the business as a director of the company 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 has been 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.

Independent Non-Executive Directors

Mr. Cao Guoqi（曹國琪）, aged 55, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cao Kuangyu (曹貺予), aged 68, 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 master's 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 the 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 40, 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 obtained 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, and subsequently attained his Master of Business Administration Degree from the University of London in 2016. Mr. Lee currently acts as an independent non-executive director of SunCorp Technologies Limited (Stock Code: 1063) and Sino Energy International Holdings Group Limited (formerly known as Active Group Holdings Limited, Stock Code: 1096), which were listed on the Main Board of the Stock Exchange. Mr. Lee currently acts as an independent non-executive director of Shenglong Splendecor International Limited (Stock Code: 8481), and served on Inno-Tech Holdings Limited (Stock Code: 8202) as an independent non-executive director from January 2013 to February 2018, which were listed on the GEM of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Jin Chungen (金春根), aged 56, is the Chief Executive Officer 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 actively 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 34 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. Wu Junxian (吳俊賢), aged 37, is the 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Feng Bing Song (馮炳松), aged 49, is the deputy general manager of Suzhou Dongwu. Mr. Feng is responsible for marketing and sales of the Group. Prior to joining to the Group in December 2014, Mr. Feng, 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. Feng once served as the financial controller of Piaoyang Orient Cement Company (漂陽東方水泥公司) and then was promoted to the deputy general manager, in charge of corporate finance and business planning. Later, Mr. Feng joined in Wujiang Xingyuan Cement Co., Ltd. as the vice president of sales responsible for making the strategic plans for the company.

Ms. Cai Linfen (蔡林芬), aged 47, is the deputy general manager of Suzhou Dongwu. Ms. Cai is responsible for production of the Group. Ms. Cai possesses 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. Cai joined the Group in 2014, and had taken the position of chief engineer and deputy general manager etc. Ms. Cai 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 34, was appointed as the joint company secretary of the Company on 28 May 2012, and has been the chief financial controller of the Company since 16 August 2013. Ms. Sun also served as the authorized representative of the Company (for the purpose of Rule 3.05 of the Listing Rules of the Stock Exchange). 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), an associate of the Hong Kong Institute of Chartered Secretaries (香港特許秘書公會) (ACS), and an associate of the Institute of Chartered Secretaries and Administrators (ACIS).

Company Secretary

Ms. Sun Xin (孫馨), aged 34, 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, as well as sludge disposal, reclaimed water treatment, and dyeing wastewater treatment. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2017.

Results and Dividends

The Group's results for the year ended 31 December 2017 are set out in the Consolidated Statement of Comprehensive Income on page 75 to 76.

The Board does not recommend payment of any final dividend for the year ended 31 December 2017.

Business Review

A review of the business of the Group for the year ended 31 December 2017, 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 pages 12 to 22 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 has 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 approximately RMB9,000,000 on upgrading technology for environmental protection facilities and energy-saving and emission reduction projects in 2017. 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 also actively assisted the local government to dispose 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 the 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 a material impact on our business and constant development. Therefore, the Group has established good and stable relationship 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 and 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, record and 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 increment of the customer satisfaction.

The Group established cooperation relationship 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.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 24 May 2018 to Monday, 28 May 2018 (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 Monday, 28 May 2018, 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 23 May 2018 (Hong Kong time).

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 2017, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 Shares including issued capital of HK$5,520,000 divided into 552,000,000 Shares with nominal value of HK$0.01 per share. During the Reporting Period, the Company has not issued any new Shares.

Reserves

Details of movements in the reserves of the Group and the Company during the Reporting Period 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 RMB66,838,000 (31 December 2016: approximately RMB45,404,000) as at 31 December 2017.

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 of the Company or applicable laws of the Cayman Islands where the Company was incorporated.

DIRECTORS' REPORT

Tax Reduction

Pursuant to the laws of the 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 the Shares and there is no taxation in the nature of inheritance tax and estate duty.

Charge on The Assets and Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities, guarantees or any litigation against the Group (2016: nil).

Subsidiaries and Associates

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

Directors and Chief Executive

The directors of the Company during the year ended 31 December 2017 and up to the date of this annual report were as follows:

Chairman and Executive Director	Ms. Xie Yingxia
Chief Executive Officer	Mr. Jin Chungen
Executive Directors	Mr. Ling Chao
	Mr. Peng Cheng
	Mr. Wang Jun
	Mr. Chan Ka Wing *(note 1)*
Non-executive Director	Mr. Tseung Hok Ming
Independent Non-executive Directors	Mr. Cao Guoqi
	Mr. Cao Kuangyu
	Mr. Lee Ho Yiu Thomas

note 1 Mr. Chan Ka Wing was appointed as an executive Director on 1 September 2017.

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

Independence

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) an annual 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.

Emolument Policy and Long-Term Incentive Plan

The Company adopts different emolument policies for executive Directors and non-executive Directors:

Emolument Policy for Executive Directors

1. A proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

2. The performance-related elements of remuneration should be designed to align the executive Directors' interests with those of Shareholders and to give the Directors incentives to perform at the highest levels.

3. Factors for defining performance-based remuneration:

   (a) Eligibility for long-term incentive schemes, e.g. share option schemes, subject to performance criteria which reflect the Company's performance

   (b) Examples of performance indicators:

      (i) share price

      (ii) net earnings figure

Emolument Policy for Non-executive Directors

1. Levels of emolument of non-executive Directors should reflect the time commitment and responsibilities of the role.

2. Non-executive Directors should have the opportunity to have part of their remuneration in shares on condition that share options should be granted in accordance with the Listing Rules.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar positions. The fees and any other reimbursement or emolument payable to the Directors are set out in details in this annual report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract or letter of appointment 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 the non-executive Director 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 unless terminated by not less than three months' notice in writing served by either the non-executive Director and independent non-executive Directors or the Company. The Directors are subject to the provisions of re-election and retirement by rotation under the Articles of Association of the Company.

In accordance with the Articles of Association of the Company, Ms. Xie Yingxia, Mr. Ling Chao and Mr. Tseung Hok Ming will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, Mr. Chan Ka Wing (appointed as an executive Director on 1 September 2017), who is a newly appointed Director, is subject to re-election by the Shareholders at the forthcoming annual general meeting.

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 2016 and 2017, senior management of the Company comprises 6 and 6 individuals, respectively. The emoluments of senior management of the Company fell within the following bands:

Emolument band	Number of individuals Year ended 31 December	
	2017	2016
Nil to HK$1,000,000	**4**	6
HK$1,000,001 to HK$2,000,000	**2**	–
	6	6

Directors' Material Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance in which the Directors (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.

Contract of Significance

No contract of significance was entered into between the Company, or any of its subsidiaries and any of the controlling Shareholder or any of its subsidiaries 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 had interests in business which competes or may compete with the Group's business.

Connected Transactions

During the year ended 31 December 2017, save as the matter set out in "Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies" of the section headed "Management Discussion and Analysis", 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.

Pension 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 the 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.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

During the year ended 31 December 2017, the employee benefit scheme contributions made by the Group amounted to approximately RMB3,165,000.

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2017, 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, or pursuant to the Model Code, had to be notified to the Company and the Stock Exchange are as follows:

Name	**Capacity**	**Long position/ Short position**	**Number of Shares held**	**Approximate percentage of shareholding interest**
Mr. Tseung Hok Ming *(note 1)*	Interest of a controlled corporation	Long position	297,500,000	53.89%

note:

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 held by Goldview by virtue of Part XV of the SFO. Goldview is also an associated corporation of the Company.*

Save as disclosed in the above, as at 31 December 2017, 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 were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which, pursuant to the Model Code, had to be notified to the Company and the Stock Exchange.

As at 31 December 2017, 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.

DIRECTORS' REPORT

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

As at 31 December 2017, 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 required to be recorded in the register kept under section 336 of the SFO are set out below:

Name	Capacity	Long position/Short position	Number of Shares held	Approximate percentage of shareholding interest
Goldview[1]	Beneficial owner	Long position	297,500,000	53.89%
Inventive Star Limited[2]	Beneficial owner	Long position	77,500,000	14.04%

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 held by Goldview by virtue of part XV of the SFO.*

2. *Inventive Star Limited is wholly-owned by Mr. Cui Lijie. Accordingly, Mr. Cui is deemed to be interested in the same Shares held by Inventive Star Limited by virtue of part XV of the SFO.*

Save as disclosed in the above, as at 31 December 2017, so far as is known to the Directors, no other persons had any interest or short position in the Shares and underlying Shares which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Share Option Scheme

On 28 May 2015 ("Adoption Date"), the Company adopted a share option scheme (the "Share Option Scheme"), which was approved at the annual general meeting of the Company held on the same date. The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the "Share Option Scheme Period"), after which period no further options shall be granted but the provisions of the 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 Share Option Scheme Period.

The purpose of the 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 Share Option Scheme, the Board shall have the right to determine and select all directors (whether executive or non-executive and whether independent Director 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 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 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 Share Option Scheme by the Shareholders at the AGM held on 28 May 2015 and represents 10% of the total issued share capital of the Company as at the date of this report.

The maximum number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme or any other share option schemes that the Company adopts must not exceed 30% of the Shares of the Company in issue from time to time. Any option lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the scheme mandate limit. Unless approved by Shareholders in general meeting, the total number of Shares issued and to be issued upon grant of options by each under the Share Option Scheme in any 12-month period must not exceed 1% of the Shares of the Company in issue at such time.

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 Share Option Scheme, there is no minimum period for which an option must be held before it can be exercised and 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). All of the outstanding options shall lapse if the option period expires, the holders loss of office or cease to be the member of the Group.

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 and no options remain outstanding and unexercised during the year ended 31 December 2017.

As of the Latest Practicable Date, the remaining life of the Share Option Scheme is about 7 years and 2 month.

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 Reporting Period.

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 2017 is as follows:

	Percentage of the Group's total sales (%)		**Percentage of the Group's total purchases (%)**
The largest customer	7.9	The largest supplier	15.2
Five largest customers in aggregate	30.2	Five largest suppliers in aggregate	51.8

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.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by BDO Limited ("BDO"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution on re-appointment of BDO as the external auditor of the Company will be proposed at the forthcoming annual general meeting for Shareholders' approval.

Material Litigation and Arbitration

During the Reporting Period, 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.

Event after the Reporting Period

On 5 January 2018, Dongwu International Investment Limited ("Dongwu International"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the Great Future Development (HK) Limited ("Great Future"), pursuant to which Dongwu International agreed to sell, and Great Future agreed to purchase the entire issued share capital of in Dongwu Science & Technology Investment Company Limited, an indirect wholly-owned subsidiary of the Company at a total consideration of HK$40 million. For details, please refer to the announcement of the Group dated 5 January 2018.

