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)

2012 INTERIM RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2012 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with the comparative figures for the corresponding period of 2011.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June **2012** ***RMB'000*** **(Unaudited)**	 2011 *RMB'000* (Unaudited)
Revenue	*4*	**154,579**	214,789
Cost of sales	*6*	**(144,528)**	(152,224)
Gross profit		**10,051**	62,565
Distribution costs	*6*	**(915)**	(1,255)
Administrative expenses	*6*	**(16,994)**	(7,105)
Other gains		**163**	14
Other income		**3,569**	7,516
Operating profit		**(4,126)**	61,735
Finance income		**636**	63
Finance costs		**(4,324)**	(2,961)
Financial costs – net		**(3,688)**	(2,898)
(Loss)/Profit before income tax		**(7,814)**	58,837
Income tax expense	*5*	**337**	(11,605)
		(7,477)	47,232
(Loss)/Profit attributable to equity holders of the Company		**(7,477)**	47,232
Other comprehensive income – Fair value gains of available-for-sale financial assets (net of tax)		**–**	2,257
Total comprehensive income for the period		**(7,477)**	49,489
Total comprehensive income attributable to owners of the Company		**(7,477)**	49,489
– Earnings per share for (loss)/profit attributable to equity holders of the Company for the period (expressed in RMB per share)			
– Basic and diluted earnings per share	*10*	**(0.017)**	0.111
Dividends	*7*	**–**	49,268

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**162,067**	174,156
Land use right		**17,922**	17,957
		179,989	192,113
Current assets			
Inventories		**33,336**	22,353
Trade and other receivables	*8*	**124,018**	146,258
Restricted bank deposits		**5,000**	5,000
Cash and cash equivalents		**113,569**	41,402
		275,923	215,013
Total assets		**455,912**	407,126
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*9*	**4,076**	–
Other reserves		**268,282**	210,193
Retained earnings		**22,272**	29,749
Total equity		**294,630**	239,942
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,486**	2,697
Current liabilities			
Trade and other payables	*12*	**89,106**	71,709
Current income tax liabilities		**322**	2,400
Borrowings	*11*	**70,368**	90,378
		159,796	164,487
Total liabilities		**161,282**	167,184
Total equity and liabilities		**455,912**	407,126
Net current assets		**116,127**	50,526
Total assets less current liabilities		**296,116**	242,639

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company			
		Share capital	Other reserves	Retained earnings	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012 (audited)		**–**	**210,193**	**29,749**	**239,942**
Comprehensive income					
Loss for the period		**–**	**–**	**(7,477)**	**(7,477)**
Total comprehensive income for the period ended 30 June 2012		**–**	**–**	**(7,477)**	**(7,477)**
Transactions with owners					
Capitalization issue	*9*	**3,465**	**(3,465)**	**–**	**–**
Issuance of ordinary shares	*9*	**611**	**61,554**	**–**	**62,165**
Total transactions with owners		**4,076**	**58,089**	**–**	**62,165**
Balance at 30 June 2012 (unaudited)		**4,076**	**268,282**	**22,272**	**294,630**
Balance at 1 January 2011 (audited)		–	204,976	74,002	278,978
Comprehensive income					
Profit for the period		–	–	47,232	47,232
Other comprehensive income					
– Fair value gains of available-for-sale financial assets		–	2,257	–	2,257
Total comprehensive income for the period ended 30 June 2011		–	2,257	47,232	49,489
Transactions with owners					
Dividends paid to the then equity holder	*7*	–	–	(49,268)	(49,268)
Transfer to statutory reserves		–	5,972	(5,972)	–
Total transactions with owners		–	5,972	(55,240)	(49,268)
Balance at 30 June 2011 (unaudited)		–	213,205	65,994	279,199