Save for the above, the Group had no major events after the Reporting Period subsequent to 31 December 2017.

Permitted Indemnity Provisions

The Articles of Association of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

Chairman
Xie Yingxia

28 March 2018

CORPORATE GOVERNANCE REPORT

Compliance with the Corporate Governance Code

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investor confidence, but also critical to the Group's longterm success. The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 of the Listing Rules 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 Corporate Governance 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 should meet regularly and 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. The Board considers that during the Reporting Period, the Group had no significant matters which required to convene formal Board meetings for discussion. Nevertheless, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner. The Board also holds provisional meetings to review, discuss and decide specific matters related to the development and strategy of the Group as and when required. During the Reporting Period, the Board held 1 provisional meetings for the purposes of approving (among other matters) the appointment of Mr. Chan Ka Wing as an executive Director.

Compliance with the Model Code

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

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, the remuneration committee and the 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 2017, monitored the significant operational management and assessed the internal control and financial matters of the Group.

Board Composition

The Board currently comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. 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 2017, 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 *(Chairman)*	3/6	50%
Mr. Ling Chao	5/6	83.3%
Mr. Peng Cheng	6/6	100%
Mr. Wang Jun	6/6	100%
Mr. Chan Ka Wing *(note 1)*	2/2	100%
Mr. Wong Hin Shek *(note 2)*	3/3	100%
Non-executive Director		
Mr. Tseung Hok Ming	4/6	66.67%
Independent Non-executive Directors		
Mr. Cao Guoqi	4/6	66.67%
Mr. Cao Kuangyu	4/6	66.67%
Mr. Lee Ho Yiu Thomas	5/6	83.3%

note 1 Mr. Chan Ka Wing was appointed as an executive Director on 1 September 2017.

note 2 Mr. Wong Hin Shek resigned as an executive Director on 28 August 2017.

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.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Ms. Xie Yingxia serves as the 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 of the Company and the Board.

There is no financial, business, family or other material/relevant relationship between the Directors and in particular the Chairman and the chief executive of the Company.

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 and 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 an annual confirmation 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 the independent non-executive Directors to be independent.

Time Commitment of the Directors

Besides attending formal meetings to learn more about business, the Directors 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 had dedicated sufficient time and efforts to perform their duties during the Reporting Period.

Directors' Continuous Training

Pursuant to the Corporate Governance 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 the 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 Corporate Governance Code. The written terms of reference of the audit committee were formulated in compliance with the Corporate Governance 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 2017, 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 2016 as well as the interim results and financial statements of the Company for the six months ended 30 June 2017.

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 Corporate Governance Code. The written terms of reference of the committee were formulated in compliance with the Corporate Governance Code. The remuneration committee is comprised of three members, namely, Mr. Cao Guoqi, Mr. Lee Ho Yiu Thomas and Mr. Cao Kuangyu, 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 2017, the remuneration committee held 2 meetings 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. In addition, during the Reporting Period, the remuneration committee fixed the remuneration of Mr. Chan Ka Wing for being appointed as an executive Director.

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 Corporate Governance Code. The written terms of reference of the committee were formulated in compliance with the Corporate Governance Code. The nomination committee is comprised of three members, namely, Mr. Cao Guoqi, Mr. Lee Ho Yiu Thomas and Mr. Cao Kuangyu, 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 2017, 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 to be retired by rotation and review the board diversity policy. In addition, during the Reporting Period, the nomination committee discussed in detail the change in the composition of the Board and matters on succession for Directors, being the appointment of Mr. Chan Ka Wing as well as the resignation of Mr. Wong Hin Shek.

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%

CORPORATE GOVERNANCE REPORT

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. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of Board diversity. The Company will also take into consideration factors based on its own business scope 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, please refer to section headed "Board Composition" and "Biographical Details of Directors and Senior Management" in this annual report.

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 of the Company 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 2017.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, Shareholders 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 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 Suite 2510, 25/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, or 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 through mail at Suite 2510, 25/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong or using email at admin@dongwucement.com. Pursuant to the Articles of Association of the Company, Shareholders who proposed to submit proposals should convene an 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 of Association of the Company published on the websites of the Company and the Stock Exchange; and (ii) the "procedures for shareholders to propose a person for election 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 19 May 2017 to approve (among others) the audited consolidated financial statements of the Group for the year ended 31 December 2017, the reports of Directors and auditor and the re-election of Directors. All Directors have attended the annual general meeting. The attendance of each Director is detailed as follows:

	Attended general meetings/convened meetings	Attendance rate
Executive Directors		
Ms. Xie Yingxia *(Chairman)*	1/1	100%
Mr. Ling Chao	1/1	100%
Mr. Peng Cheng	1/1	100%
Mr. Wong Hin Shek *(note 1)*	1/1	100%
Mr. Wang Jun	1/1	100%
Mr. Chan Ka Wing *(note 2)*	N/A	N/A
Non-executive Director		
Mr. Tseung Hok Ming	1/1	100%
Independent Non-executive Directors		
Mr. Cao Guoqi *(chairman of the remuneration committee and the nomination committee)*	1/1	100%
Mr. Cao Kuangyu	1/1	100%
Mr. Lee Ho Yiu Thomas *(chairman of the audit committee)*	1/1	100%

note 1 *Mr. Wong Hin Shek resigned as an executive Director on 28 August 2017.*

note 2 *Mr. Chan Ka Wing was appointed as an executive Director on 1 September 2017.*

Nomination of Director

According to Article 85 of the Articles of Association of the Company, 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 maintained 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 2017, the Board considered the internal control system of the Company was adequate and effective, and the Company also complied with the code provisions in relation to internal control as set out in the Corporate Governance Code. The Audit Committee will constantly review and assess the effectiveness of the internal control system of the Group, and report the results to the Board. The Board would conduct review and assessment of the internal control system of the Group at least once a year, so as to ensure that it is free from any major supervisory deficiency.

Directors' Responsibilities in respect of Financial Statements

The Directors acknowledge that they are responsible for giving honest, clear, and plain assessment on the performance, position and prospect of the consolidated financial statements as set out in annual and interim reports of the Group in accordance with the statutory requirements and the applicable accounting standards. The Directors also acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2017. 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 2017, the Directors have adopted appropriate accounting policies and applied consistently, and made prudent and reasonable judgments and estimates.

Risk Management and Internal Control

In order to ensure efficient operation and efficiency of our business as well as compliance with relevant laws and regulations, the Group emphasizes the importance of establish a sound internal control system. Further, the system is an integral part in mitigating the risks borne by the Group. The Group's internal control system is designed to provide reasonable but not absolute assurance against material misstatement or loss; to manage but not eliminate risks of failure in operational systems or failure to achieve business objectives; and to achieve business objectives. The Board continues to review the internal control system, enabling it an effective and viable system that can provide reasonable assurance, protect our important assets and identify business risks. According to the information available to the Board and its observation, the Board believes that the Group's existing internal control is satisfactory. The Group strives to identify, control and manage risks related to its business activities and implement effective and viable control system, including management structure with specific written terms of reference, sound cash management system as well as regular review on the Group's performance carried out by the Audit Committee and the Board. The Board has reviewed the effectiveness of the internal control system of the Group. It is of the opinion that the internal control system adopted during the year ended 31 December 2017 was sound and effective, and is sufficient to safeguard the investment benefits of the Shareholders and the Company's assets.

Main features of the risk management and internal control systems

Board is responsible for overseeing the risk management and internal control systems of the Group on an ongoing basis. The main duties are as follows:

(a) to set the strategic goal of risk management, evaluate and determine the nature and extent of risk it is willing to take in achieving strategic objectives;

(b) to ensure that an appropriate and effective risk management and internal control systems is established and maintained; and

(c) to review the effectiveness of the risk management and internal control systems at least once a year.

Meanwhile, the Board authorizes the Audit Committee to oversee the financial reporting system, internal control and risk management procedure. The main duties are as follows:

(a) to review the Company's financial control, and, unless expressly under the handling of an otherwise established risk committee under the Board or the Board itself, to review the Company's internal control, risk management systems and other major financial matters;

(b) to review the annual report prepared by the management and certified by the external auditor of the Company, among which, the external auditor shall evaluate the effectiveness of the Company's internal control set out in the financial report and set forth the duties of the management to establish and maintain an effective risk management and internal control systems;

(c) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have an effective system in place. The discussion should include the adequacy of resources of the Company's accounting, financial reporting, risk management and internal control function, staff qualifications and experience, and the sufficiency of training programmes and budget in this regard;

(d) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(e) to ensure the co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(f) to review the Group's financial and accounting policies and practices, and to monitor the Company's financial operation and core business status;

(g) to review the external auditor's Letter of Statement on Audit provided to the management, any material queries raised by the external auditor to the management about accounting records, financial accounts or systems of control and management's response;

(h) to ensure that the Board will provide a timely response to the issues raised in the Letter of Statement on Audit provided by the external auditor to the management;

(i) to report to the Board on the matters set out in the Corporate Governance Code under Appendix 14 of the Listing Rules;

(j) to review the following arrangements made by the Company: the employees of the Company may, in confidence, raise concerns about potential improper behaviors arising from financial reporting, internal control, risk management or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigations of such matters and appropriate actions;

(k) to timely ascertain the reasons of resignation of the executive Director, general manager, financial controller or head of internal audit/head of credit control of the Company upon their resignations;

(l) to prepare draft reports or summary of work reports for the prescribed period, the former shall be submitted to the Board for review and the latter shall be included in the Group's quarterly, interim and annual reports;

(m) to consider the proposal of the Board in relation to the appointment, replacement or removal of any member of the Audit Committee and the auditors;

(n) to review regularly the following matters with the Company's financial officer and the external auditor:

  (i) all major deficiencies and serious defects in the internal control measures of financial report during the setting or implementation may adversely impact the capability of recording, handling, summarizing and reporting of financial information; and

  (ii) any fraudulent acts in respect of the management or other employees who play an important role in the internal control over the Company's financial report, regardless of the seriousness of such frauds;

(o) to act as the key representative body to oversee the Company's relationship with its external auditor; and

(p) to consider any other matters as authorized by the Board.

The Company has also set up the internal audit function, which reports directly to the Audit Committee and is responsible for making analysis and independent assessment as to whether the risk management and internal control systems is sufficient and effective.

Procedures on identifying, assessing and management material risks

The risk management procedures of the Group are as follows:

Project initiation — to initiate risk management and prepare for relevant activities.

Risk identification — to identify the current risk exposure.

Risk analysis — to conduct two-dimension risk analysis, including the extent of influence and possibility of occurrence.

Risk response — to select the proper risk response and develop strategies to mitigate risks.

Control measures — to propose up-to-date internal control measures and policy and process.

Risk control — to continuously monitor the identified risks and implement relevant internal control measures to ensure the effective operation of risk response strategies.