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**29,110**	54,199
Interest paid		**(4,324)**	(2,961)
Income tax paid		**(2,952)**	(11,953)
Cash flows from operating activities		**21,834**	39,285
Cash flows from investing activities			
Interest received		**152**	63
Proceeds from disposal of available-for-sale financial assets		**13,696**	–
Repayments from related parties		**–**	55,082
Advances to related parties		**–**	(35,532)
Purchase of property, plant and equipment		**(7)**	(17)
Purchase of land use rights		**(167)**	–
Cash flows from investing activities		**13,674**	19,596
Cash flows from financing activities			
Proceeds from bank borrowings	*11*	**6,700**	–
Proceeds from other borrowing	*11*	**–**	15,000
Proceeds from related parties		**5,951**	–
Proceeds from issuance of shares		**67,254**	–
Repayment of bank borrowings	*11*	**(10,000)**	(20,700)
Repayments of other borrowings	*11*	**(16,710)**	(1,701)
Repayments to related parties		**(8,847)**	(2,500)
Payment of issuance cost		**(7,689)**	–
Dividends paid to the then equity holder		**–**	(49,268)
Cash flows from financing activities		**36,659**	(59,169)
Net increase in cash and cash equivalents		**72,167**	(288)
Cash and cash equivalents at the beginning of the period		**41,402**	18,220
Cash and cash equivalents at end of the period		**113,569**	17,932

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Dongwu Cement International Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, the People's Republic of China (the "PRC").

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cement.

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information is presented in Renminbi ('RMB'), unless otherwise stated.

This condensed consolidated interim financial information was approved by the Board of Directors (the "Board") for issue on 29 August 2012.

These interim condensed consolidated financial statements have not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2012 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "Financial Information"). The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

3 SEGMENT INFORMATION

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

The Group is principally engaged in the production and sales of cement and 100% of its sales are derived in the PRC for the Period (30 June 2011:100%).

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the Period (30 June 2011: None).

4 REVENUE

The Company is an investment holding company. Its subsidiary in PRC is principally engaged in the manufacture and sales of cement. Revenue is analyzed as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**70,018**	104,361
Composite Portland cement strength class 32.5	**77,304**	110,428
Clinker	**7,257**	–
	154,579	214,789

5 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current income tax	**(874)**	(11,674)
Deferred tax on origination and reversal of temporary differences	**1,211**	69
	337	(11,605)

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

Hong Kong profits tax rate is 16.5% for the Period (30 June 2011: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the Period (30 June 2011: nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT LAW") and Implementation Regulation of the PRC EIT LAW, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

The Group's sole PRC subsidiary – Dongwu Cement is subject to a full corporate income tax exemption for two years and a 50% deduction in the succeeding three years, commencing from the first profitable year after a five-year losses carrying forward. The year 2007 was the first profitable year of Dongwu Cement.

Hence, the applicable income tax rate for the Period was 25% (30 June 2011: 12.5%).

6 EXPENSE BY NATURE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(9,715)**	(8,016)
Raw materials and consumables used	**112,076**	115,855
Utilities and energy costs	**24,248**	25,550
Depreciation and amortization expenses	**12,298**	12,570
Employee benefit expenses	**5,694**	7,512
Transportation expenses	**1,389**	1,547
Taxes and levies	**1,183**	2,129
Entertainment expenses	**271**	474
Pollution discharge expenses	**276**	277
Repair and maintenance expenses	**385**	1,246
Consultancy, legal and professional fees	**530**	464
Expenses related to listing	**12,844**	–
(Reversal)/Provision for impairment of trade receivables	**(324)**	30
Traveling expenses	**180**	81
Auditors' remuneration	**325**	25
Operating lease payments	**449**	516
Other expenses	**328**	324
Total cost of sales, distribution costs and administrative expenses	**162,437**	160,584

7 DIVIDENDS

No interim dividends were declared by the Board of the Company for the Period.

Cash dividends of RMB49,268,000 (RMB0.116 per share*) were declared by the Board of Dongwu Cement and paid to the then equity holder on 12 May 2011 and 17 May 2011.