Risk management report — to conclude the findings of risk assessment and analysis and internal audit, formulate and report an action plan.

Procedures on handling and disseminating inside information and internal control measures

The Group handles and disseminates inside information in accordance with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. In addition, the Company keeps the Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements. The Board has reviewed the risk management and internal control systems for the year ended 31 December 2017 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of Company for the year ended 31 December 2017 were effective and adequate.

Auditor's Remuneration

BDO Limited was the independent auditor of the Company. For the year ended 31 December 2017, the remuneration payable by the Company to BDO Limited is set out below:

Services rendered by the auditor	**Remuneration** *(RMB'000)*
Annual audit service	912
Non-audit services (for review of the interim results of the Group and as reporting accountant)	337
Total	1,249

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 of 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 uploaded on the websites of the Stock Exchange and the Company and hard copies of the same will be dispatched to the 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 websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Approach To Environmental, Social And Governance And Reporting

This Environmental, Social and Governance Report (the "ESG Report") summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operation and construction services in the People's Republic of China (the "PRC").

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating environment, social and governance aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

Reporting Scope

Unless stated otherwise, this report mainly covers the Group's major operating revenue activities under direct management control, including its the production and sales of cement, and provision of sewage and sludge treatment operation and construction services in the PRC.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

Reporting Framework

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Listing Rules (the "ESG Reporting Guide").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 42 to 55 of this report.

Reporting Period

The ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2017.

Stakeholder Engagement

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
A. Environment		
A1. Emissions	Emissions, Wastewater and Waste Management	P. 58
	Greenhouse Gas Emission	P. 59
A2. Use of Resources	Energy Consumption	P. 61
	Water Consumption	P. 62
	Use of Packaging materials	P. 62
A3. The Environment and Natural Resources	Environmental Impact Management	P. 63
B. Society		
B1. Employment	Employee Benefits and Equal Opportunities Policies	P. 64
B2. Health and Safety	Occupational Health and Safety	P. 65
B3. Development and Training	Staff Development and Training	P. 65
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P. 66
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	P. 66
B6. Product Responsibility	Quality and Safety of Products and Services	P. 67
	Intellectual Property Management	P. 67
B7. Anti-Corruption	Prevention of Corruption and Fraud	P. 68
B8. Community Investment	Contributions to Society	P. 69

During the year ended 31 December 2017, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG report or towards our performance in respect of sustainable development.

A. Environment

A1. Emissions

General Disclosure and Key Performance Indicators ("KPI")

The core businesses of the Group, which mainly involves the production and sales of cement, and provision of sewage and sludge treatment operation and construction services in the PRC, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2017, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas ("GHG") emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group's offices in China and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper, toner cartridges and ink cartridges. During the year ended 31 December 2017, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity	Unit
Paper	0.03	Tonnes
Toner cartridge	0.01	Pieces

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

GHG emission

The emissions of Sulphur Dioxide, Nitrogen Oxide and other particulate matters at the production of cement are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2017, the detailed summary of the GHG emission is shown as below:

GHG Performance Summary

GHG Scope[1]	**Tonnes**
Direct GHG emission – SO_2	29.2
Direct GHG emission – NO_X	957
Direct GHG emission – particulate matters of major emitters	159.1

[1] GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

The Group has implemented a number of measures to mitigate energy consumption such as turning off the air-conditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the People's Republic of China. During the year ended 31 December 2017, the Group was not aware of any material non-compliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

A2. Use of Resources

General Disclosure and KPI

Energy Consumption

As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2017, the Group's consumption in electricity were:

Energy Type	Quantity	Unit
Electricity	66.8 million	GJ/kWh

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water consumption and use of packaging materials

During the year ended 31 December 2017, the Group consumed 331,488 tonnes of water. Regardless of water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Issue in sourcing water – not applicable due to its business nature; Remaining – disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

A3. Environment and Natural Resources

General Disclosure and KPI

Environmental impact management

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Noise Pollution

Noise pollution practices are implemented during our construction activities, in order to minimise the noise pollution. The cement was manufactured in our production plants with good soundproof facilities.

Outdoor lightings

During outdoor constructions, the lightings are adjusted to avoid disturbing neighborhood whenever possible.

Landscape and natural habitat

The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of construction, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2017, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

"Comply or explain" Provisions

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

B. Society

B1. Employment

General disclosure

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2017, the Group has fully complied with relevant rules and regulations in the PRC, including the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Regulations on Labor Inspection and Security, as well as the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wages Ordinance, the Personal Data Privacy Ordinance and other relevant rules and regulations.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains polices in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B2. Health and Safety

General disclosure

Occupational Health and Safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

During the year ended 31 December 2017, the Group has complied with relevant rules and regulations in the PRC, including the Law of the People's Republic of China on Work Safety and Occupational Disease Prevention and Control Law of the People's Republic of China, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with the health and safety laws and regulations.

B3. Development and Training

General disclosure

Staff Development and Training

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its office in China, including management, customer service and financial knowledge with the assistance of the Hong Kong Office of General Services.

B4. Labour Standards
General disclosure

Prevention of Child Labor or Forced Labor

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong and the PRC. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations. The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Convention on the Abolition of Forced Labor with respect to Employment of Workers, the Labor Law of the People's Republic of China on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests and Provisions on the Prohibition of Child Labor in the People's Republic of China.

During the year ended 31 December 2017, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. Supply Chain Management
General disclosure

Environmental and Social Risk Management of Supply Chain

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

In the selection of new suppliers, the Group has compared at least three different companies, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we carry out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with national standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

B6. Product Responsibility

General disclosure

Quality and Safety of Products and Services

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

Intellectual Property Management

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2017, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.

B7. Anti-Corruption

General disclosure

Prevention of Corruption and Fraud

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance" and the Mainland's "Corruption Ordinance of the People's Republic of China".

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

B8. Community Investment
General disclosure

Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF DONGWU CEMENT INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Dongwu Cement International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 75 to 150, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(Continued)*

Impairment assessment of trade, loans and other receivables

Refer to notes 5(c) and 24 to the consolidated financial statements.

The carrying amount of the Group's gross trade, loans and others receivables as at 31 December 2017 was approximately RMB213,128,000, RMB106,400,000 and RMB10,266,000, respectively, and provisions for impairment loss thereon was approximately RMB5,380,000, RMB Nil and RMB628,000, respectively.

Management reviews trade, loans and other receivables for objective evidence of impairment on a periodic basis. In determining this, management makes significant judgement on the credit worthiness of the debtors, including whether there have been significant adverse changes in the debtors' financial condition affecting the debtors' ability to settle the debts. Where there is objective evidence of impairment, management estimates the amount of impairment loss that should be made against the receivables, taking into consideration the ages of trade, loans and other receivables and the estimation of future cash flows of these receivables.

We have identified the impairment assessment of trade, loans and other receivables as a key audit matter because of significance of the carrying amount of trade, loans and other receivables to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgement by management in identification of impairment indicators and the determination of the amount of impairment loss.

Our response:

Our procedures in relation to management's impairment assessment of trade and loans receivables included:

– Analysing and testing, on a sample basis, the accuracy of the ageing profiles of trade, loans and other receivables by checking to the underlying sales invoices and other source documents, to ensure that it was appropriate for management to use them for impairment assessment;

– Conducting a detailed discussion with management on significant overdue trade, loans and other receivables as to whether these aged receivables were impaired; and

– Reviewing the adequacy and appropriateness of the provision for impairment made by management with reference to the ageing profiles, settlement records, subsequent settlements and other facts and circumstances currently available for the significant overdue receivables.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Business Review and Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Definitions, Corporate Information, Financial Highlights, Chairman's Statement, Biographical Details of Directors and Senior Management, Directors' Report, Corporate Governance Report and Environmental, Social and Governance Report which are expected to be made available to us shortly after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Definitions, Corporate Information, Financial Highlights, Chairman's Statement, Biographical Details of Directors and Senior Management, Directors' Report, Corporate Governance Report and Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to audit committee of the Company the ("Audit Committee") and take appropriate action considering our legal rights and obligations.

Directors' responsibilities for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number P06262

Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Continuing operations			
Revenue	7	**356,982**	222,543
Cost of sales		**(288,668)**	(207,241)
Gross profit		**68,314**	15,302
Distribution expenses		**(3,324)**	(2,702)
Administrative expenses		**(32,698)**	(15,610)
Other income	8	**13,481**	10,673
Other gains – net	9	**4,717**	–
Operating income		**50,490**	7,663
Finance income		**551**	378
Finance expenses		**(3,218)**	(2,892)
Finance expenses – net	10	**(2,667)**	(2,514)
Share of results of an associate	21	**–**	–
Profit before income tax expense	11	**47,823**	5,149
Income tax expense	15	**(18,769)**	(1,698)
Profit for the year from continuing operations		**29,054**	3,451
Discontinued operation			
(Loss)/profit for the year from a discontinued operation, after tax	11(b)	**(3,958)**	764
Profit and total comprehensive income for the year		**25,096**	4,215

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Profit and total comprehensive income for the year attributable to:			
Owners of the Company			
– Profit for the year from continuing operations		**29,054**	3,451
– Loss for the year from a discontinued operation		**(3,155)**	(887)
Profit and total comprehensive income for the year attributable to owners of the Company		**25,899**	2,564
Non-controlling interests			
– (Loss)/profit for the year from a discontinued operation		**(803)**	1,651
Loss/(profit) and total comprehensive income for the year attributable to non-controlling interests		**(803)**	1,651
		25,096	4,215
Earnings per share from continuing and discontinued operations			
– Basic and diluted (RMB per share)	*13*	**0.047**	0.005
Earnings per share from continuing operations			
– Basic and diluted (RMB per share)	*13*	**0.053**	0.006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**107,368**	111,441
Land use rights	*18*	**15,700**	16,104
Goodwill	*17*	**–**	9,396
Intangible assets	*19*	**403**	6,894
Deposit paid for acquisition of a subsidiary	*24*	**4,066**	–
Loans and other receivables	*24*	**41,760**	–
Interest in an associate	*21*	**24,000**	–
Amount due from grantor for contract work	*24*	**–**	6,372
Total non-current assets		**193,297**	150,207
Current assets			
Available-for-sale financial assets	*22*	**–**	2,898
Inventories	*23*	**25,306**	22,703
Trade and other receivables	*24*	**275,440**	282,133
Short-term bank deposits	*26*	**2,240**	31,000
Cash and cash equivalents	*27*	**27,745**	18,949
		330,731	357,683
Assets of a discontinued operation classified as held for sale	*11(b)*	**73,672**	–
Total current assets		**404,403**	357,683
Current liabilities			
Trade and other payables	*28*	**73,183**	55,956
Income tax payable		**14,983**	3,388
Borrowings	*29*	**59,910**	54,000
		148,076	113,344
Liabilities of a discontinued operation classified as held for sale	*11(b)*	**27,144**	–
Total current liabilities		**175,220**	113,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Net current assets		**229,183**	244,339
Total assets less current liabilities		**422,480**	394,546
Non-current liabilities			
Deferred tax liabilities	30	**9,352**	6,514
Total non-current liabilities		**9,352**	6,514
Net assets		**413,128**	388,032
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**4,490**	4,490
Reserves		**394,312**	368,413
		398,802	372,903
Non-controlling interests		**14,326**	15,129
Total equity		**413,128**	388,032

On behalf of the Board

Peng Cheng
Director

Chan Ka Wing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital RMB'000	Other reserves RMB'000 (Note 32)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Equity attributable to owners of the Company					
At 1 January 2016		4,490	322,558	36,769	363,817	–	363,817
Profit and total comprehensive income for the year		–	–	2,564	2,564	1,651	4,215
Appropriations to statutory reserves	*32(a)*	–	451	(451)	–	–	–
Capital contribution from a non-controlling interest in a subsidiary		–	–	6,522	6,522	13,478	20,000
At 31 December 2016 and 1 January 2017		4,490	323,009	45,404	372,903	15,129	388,032
Profit/(loss) and total comprehensive income for the year		–	–	25,899	25,899	(803)	25,096
Appropriations to statutory reserves	*32(a)*	–	4,465	(4,465)	–	–	–
At 31 December 2017		4,490	327,474	66,838	398,802	14,326	413,128

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Cash flows from operating activities			
Profit before income tax expense from continuing operations		**47,823**	5,149
(Loss)/profit before income tax credit from a discontinued operation	*11(b)*	**(4,339)**	508
		43,484	5,657
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**14,187**	14,251
Amortisation of land use rights	*18*	**404**	404
Amortisation of intangibles assets	*19*	**1,667**	1,841
Provision for impairment for trade receivables	*24*	**3,162**	852
Provision for impairment for other receivables	*24*	**70**	558
Loss on disposal of property, plant and equipment	*9*	**402**	33
Gain on disposal of a subsidiary	*35*	**–**	(511)
Finance income	*10*	**(552)**	(402)
Finance expenses	*10*	**3,434**	3,377
Share of results of an associate		**–**	–
Gain on disposal of an available-for-sale financial asset	*9*	**(5,102)**	–
Interest income from loans receivable	*8*	**(8,045)**	(6,313)
Operating profit before working capital changes		**53,111**	19,747
Increase in inventories		**(2,603)**	(54)
Increase in trade and other receivables		**(60,855)**	(59,279)
Increase/(decrease) in trade and other payables		**27,248**	(5,637)
Cash generated from/(used in) operating activities		**16,901**	(45,223)
Interest paid		**(3,084)**	(3,377)
Income tax (paid)/refund		**(2,558)**	8
Net cash generated from/(used in) operating activities		**11,259**	(48,592)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Cash flows from investing activities			
Interest received		**552**	402
Interest received from loans to Dongtong		**19,470**	–
Investment in an associate		**(24,000)**	–
Purchases of property, plant and equipment	*16*	**(10,557)**	(2,975)
Purchases of intangible assets	*19*	**(403)**	–
Proceeds from disposal of property, plant and equipment		**107**	33
Proceed from disposal of an available-for-sale financial asset	*22*	**8,000**	–
Proceeds from disposal of a subsidiary (net of cash and cash equivalent disposed)	*35*	**–**	4,982
Loans to an independent third party	*24*	**(40,000)**	–
Withdrawal/(addition) of short-term bank deposits	*26*	**28,760**	(1,000)
Deposit paid for acquisition of a subsidiary	*24*	**(4,066)**	–
Net cash (used in)/generated from investing activities		**(22,137)**	1,442
Cash flows from financing activities	*41*		
Proceeds from borrowings		**64,910**	55,000
Repayments of borrowings		**(54,000)**	(61,000)
Capital contribution from a non-controlling interest in a subsidiary		**–**	20,000
Advance from a non-controlling shareholder of a subsidiary		**7,929**	–
Advance from a director of a subsidiary		**1,687**	–
Net cash generated from financing activities		**20,526**	14,000
Net increase/(decrease) in cash and cash equivalents		**9,648**	(33,150)
Cash and cash equivalents at beginning of the year		**18,949**	52,099
Cash and cash equivalents at end of the year		**28,597**	18,949
Represented by:			
Cash and bank balances	*27*	**27,745**	18,949
Cash and bank balances attributable to a discontinued operation	*27*	**852**	–
		28,597	18,949

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

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

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 41.

Except for as discussed above, the adoption of these amendments has no material impact on the Group's financial statements.

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

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

HKFRS 9 – 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").

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 – Financial Instruments *(Continued)*

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.

The directors of the Company have reviewed the Group's financial assets as at 31 December 2017 and anticipated that the application of HKFRS 9 in the future may result in earlier recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost.

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 directors of the Company anticipated that the application of HKFRS 15 in the future may result in more disclosures, and may have an impact on the timing and amounts of revenue recognised since the Group's contracts with customers may include financing components.

Amendments to HKFRS 15 – Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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 16 – Leases *(Continued)*

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB5,470,000 as disclosed in note 39. A preliminary assessment indicated that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short –term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)–Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the future.

3. Basis of Preparation

(a) *Statement of compliance*

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

4. Significant Accounting Policies *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiary or businesses is accounted for using 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 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.

(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 (note 33), 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 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.

4. Significant Accounting Policies *(Continued)*

(c) ***Associate*** *(Continued)*

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.

(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 acquiree 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.

4. Significant Accounting Policies *(Continued)*

(d) Goodwill (Continued)

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.

Property, plant and equipment are depreciated so as to write off their cost or estimated residual value over their estimated useful lives on 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 equipment	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.

4. Significant Accounting Policies *(Continued)*

(e) Property, plant and equipment (Continued)

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. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. 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
Sewage treatment concession right	8 years
Money lenders licence	indefinite

The Group's intangible assets on sewage treatment concession right represent the unconditional rights to operate sewage treatment plant and right to charge users in the PRC. These intangible assets are amortised on straight-line basis over the terms of operation. Both period and method of amortisation are reviewed annually. Intangible assets are tested for impairment as described in note 4(o).

4. Significant Accounting Policies *(Continued)*

(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.

Where the Group is the lessor, rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(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. 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 contract 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 weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and 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 or estimated project cost (note 4(s)).

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

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

(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 into RMB 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.

4. Significant Accounting Policies *(Continued)*

(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.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(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 with finite lives 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. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired.

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.

4. Significant Accounting Policies *(Continued)*

(o) Impairment of non-financial assets (Continued)

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 grants

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);

(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); or

(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.

4. Significant Accounting Policies *(Continued)*

(u) Related parties (Continued)

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.

(v) Build-Operate-Transfer ("BOT") arrangements

BOT arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the assets (i.e. sewage treatment plant), to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the assets at the end of the term of the arrangement.

The Group's rights over the assets

Assets constructed by the Group under BOT arrangements are not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the assets to the Group. The operator has access to operate the assets to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Considerations received or receivable by the Group for the construction services

Considerations received or receivable by the Group for the construction services rendered under BOT arrangement are recognised at fair value as financial assets or/and intangible assets.

A financial asset (loan and receivable) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

4. Significant Accounting Policies *(Continued)*

(v) Build-Operate-Transfer ("BOT") arrangements (Continued)

Considerations received or receivable by the Group for the construction services *(Continued)*

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the assets to be constructed meets specified quality of efficiency requirements. The financial asset (loan and receivable) is accounted for in accordance with the policy set out for "Financial instruments" in note 4 (i).

An intangible asset (concession right) is recognised to the extent that the Group receives a right to charge for the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent of the service used. The intangible asset (concession right) is accounted for in accordance with the policy set out for "Intangible assets" in note 4(g).

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" in note 4(s).

Operating services

Revenue relating to operating services are accounted for in accordance with the policy set out for "Revenue recognition" in note 4(k).

4. Significant Accounting Policies *(Continued)*

(w) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

4. Significant Accounting Policies *(Continued)*

(x) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

5. Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, the directors are required to make judgements, 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 the fair value less costs of disposal and value-in-use of an asset or the CGU to which an asset relates. In estimating the recoverable amounts of assets or CGUs, various assumptions, including fair value of CGU, estimated costs of disposal, 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.

5. Critical Accounting Estimates and Judgements *(Continued)*

(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.

(c) Estimated impairment of trade, loans and other receivables

The Group maintains a provision for impairment of trade, loans and other receivables arising from the inability of its customers and debtors to make the required repayments. The Group makes its estimates mainly based on the ageing of its trade receivable balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors 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 2017, provision for impairment on trade, loans and other receivables amounted to RMB5,380,000(2016: RMB2,218,000), Nil (2016: Nil) and RMB628,000 (2016: RMB558,000) respectively.

(d) Estimated write-down 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 judgement 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. Judgement 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 and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amounts of the CGUs to which goodwill and intangible assets relate. The recoverable amount is the higher of the fair value less costs of disposal and value-in-use of a CGU. In estimating the recoverable amounts of CGUs, various assumptions, including fair value of CGU, estimated costs of disposal, 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.

5. Critical Accounting Estimates and Judgements *(Continued)*

(g) Classification between intangible asset or financial asset or property, plant and equipment under BOT arrangement

The Group makes judgement in determining whether a BOT arrangement entered with a private entity is classified as an intangible asset or financial asset by analogy to HK(IFRIC) Interpretation 12, or as property, plant and equipment in accordance with the applicable accounting standards. For BOT arrangement where (a) the grantor controls or regulates what service the operator must provide with the infrastructure, to whom it must provide them, and at what price; (b) the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, no property, plant and equipment is recognised.

The Group further determines whether a financial asset exists to the extent that (a) it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor; (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group will otherwise recognise a BOT arrangement as an intangible asset if the above conditions are not fulfilled.

(h) Impairment of intangible assets with indefinite useful lives

The Group determines whether the intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the fair value less costs of disposal. Estimating the fair value less costs of disposal requires the Group to make an estimate of the fair value and costs of disposal. Further details are included in note 19 to the consolidated financial statements.

6. Segment Information

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

(i) Production and sale of cement;

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

(iii) Money lending and financial services.

6. Segment Information *(Continued)*

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

Year ended 31 December 2017

	Continuing operations		Discontinued operation	
	Production and sale of cement *RMB'000*	Money lending and financial Services *RMB'000*	Provision of sewage and sludge treatment operation and construction services *RMB'000*	Total *RMB'000*
Segment revenue	356,982	–	581	357,563
Segment results	63,416	–	(4,297)	59,119
Unallocated expenses				(15,635)
Income tax (expense)/credit	(18,769)	–	381	(18,388)
Profit for the year				25,096
As at 31 December 2017				
Segment assets	518,787	4,485	73,108	596,380
Unallocated assets				1,320
Total assets				597,700
Segment liabilities	142,520	–	27,144	169,664
Unallocated liabilities				14,908
Total liabilities				184,572

6. Segment Information *(Continued)*

Year ended 31 December 2016

	Continuing operations	Discontinued operation	
	Production and sale of cement	Provision of sewage and sludge treatment operation and construction services	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Re-presented)	(Re-presented)	(Re-presented)
Segment revenue	222,543	33,371	255,914
Segment results	9,233	512	9,745
Unallocated expenses			(4,088)
Income tax (expense)/credit	(1,698)	256	(1,442)
Profit for the year			4,215
As at 31 December 2016			
Segment assets	433,251	67,997	501,248
Unallocated assets			6,642
Total assets			507,890
Segment liabilities	101,057	18,119	119,176
Unallocated liabilities			682
Total liabilities			119,858

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. Revenue derived from the single largest external customers amounted to 7.9% of the Group's revenue for the year ended 31 December 2017 (2016: 17.2%).

6. Segment Information *(Continued)*

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

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Revenue		
Reportable segment revenue	**357,563**	255,914
Less: attributable to a discontinued operation	**(581)**	(33,371)
Revenue from continuing operations	**356,982**	222,543

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Profit before income tax expense and discontinued operation		
Reportable segment results	**59,119**	9,745
Less: total unallocated expenses	**(15,635)**	(4,088)
Add: segment loss/(profit) before income tax credit from discontinued operation	**4,297**	(512)
Add: unallocated expenses attributable to a discontinued operation	**42**	4
Consolidated profit before income tax expense from continuing operations	**47,823**	5,149

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Assets		
Reportable segment assets	**596,380**	501,248
Add: total unallocated assets	**1,320**	6,642
Less: segment assets attributable to a discontinued operation	**(73,108)**	–
Less: unallocated assets attributable to a discontinued operation	**(564)**	–
Assets attributable to continuing operations	**524,028**	507,890

6. Segment Information *(Continued)*

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities *(Continued)*

	2017 RMB'000	2016 RMB'000 (Re-presented)
Liabilities		
Reportable segment liabilities	**169,664**	119,176
Add: total unallocated liabilities	**14,908**	682
Less: segment liabilities attributable to a discontinued operation	**(27,144)**	–
Liabilities attributable to continuing operations	**157,428**	119,858

7. Revenue

An analysis of revenue is as follows:

	2017 RMB'000	2016 RMB'000 (Re-presented)
Continuing operations		
Sale of Ordinary Portland cement strength class 42.5	**204,429**	121,004
Sale of Composite Portland cement strength class 32.5R	**152,553**	99,811
Sale of Clinker	**–**	1,728
	356,982	222,543
Discontinued operation		
Provision of sewage and sludge treatment operation and construction services	**581**	24,915
Sewage treatment construction services – financial assets	**–**	7,431
Sewage treatment construction services – intangible assets	**–**	1,025
	581	33,371
	357,563	255,914

8. Other Income

	2017 RMB'000	2016 RMB'000 (Re-presented)
Continuing operations		
Tax refund *(Note (a))*	**4,527**	2,077
Government grants *(Note (b))*	**560**	1,580
Interest income from loans to Dongtong *(Note 24)*	**6,285**	6,313
Interest income from loans receivable *(Note 24)*	**1,760**	–
Exchange gains	**104**	454
Others	**245**	249
	13,481	10,673
Discontinued operation		
Government grants *(Note (b))*	**600**	459
Rental income	**1,458**	373
Interest income on amount due from grantor for contract work	**445**	–
Others	**316**	1
	2,819	833
	16,300	11,506

Notes:

(a) This is refund of value added tax ("VAT"). Pursuant to the notice regarding policies relating to VAT on Products Made through the List of Comprehensive Utilisation of Resources and Certain Other Services issued by the Ministry of Finance and the State Administration of Taxation（財政部、國家稅務總局關於資源綜合利用產品和勞務增值稅優惠目錄的通知）promulgated on 12 June 2015, 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.

(b) The amount represents government grants to the Group in respect of reduced air pollutant emissions and innovation.

9. Other Gains – Net

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Gain on disposal of available-for-sales financial assets *(Note 22)*	**5,102**	–
Losses on disposals of property, plant and equipment	**(385)**	–
	4,717	–
Discontinued operation		
Gain on disposal of a subsidiary	**–**	511
Losses on disposals of property, plant and equipment	**(17)**	(33)
	(17)	478
	4,700	478

10. Finance Expenses – Net

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Finance expenses:		
Continuing operations		
– Borrowings wholly repayable within 5 years	**(3,218)**	(2,892)
Discontinued operation		
– Borrowings wholly repayable within 5 years	**(216)**	(485)
	(3,434)	(3,377)
Finance income:		
Continuing operations		
– Bank deposits	**551**	378
Discontinued operation		
– Bank deposits	**1**	24
	552	402
Net finance expenses	**(2,882)**	(2,975)

11. Profit before Income Tax Expense

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

Continuing and discontinued operations

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Cost of inventories sold	**288,031**	206,604
Depreciation of property, plant and equipment	**14,187**	14,251
Amortisation of land use rights	**404**	404
Amortisation of intangible assets	**1,667**	1,841
Provision for impairment for trade receivables	**3,162**	852
Provision for impairment for other receivables	**70**	558
Minimum lease payments under operating leases for buildings	**4,540**	2,069
Research and development expenses	**14**	31
Employee expenses (including directors' remuneration)		
– wages and salaries	**19,474**	13,366
– pension scheme contribution	**3,165**	2,869
Auditors' remuneration		
– audit services	**912**	874
– non-audit services	**337**	120

(b) ***Discontinued operation***

In November 2017, the Board resolved to dispose of Shanghai Biofit Environmental Technology Co. Ltd ("Shanghai Biofit") and its subsidiaries (together the "Biofit Group") by disposal of the investment holding company of the Biofit Group (together the "Disposal Group"). The Biofit Group is principally engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services.

As at 31 December 2017, final negotiations for the disposal were in progress and the Disposal Group was classified as a discontinued operation. The comparative income has been re-presented as if the operation discontinued during the current year has been discontinued at the beginning of the comparative period. After the reporting date, the Group entered into a sales and purchase agreement on disposal of the Disposal Group as disclosed in note 42 to the consolidated financial statements.

11. Profit before Income Tax Expense *(Continued)*

(b) Discontinued operation *(Continued)*

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

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Revenue	**581**	33,371
Cost of sales	**(807)**	(23,923)
Administrative expenses	**(6,700)**	(9,790)
Other income	**2,819**	833
Other (losses)/gains	**(17)**	478
Finance costs – net	**(215)**	(461)
(Loss)/profit before income tax credit	**(4,339)**	508
Income tax credit	**381**	256
(Loss)/profit for the year from a discontinued operation	**(3,958)**	764
(Loss)/profit for the year from a discontinued operation attributable to:		
Owner of the Company	**(3,155)**	(887)
Non-controlling interests	**(803)**	1,651
	(3,958)	764

11. Profit before Income Tax Expense *(Continued)*

(b) Discontinued operation (Continued)

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Operating cash outflows	**(9,379)**	(19,730)
Investing cash inflows	**596**	5,033
Financing cash inflows	**8,929**	14,000
Total cash inflows/(outflows)	**146**	(697)

The carrying amounts of the assets and liabilities of the Disposal Group as at 31 December 2017 are as follows.

	RMB'000
Property, plant and equipment	280
Goodwill	9,396
Intangible assets	5,227
Trade and other receivables	57,917
Cash and cash equivalents	852
	73,672
Borrowings	5,000
Trade and other payables	20,747
Deferred tax liabilities	1,397
	27,144

12. Dividends

No dividends were declared by the Board of the Company for the years ended 31 December 2017 and 2016.

13. Earnings per Share

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB25,899,000 (2016: RMB2,564,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2016: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2017 and 2016, diluted earnings per share is the same as basic earnings per share.

From a discontinued operation

Basic and diluted loss per share for the year from a discontinued operation is RMB0.006 per share (2016:loss per share of RMB0.001), based on the loss for the year from a discontinued operation of RMB3,155,000 (2016: RMB887,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2016: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the year from continuing operations is RMB0.053 per share (2016:RMB0.006), based on the profit for the year from continuing operations of RMB29,054,000 (2016: RMB3,451,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2016: 552,000,000).

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 2017				
Executive directors				
Ms. Xie Yingxia	–	208	–	208
Mr. Ling Chao	–	208	–	208
Mr. Peng Cheng	–	1,355	16	1,371
Mr. Wong Hin Shek *(Note (i))*	–	893	13	906
Mr. Wang Jun	–	564	18	582
Mr. Chan Ka Wing *(Note (ii))*	–	452	5	457
Non-executive director				
Mr. Tseung Hok Ming ("Mr. Tseung")	208	–	–	208
Independent non-executive directors				
Mr. Cao Guoqi	156	–	–	156
Mr. Cao Kuangyu	156	–	–	156
Mr. Lee Ho Yiu Thomas	156	–	–	156
	676	3,680	52	4,408

Notes:

(i): Resigned on 28 August 2017

(ii): Appointed on 1 September 2017

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 2016				
Executive directors				
Ms. Xie Yingxia	–	229	–	229
Mr. Jin Chungen *(Note (i))*	–	180	–	180
Mr. Ling Chao	–	205	–	205
Mr. Peng Cheng *(Note (ii))*	–	333	3	336
Mr. Wong Hin Shek *(Note (iii))*	–	174	–	174
Mr. Wang Jun *(Note (iii))*	–	72	–	72
Non-executive director				
Mr. Tseung	205	–	–	205
Independent non-executive directors				
Mr. Cao Guoqi	154	–	–	154
Mr. Cao Kuangyu	154	–	–	154
Mr. Lee Ho Yiu Thomas	154	–	–	154
	667	1,193	3	1,863

Notes:

(i): Resigned on 14 November 2016

(ii): Appointed on 17 October 2016

(iii): Appointed on 14 November 2016

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: 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 2017 included four of the directors of the Company (2016: four).

Emoluments paid and payable to the remaining one (2016: one) individual for the year ended 31 December 2017 are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries and other benefits	**339**	205
Employer's contribution to pension scheme	**16**	–
	355	205

Emolument paid to the above non-director highest paid individual fell within the band of Nil – HK$1,000,000 (2016: 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 (2016: nil).

15. INCOME TAX EXPENSE

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2017 and 2016 except for Shanghai Biofit charged at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the year ended 31 December 2017 (2016: 15%).

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2017 (2016: 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 (2016: Nil).

15. Income Tax Expense *(Continued)*

Income tax expense charged to the consolidated statement of comprehensive income represents:

	2017 RMB'000	2016 RMB'000 (Re-presented)
Continuing operations		
Current tax		
– Current year	**14,153**	–
Deferred tax *(Note 30)*	**4,616**	1,698
	18,769	1,698
Discontinued operation		
Current tax		
– Over provision in respect of prior years	**–**	(8)
Deferred tax *(Note 30)*	**(381)**	(248)
	(381)	(256)
Income tax expense	**18,388**	1,442

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

	2017 RMB'000	2016 RMB'000 (Re-presented)
Profit/(loss) before income tax expense		
– Continuing operations	**47,823**	5,149
– Discontinued operation	**(4,339)**	508
	43,484	5,657
Tax calculated at the PRC profits tax rate of 25% (2016: 25%)	**10,871**	1,414
Effect of different tax rates in other jurisdictions	**1,326**	298
Tax effect of expenses not deductible for tax purposes	**2,604**	897
Utilisation of tax losses previously not recognised	**–**	(447)
Tax effect of tax loss not recognised	**513**	248
Tax effect of income not assessable for tax purposes	**(1,272)**	(1,179)
Income tax on concession rates	**188**	(187)
Under provision in respect of prior years	**–**	(8)
Deferred taxation on withholding tax	**4,158**	406
Income tax expense	**18,388**	1,442

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 2016						
Opening net book amount	5,079	75,845	42,982	1,308	2,648	127,862
Additions	–	118	2,238	561	58	2,975
Reclassification *(Note)*	(5,079)	–	–	–	–	(5,079)
Disposals	–	–	–	(63)	(3)	(66)
Depreciation	–	(7,077)	(5,877)	(618)	(679)	(14,251)
Closing net book amount	–	68,886	39,343	1,188	2,024	111,441
At 31 December 2016						
Cost	–	149,041	204,928	3,336	11,680	368,985
Accumulated depreciation	–	(80,155)	(165,585)	(2,148)	(9,656)	(257,544)
Net book amount	–	68,886	39,343	1,188	2,024	111,441
Year ended 31 December 2017						
Opening net book amount	**–**	**68,886**	**39,343**	**1,188**	**2,024**	**111,441**
Additions	**–**	**7,676**	**2,746**	**250**	**231**	**10,903**
Disposals	**–**	**–**	**(384)**	**(71)**	**(54)**	**(509)**
Attributable to a discontinued operation *(Note 11(b))*	**–**	**–**	**–**	**(20)**	**(260)**	**(280)**
Depreciation	**–**	**(7,092)**	**(6,044)**	**(462)**	**(589)**	**(14,187)**
Closing net book amount	**–**	**69,470**	**35,661**	**885**	**1,352**	**107,368**
At 31 December 2017						
Cost	**–**	**156,717**	**199,994**	**2,706**	**10,156**	**369,573**
Accumulated depreciation	**–**	**(87,247)**	**(164,333)**	**(1,821)**	**(8,804)**	**(262,205)**
Net book amount	**–**	**69,470**	**35,661**	**885**	**1,352**	**107,368**

Note:

This represents the transfer of an amount due from grantor for contract work and sewage treatment concession right classified as intangible assets (note 19) since it is consumed by BOT project upon its commencement in 2016.

17. Goodwill

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**9,396**	9,396
Attributable to a discontinued operation *(Note 11(b))*	**(9,396)**	–
At 31 December	**–**	9,396

Goodwill arose from a business combination during the year ended 31 December 2015 and it was solely allocated to the CGU, namely the Biofit Group (as defined in Note 11(b)), and together with the intangible assets comprising patent and software (Note 19) acquired in the same business combination and related to the same CGU, for the purpose of impairment testing.

At 31 December 2016, the recoverable amount of the CGU has been determined from a value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%.

	2016
	RMB
Discount rate	18%
Operating margin*	6%-13%
Growth rate within the five-year period	3%-30%

* defined as profit before income tax expense divided by revenue

The discount rate is pre-tax and reflects specific risks relating to the CGU. The operating margin and growth rate within the five-year period were determined based on management expectation and the result of the market research and prediction.

At 31 December 2017, the recoverable amount of the CGU has been determined by its fair value less costs of disposal based on total consideration of HK$40,000,000 for disposal of the Biofit Group and estimated costs of disposal by reference to the Sale and Purchase Agreement entered by the Group on 5 January 2018 as mentioned in note 42. The Company's directors are of opinion that the disposal consideration could be considered as fair value as the potential disposal was entered with an independent third party. Details of the disposal is disclosed in note 42 to the consolidated financial statements.

18. Land Use Rights

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**16,104**	16,508
Amortisation	**(404)**	(404)
At 31 December	**15,700**	16,104

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

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

19. Intangible Assets

	Software	Patent	Sewage treatment concession right (Note a)	Money lenders licence (Note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2016	6	9,181	–	–	9,187
Additions	–	–	1,025	–	1,025
Disposal of subsidiary *(Note 35)*	(6)	(302)	–	–	(308)
At 31 December 2016 and 1 January 2017	–	8,879	1,025	–	9,904
Additions	–	–	–	403	403
Attributable to a discontinued operation *(Note 11(b))*	–	(8,879)	(1,025)	–	(9,904)
At 31 December 2017	–	–	–	403	403
Accumulated amortisation:					
At 1 January 2016	2	1,241	–	–	1,243
Amortisation	2	1,839	–	–	1,841
Eliminated on disposal of subsidiary *(Note 35)*	(4)	(70)	–	–	(74)
At 31 December 2016 and 1 January 2017	–	3,010	–	–	3,010
Amortisation	–	1,667	–	–	1,667
Attributable to a discontinued operation *(Note 11(b))*	–	(4,677)	–	–	(4,677)
At 31 December 2017	–	–	–	–	–
Net book value:					
At 31 December 2017	–	–	–	403	403
At 31 December 2016	–	5,869	1,025	–	6,894

Note a: This represents the rights to operate sewage treatment plant in the PRC obtained in respect of its BOT arrangement described in Note 24(ii) below. The balance represents the portion of consideration receivable by the Group for the construction service rendered of which the Group has no unconditional right to receive cash from the user based on usage.

Note b: This represents a money lenders licence granted in Hong Kong arising from acquisition of entire interest of issued share capital of Golden Stars Assets Management Limited ("Golden Stars") on 8 December 2017 at consideration of HK$450,000 (equivalent to approximately RMB392,000).

19. Intangible Assets *(Continued)*

Under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination", a business consists of inputs and processes applied to those inputs that have the ability to create outputs. As Golden Stars did not meet these criteria, the acquisition is accounted for an acquisition of assets. In such case, the Group identified and recognised the individual identifiable assets acquired and liabilities assumed. The investment cost was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of the acquisition. Thus, approximately RMB403,000 was allocated to the money lenders licence.

The money lenders licence is considered by the directors of the Company as having indefinite useful lives because it is expected that the money lenders licence can be renewed continuously at minimal cost and it will contribute net cash inflows for the Group in the foreseeable future. The money lenders licence will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, the recoverable amount of the money lenders licence has been determined based on fair value less costs of disposal estimated by the management.

20. Particulars of Subsidiaries

The particulars of the Company's subsidiaries as at 31 December 2017 are as follows:

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered 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% (2016:100%)	–
Asia Jumbo Limited ("Asia Jumbo")	British Virgin Islands ("BVI"), 6 January 2016	Investment holding in Hong Kong, a limited liability company	USD100	100% (2016:100%)	–
Jumbo Marvel International Limited ("Jumbo Marvel")	British Virgin Islands ("BVI"), 15 February 2017	Investment holding in Hong Kong, a limited liability company	USD1	100%	–
Perfection Point Limited ("Perfection Point")	British Virgin Islands ("BVI"), 13 April 2017	Investment holding in Hong Kong, a limited liability company	USD1	100%	–
Times Premium International Limited ("Times Premium")	British Virgin Islands ("BVI"), 23 October 2017	Investment holding in Hong Kong, a limited liability company	USD1	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% (2016: 100%)
Glory Metro Limited ("Glory Metro")	Hong Kong, 15 November 2016	Investment holding in Hong Kong, a limited liability company	HK$100	–	100% (2016: 100%)
Golden Stars Assets Management Limited ("Golden Stars")	Hong Kong, 8 June 2017	Money lending in Hong Kong, a limited liability company	HK$10,000	100%	–

20. Particulars of Subsidiaries *(Continued)*

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered capital	Equity interest held	
				Direct	Indirect
蘇州東吳水泥有限公司 (Suzhou Cement Co., Ltd.*,"Dongwu Cement")	PRC, 5 June 2003	Production and sales of cement in the PRC, a limited liability company	USD29,000,000	–	100% (2016: 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% (2016: 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% (2016: 100%)
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	RMB19,468,680	–	62.26% (2016: 62.26%)
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	–	62.26% (2016: 62.26%)

20. Particulars of Subsidiaries *(Continued)*

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered capital	Equity interest held Direct	Equity interest held Indirect
紹興祥禹環保科技有限公司 (Shao Xing Xiang Yu Environmental Technology Co., Ltd.*, "Shao Xing Xiang Yu")	PRC, 30 April 2014	Provision of sewage treatment operation and construction services in the PRC, a limited liability company	RMB3,000,000	–	62.26% (2016: 62.26%)
蘇州熙華環保科技有限公司 (Suzhou Xihua Environmental Technology Co., Ltd.*, "Suzhou Xihua")	PRC, 6 April 2016	Research and development on sewage treatment technology and construction services in the PRC, a limited liability company	RMB10,000,000	–	62.26% (2016: 62.26%)

* 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

	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investment:		
Cost of investment	**24,000**	–
	24,000	–

The Group has a 48% (31 December 2016: Nil) interest in an associate, Suzhou Dongtong Environment and Technology Company Limited (蘇州東通環保科技有限公司, "Dongtong Environment and Technology"), which was incorporated in the PRC. The principal activity of Dongtong Environment and Technology is research and development on environmental technology and provision of related services. As Dongtong Environment and Technology has not carried on any business since its establishment and accordingly there was no share of results of associate for the year ended 31 December 2017.

21. Investment in an Associate *(Continued)*

Summary of financial information of the associate is as below.

	2017	2016
	RMB'000	*RMB'000*
As at 31 December		
Current assets	**50,000**	–
Non-current assets	**–**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Net assets	**50,000**	–
Group's share of the net assets of the associate	**24,000**	–
Period ended 31 December		
Revenue	**–**	–
Profit for the period	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–
Dividends received from associate	**–**	–

22. Available-for-sale Financial Assets

	Notes	2017 RMB'000	2016 RMB'000
At 1 January		**2,898**	2,898
– Disposals	*(b)*	**(2,898)**	–
At 31 December	*(a)*	**–**	2,898

Notes:

(a) The balance as at 31 December 2016 represents the Group's 5.887% equity interest in GinkgoPharma Co. Ltd ("Ginkgo Pharma"), which is engaged in manufacturing and trading of pharmaceutical products in the PRC. 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 dispose it in near future, the balance is classified as a current asset at 31 December 2016.

(b) On 26 January 2017, the Group entered into an agreement with an independent third party and disposed of its equity interest in Ginkgo Pharma at a consideration RMB8,000,000. A disposal gain of RMB5,102,000 was thus recognised as other gain (Note 9) in 2017.

23. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**10,264**	11,048
Work-in-progress	**10,085**	7,154
Finished goods	**4,957**	4,501
	25,306	22,703

24. Trade and Other Receivables

	2017 RMB'000	2016 RMB'000
Trade and bills receivables from third parties	**213,128**	156,196
Less: provision for impairment of trade receivables *(note (iv))*	**(5,380)**	(2,218)
Trade and bills receivables, net *(Note (i))*	**207,748**	153,978
Amounts due from customers for construction work other than that under the BOT arrangement *(Note 25)*	**30,783**	32,534
Amount due from grantor for contract work *(Note (ii))*	**7,876**	7,431
Prepayments	**14,738**	10,604
Loans to 蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.* ("Dongtong") *(note (iii))*	**66,400**	66,400
Loans receivable *(note (vi))*	**40,000**	–
Advances to suppliers	**2,000**	2,489
Other receivables	**10,266**	15,627
Less: provision for impairment of other receivables *(Note (iv))*	**(628)**	(558)
Prepayments, deposits and other receivables	**132,776**	94,562
Total trade and other receivables	**379,183**	288,505
Less: non-current portion		
– Amount due from grantor for contract work *(Note (ii))*	**–**	(6,372)
– Deposit for acquisition of a subsidiary *(Note (v))*	**(4,066)**	–
– Loans receivable *(Note (vi))*	**(40,000)**	–
– Other receivables	**(1,760)**	–
Less: balances attributable to a discontinued operation *(Note 11(b))*		
– Amounts due from customers for construction work other than that under the BOT arrangement *(Note 25)*	**(30,783)**	–
– Amount due from grantor for contract work *(Note (ii))*	**(7,876)**	–
– Trade receivables	**(2,813)**	–
– Prepayments	**(12,348)**	–
– Advances to suppliers	**(2,000)**	–
– Other receivables	**(2,097)**	–
	(103,743)	(6,372)
Trade and other receivables – current portion	**275,440**	282,133

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

24. Trade and Other Receivables *(Continued)*

As at 31 December 2017 and 2016, no trade and bills receivable were pledged for the borrowings. All non-current receivables are due within five years from the end of the reporting date.

(i) Trade and bills receivables

Credit terms given to its customers in cement segment and sewage and sludge treatment segment generally range from 30 to 90 days (2016: 30 to 90 days). For major customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1,000,000 and RMB50,000,000 with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

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

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**106,743**	76,394
From 91 days to 180 days	**59,733**	17,726
From 181 days to 1 year	**35,407**	34,196
From 1 year to 2 years	**3,473**	20,052
Over 2 years	**2,392**	5,610
	207,748	153,978

As at 31 December 2017, trade receivables of RMB5,380,000 (2016: RMB2,218,000) had been impaired. The amount of the provision for individually impaired trade receivables was RMB3,162,000 (2016: RMB852,000). 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 is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired *(Note (a))*	**134,253**	112,215
1 to 90 days past due *(Note (b))*	**61,101**	21,060
91 to 180 days past due *(Note (b))*	**6,529**	7,972
181 to 1 year past due *(Note (b))*	**3,473**	7,121
More than 1 year past due *(Note (b))*	**2,392**	5,610
	207,748	153,978

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. Other than trade receivables amounting to approximately RMB1,456,000 as at 31 December 2017 (2016: RMB1,456,000) that are indemnified by the former owners of the Biofit Group for any loss due to non-settlement, the Group does not hold any collateral or other credit enhancements over these balances.

(ii) ***Amount due from grantor for contract work***

The Group recognised a financial asset – amount due from grantor for contract work in respect of a BOT arrangement with a private sector entity (the "Grantor"). Under the BOT arrangement, the Group carries out construction work of the sewage treatment plant for the Grantor and receives in return a right to operate such plant for a period of eight years (the "Operation Period") and is entitled to a guaranteed minimum sewage treatment service income over the Operation Period. The plant will be transferred to the Grantor at nil consideration at the end of the Operation Period.

Amount due from grantor for contract work represents revenue from construction service under the BOT arrangement to the extent that the Group has an unconditional right to receive cash and bear interest at effective interest rate of 6% per annum. The amount is not yet due for payment and will be settled by revenue to be generated during the Operation Period of the BOT arrangement.

24. Trade and Other Receivables *(Continued)*

(iii) Loans to Dongtong

On 22 December 2014, in order to stabilise the annual return to the Group, after approval by the board of directors of Dongtong, the Group agreed to receive a fixed annual payment for the period from 23 December 2014 up to 31 December 2017 under the guarantees of two other shareholders of Dongtong. The fixed annual income (which is interest income at a fixed rate of 10.68% (2016: 10.68%) per annum) is receivable on 31 December each year and the loan principal of RMB60,000,000 is to be repaid on 31 December 2017. In return, the Group agreed to terminate all its shareholder's rights associated to the investments and the assigned director from the Group to the board of Dongtong has resigned from the directorship. Loans due from Dongtong amounting to RMB66,400,000 are thus initially recognised at fair value and subsequently carried at amortised cost using effective interest method.

Pursuant to an agreement with Dongtong entered into by the Group in December 2017, the maturity date of the loans were deferred to 31 December 2018 with the annual interest rate and other terms unchanged.

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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables:		
Beginning of year	**2,218**	1,366
Provision for the year	**3,162**	852
End of year	**5,380**	2,218

	2017	2016
	RMB'000	*RMB'000*
Other receivables:		
Beginning of year	**558**	–
Provision for the year	**70**	558
End of year	**628**	558

24. Trade and Other Receivables *(Continued)*

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

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 in accordance with the accounting policy stated in note 4(i)(ii).

(v) Deposit for acquisition of a subsidiary

On 2 August 2017, the Company entered into a conditional sale and purchase agreement for a proposed acquisition of the entire issued share capital of a company which is licensed to carry out Type 1 (Dealing in securities) regulated activity under the Securities and Futures Ordinance at a total cash consideration of HK$16,000,000 subject to consideration adjustments determined by the net asset value of the target company as at the date of completion of the sale and purchase agreement.

As at 31 December 2017, an amount of approximately RMB4,066,000 has been paid as a deposit. The details of this acquisition are set out in the Company's announcement dated 2 August 2017.

(vi) Loans receivable

In 2017, the Group entered into loan agreements to lend to an independent third party an aggregate principal amount of RMB40,000,000 for a period of two years at a fixed interest rate of 6% per annum. The loan principal of RMB30,000,000 and RMB10,000,000 together with interest thereon are repayable on 24 January 2019 and 13 November 2019 respectively. The loans receivable were secured by corporate guarantees given by independent third parties.

25. AMOUNTS DUE FROM CUSTOMERS FOR OTHER CONSTRUCTION WORK

	2017	2016
	RMB'000	*RMB'000*
Contracts in progress at the end of year:		
Contract costs incurred	**49,477**	48,896
Recognised profits less recognised losses	**17,497**	17,497
	66,974	66,393
Progress billings	**(36,191)**	(33,859)
	30,783	32,534
Represented by:		
Due from customers included in current assets	**30,783**	32,534

26. Short-term Bank Deposits

The balances as at 31 December 2017 and 2016 are all short-term bank deposits with original maturities exceeding three months. These deposits are all denominated in RMB, with an interest rate of 1.21% (2016: 1.65%) per annum.

27. Cash and Cash Equivalents

	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**28,597**	18,949
Less: attributable to a discontinued operation *(Note 11(b))*	**(852)**	–
	27,745	18,949

RMB27,902,000 (of which RMB310,000 attributable to a discontinued operation) of the Group's cash and cash equivalents was denominated in RMB as at 31 December 2017 (2016: RMB12,546,000). 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

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**52,645**	44,795
Advances from customers	**11,631**	3,394
Salary and bonus payables	**3,983**	1,955
VAT payables *(Note (a))*	**7,713**	3,257
Other payables	**17,958**	2,555
Less: attributable to a discontinued operation *(Note 11(b))*	**(20,747)**	–
	73,183	55,956

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2016: 30 to 90 days), while those granted in the sewage and sludge treatment segment is ranged from 30 to 90 days (2016: 30 to 90 days).

28. Trade and Other Payables *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Within 30 days	**30,490**	24,158
From 31 to 90 days	**11,105**	10,975
From 91 days to 180 days	**1,674**	3,986
From 181 days to 1 year	**1,493**	1,375
From 1 year to 2 year	**5,264**	3,502
Over 2 years	**2,619**	799
	52,645	44,795

Note:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 17% (2016: 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

Total Borrowings of the Group at 31 December 2017 were approximately RMB64,910,000, of which RMB5,000,000 was classified as held for sale. The balances at 31 December 2017 and 2016 are borrowed from banks and an independent third party and repayable within one year. Interest is charged on the outstanding balances of these borrowings at rates ranged between 5.66% and 9% (2016: 5.66% to 6.00%) per annum. As at 31 December 2017, bank borrowings of approximately RMB5,000,000 (2016: RMB4,000,000) was secured by personal guarantees from a director of the Company, Mr. Ling Chao and his close family member.

30. Deferred Tax Liabilities

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

Deferred tax assets	**Provisions**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	328	2,753	3,081
Credited/(charged) to profit or loss	220	(1,505)	(1,285)
At 31 December 2016 and 1 January 2017	548	1,248	1,796
Credited/(charged) to profit or loss	800	(1,248)	(448)
Attributable to a discontinued operation *(Note 11(b))*	(16)	–	(16)
At 31 December 2017	1,332	–	1,332

Deferred tax liabilities	**Withholding tax for attributable profit relating to equity holders**	**Revaluation of intangible assets**	**Assets in relation to BOT arrangement**	**Total**
	(Note (a))			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	6,120	2,046	–	8,166
Disposal through disposal of a subsidiary *(Note 35)*	–	(21)	–	(21)
Charged/(credited) to profit or loss	406	(529)	288	165
At 31 December 2016 and 1 January 2017	6,526	1,496	288	8,310
Charged/(credited) to profit or loss	4,158	(438)	67	3,787
Attributable to a discontinued operation *(Note 11(b))*	–	(1,058)	(355)	(1,413)
At 31 December 2017	10,684	–	–	10,684

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 RMB3,083,000 (2016: RMB4,499,000).

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

	2017	2016
	RMB'000	*RMB'000*
Deferred tax liabilities, net	**9,352**	6,514

Movements in deferred tax liabilities are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**6,514**	5,085
Disposal of a subsidiary	**–**	(21)
Charged to profit or loss *(Note 15)*	**4,235**	1,450
Attributable to a discontinued operation *(Note 11(b))*	**(1,397)**	–
At 31 December	**9,352**	6,514

31. Share Capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK$'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	100,000	81,520
Issued:			
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	552,000,000	5,520	4,490

32. Other Reserves

The Group	Share premium	Statutory reserve *(Note (a))*	Merger reserve *(Note (b))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	108,090	22,457	192,011	322,558
Appropriation from retained earnings	–	451	–	451
At 31 December 2016 and 1 January 2017	108,090	22,908	192,011	323,009
Appropriation from retained earnings	–	4,465	–	4,465
At 31 December 2017	108,090	27,373	192,011	327,474

The Company	Share premium	Capital reserve *(Note (c))*	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	108,090	207,930	316,020

32. Other Reserves *(Continued)*

(a) Statutory reserve

The Company's subsidiaries in the PRC are 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 2017, except one of the Company's subsidiaries in the PRC has appropriated RMB4,465,000 (2016: RMB451,000), others have reported loss and no appropriation to the statutory reserve (2016: Nil).

(b) Merger 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 2017 and 2016 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 of the Company

	Notes	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**208,246**	208,246
Deposit paid for acquisition of a subsidiary	*24*	**4,066**	–
		212,312	208,246
Current assets			
Amount due from subsidiaries		**56,654**	94,368
Prepayment		**9**	170
Cash and cash equivalents		**137**	5,856
Total current assets		**56,800**	100,394
LIABILITIES			
Current liabilities			
Amount due to a subsidiary		**6,625**	315
Other payables		**4,142**	107
Total current liabilities		**10,767**	422
Net current assets		**46,033**	99,972
Total assets less current liabilities		**258,345**	308,218
EQUITY			
Share capital	*31*	**4,490**	4,490
Other reserves	*32*	**316,020**	316,020
Accumulated losses		**(62,165)**	(12,292)
Total equity		**258,345**	308,218

On behalf of the Board

Peng Cheng
Director

Chan Ka Wing
Director

34. Assets and Liabilities of a Discontinued Operation Classified as Held for Sale

(i) In November 2017, the Board resolved to dispose of the Disposal Group. As of the end of reporting period, the Board has received expression of interest and anticipants that the sale will complete within 2018. The major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale is disclosed in note 11(b) to the financial statements.

The Disposal Group constitutes a discontinued operation following the classification as held for sale in accordance with the accounting policy stated in note 4(x). As the expected disposal proceeds are to exceed its carrying amount, no impairment loss has been recognised immediately before the classification of the non-current assets held for sale. Details of the disposal is disclosed in note 42 to the consolidated financial statements.

(ii) On 30 April 2015, the Group acquired the entire equity interest in the Biofit Group at a consideration of approximately RMB30,254,000. One of the vendors is a company controlled by Mr. Ling Chao, who has been appointed as the Company's executive director after the acquisition.

Pursuant to the sales and purchases agreement, the vendors undertake that the profit after tax of the Biofit Group as shown in its audited financial statements for the period from the cut-off date in 2014 as defined in the agreement (the "Cut-off Date") to 31 December 2014 and for each of the financial years ending 31 December 2015, 2016 and 2017 shall not be less than RMB2,000,000, RMB10,000,000, RMB10,000,000, RMB10,000,000, respectively (each of which referred to as the "Guaranteed Profit"). If there is any shortfall in the Guaranteed Profit in each of the above periods, cash compensation of the shortfall has to be paid by the vendors to the Group within 30 days from the respective dates of the audited financial statements.

On the other hand, pursuant to the sale and purchase agreement, in consideration of the above profit guarantee given by the vendors, the Group agreed to issue share options in respect of a total of 12,800,000 of the Company's shares at an exercise price of HK$1.3 to the vendors, detailed terms of which have to be further agreed between the Group and the vendors. Up to the date of approval of these financial statements, no share option has been issued by the Company to the vendors.

Based on its audited financial statements, the Guaranteed Profits for the years ended 31 December 2015, 2016 and 2017 could not be met by the Biofit Group. However, up to the date of approval of these financial statements, the Group has not yet received any shortfalls in Guaranteed Profits from the vendors. Based on a legal opinion given by a PRC lawyer, the Company's directors are of the opinion that, taking into consideration the fact that no share option has been issued by the Company to the vendors since the completion of acquisition of the Biofit Group, it was uncertain whether the Group could enforce its right to recover from the vendors the shortfalls in Guaranteed Profits. Accordingly, the directors considered that the fair value, if any, of the profit guarantee as described above, was not material, and accordingly it has not been recognised in these consolidated financial statements since the completion of acquisition of the Biofit Group.

35. Disposal of Subsidiary in 2016

On 20 July 2016, the Group disposed of its wholly-owned subsidiary, 上海富誠環保科技有限公司 (Shanghai Fu Cheng Environmental Technology Co., Ltd. "Shanghai Fu Cheng"), which is engaged in the provision of sewage treatment operation and construction services in the PRC. Net assets of Shanghai Fu Cheng at the date of disposal were as follows:

	RMB'000
Intangible assets	234
Trade receivables	3,076
Prepayments, deposits, and other receivables	5,605
Amounts due from customers for contract work other than those under the BOT arrangement	4,493
Cash and bank balances	18
Trade payables	(2,595)
Accruals and other payables	(6,315)
Deferred tax liabilities recognised upon fair value adjustments	(21)
Other tax payable	(6)
	4,489
Gain on disposal of subsidiary included in profit or loss in the consolidated statement of comprehensive income	511
Total consideration	5,000
Net cash inflow arising on disposal:	
Cash consideration	5,000
Cash and bank balances disposed of	(18)
Net cash inflow	4,982

36. 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:

	2017 RMB'000	2016 RMB'000
Financial assets:		
Available-for-sale financial asset	–	2,898
Loan and receivables		
– Trade and other receivables excluding prepayments	**364,445**	277,901
– Cash and cash equivalents	**28,597**	18,949
– Short-term bank deposits	**2,240**	31,000
Total	**395,282**	330,748
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	**64,910**	54,000
Trade and other payables excluding non-financial liabilities	**74,586**	49,305
Total	**139,496**	103,305

37. Financial Risk Management and Fair Value

The Group has various financial assets and liabilities such as cash and cash equivalents, short-term bank deposits, trade and other receivables, borrowings, trade and other payables.

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 financial instruments denominated in Hong Kong Dollars ("HKD") as majority of the Group's transactions, monetary assets and liabilities are denominated in RMB.

37. Financial Risk Management and Fair Value *(Continued)*

(a) Foreign currency risk *(Continued)*

The carrying amounts of the Group's monetary assets and liabilities that are not denominated in RMB at the end of reporting periods are as follows:

	2017		2016	
	Original currency in HKD	**Original currency in USD**	Original currency in HKD	Original currency in USD
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Trade and other receivables	**4,668**	**–**	–	–
Cash and cash equivalents	**325**	**371**	6,039	364
Trade and other payables	**(4,993)**	**–**	(107)	–
Borrowings	**(9,910)**	**–**	–	–
Overall net exposure	**(9,910)**	**371**	5,932	364

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	
	2017	2016
	RMB'000	*RMB'000*
HKD to RMB		
Appreciated by 3%	**(297)**	178
Depreciated by 3%	**297**	(178)
USD to RMB		
Appreciated by 3%	**11**	11
Depreciated by 3%	**(11)**	(11)

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.

37. Financial Risk Management and Fair Value *(Continued)*

(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.

	2017		2016	
	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	**1.21%**	**2,240**	1.65%	31,000
– Loan receivables	**5.82%-10.45%**	**106,400**	10.45%	66,400
Financial liabilities				
Fixed rate borrowing				
– Borrowings	**6.20%**	**64,910**	5.68%	54,000

(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 2017, the Group's bank deposits were placed in the commercial banks with high credit ratings.

37. Financial Risk Management and Fair Value *(Continued)*

(c) Credit risk *(Continued)*

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 bills receivables as 41.8% (2016: 41.5%) of the total trade and bills receivables was due from the Group's largest trade debtor and the amounts due from the Group's top five customers is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Balance of trade and bills receivables from top five customers	**113,009**	79,970
Balance of trade and bills receivables *(Note 24)*	**207,748**	153,978
Percentage	**54.40%**	51.94%

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 generally 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.

Management reviews the recoverability of loans to Dongtong and loans receivables at end of reporting period. The management is of the opinion that there is no significant risk on such balance as the principal amount of the loans receivable was not yet due and accrued interest receivables on loans to Dongtong were settled during the year.

As at 31 December 2017 and 2016, 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.

38. 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 2017 amounted to approximately RMB398,802,000 (2016: RMB372,903,000) which management considers as optimal having considered the projected capital expenditures and the strategic opportunities.

39. Lease Commitments

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

	2017	2016
	RMB'000	*RMB'000*
Within one year	**3,269**	1,720
In the second to fifth year, inclusive	**2,201**	868
	5,470	2,588

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. 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:

	2017	2016
	RMB'000	*RMB'000*
Basic salaries and benefits in kind	**4,408**	1,863

There are three and two (2016: Five and Nil) key management personnel of the Group with remuneration fell within the band of nil to HK$1,000,000 and the band of HK$1,000,000 to HK$1,500,000 in 2017 respectively.

40. Related Party Transactions *(Continued)*

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2017 (2016: Nil).

41. Note Supporting Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities:

	Borrowings
	(Note 29)
	RMB'000
At 1 January 2016	60,000
Changes from cash flows:	
Proceeds from new loans	55,000
Repayment of loans	(61,000)
Total changes from financing cash flows:	(6,000)
At 31 December 2016 and 1 January 2017	54,000
Changes from cash flows:	
Proceeds from new loans	64,910
Repayment of loans	(54,000)
Total changes from financing cash flows:	10,910
At 31 December 2017	64,910

42. Event After the Reporting Date

On 5 January 2018, a wholly-owned subsidiary of the Company (the "Vendor"), entered into a sale and purchase agreement with Great Future Development (HK) Limited (the "Purchaser"), pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the entire issued share capital of Dongwu Science & Technology Investment Company Limited, being the holding company of the Biofit Group, at a total consideration of HK$40,000,000. The details of this transaction are set out in the Company's announcement dated 5 January 2018. The Disposal Group was classified as a discontinued operation as at 31 December 2017 (see note 11(b)).

43. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.