* In determining the number of ordinary shares in issue for the six months ended 30 June 2011, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 (Note 9(a)) and the subsequent sub-division of shares on 28 May 2012 (Note 9(b)), and the 424,990,000 shares issued and allotted through capitalization of the share premium account of the Company upon Listing on 13 June 2012 (Note 9(c)), had been regarded as if these shares were in issue since 1 January 2011.

8 TRADE AND OTHER RECEIVABLES

	As at 30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Trade receivables due from third parties	**68,460**	59,178
Trade receivable due from a related party	**2,450**	2,450
Bills receivable	**37,443**	59,088
	108,353	120,716
Prepayments for		
– acquisition of materials	**17,903**	14,032
– others	**–**	2,890
Due from a related party	**–**	13,696
Other receivables	**3,509**	995
	21,412	31,613
Less: provision for impairment of trade receivables	**(5,747)**	(6,071)
	124,018	146,258

The credit terms for most of the customers range from 30 to 90 days. One of the top five customers is granted a credit term of 180 days. For ready-mixed concrete stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1 million and RMB3.5 million with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

At 30 June 2012 and 31 December 2011, the ageing analyses of the trade receivables due from third parties were as follows:

	As at 30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Below 90 days	**30,550**	33,181
From 91 days to 180 days	**14,671**	16,871
From 181 days to 1 year	**17,358**	2,924
From 1 year to 2 years	**231**	542
Over 2 years	**5,650**	5,660
	68,460	59,178

9 SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000
Authorized:				
Ordinary shares of HK$1.00 each as at 31 December 2011	*(a)*	10,000	10	8
Ordinary shares of HK$0.01 each as at 30 June 2012	*(b)*	10,000,000,000	100,000	81,520
Issued:				
Ordinary shares as at 31 December 2011		100	–	–
Shares increase pursuant to sub-division	*(b)*	9,900	–	–
Share issued pursuant to the Capitalization Issue	*(c)*	424,990,000	4,250	3,465
New share issued upon listing	*(d)*	75,000,000	750	611
Ordinary shares of HK$0.01 each as at 30 June 2012		500,000,000	5,000	4,076

(a) The Company was incorporated in the Cayman Islands on 29 November 2011 with an authorized share capital of HK$10,000 divided into 10,000 shares of a par value of HK$1.00 each. At the time of its corporation, the total number of issued shares of the Company was 100 shares.

(b) On 28 May 2012, the Company sub-divided each authorized issued and unissued share of a par value of HK$1.00 each in the share capital of the Company into 100 shares of a par value of HK$0.01 each. The number of issued shares of the Company was increased from 100 shares to 10,000 shares as a result of sub-division;

On 28 May 2012, the authorized share capital of the Company was increased from HK$10,000 to HK$100,000,000 by the creation of an additional 9,999,000,000 shares of a par value of HK$0.01 each.

(c) On 13 June 2013, the Company capitalized HK$4,250,000 by crediting the share premium account of the Company by applying such sum to pay up in full at par a total of 424,990,000 shares for allotment and issue to the shareholders in proportion to their respective shareholdings.

(d) On 13 June 2012, the Company issued 75,000,000 new shares with nominal value of HK$0.01 each for the Hong Kong public offer and international placing at the offer price of HK$1.1 (equivalent to approximately RMB0.8967) each.

The Company raised gross proceeds of approximately RMB67,254,000 from the issuing of the 75,000,000 new shares, of which paid up capital was approximately RMB611,000 and share premium was approximately RMB61,554,000. The share issuance cost related to the new shares amounted to RMB5,089,000.

10 EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2012 and 2011 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue. In determining the number of ordinary shares in issue for the six months ended 30 June 2011, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 (Note 9(a)) and the subsequent sub-division of shares on 28 May 2012 (Note 9(b)), and the 424,990,000 shares issued and allotted through capitalization of the share premium account of the Company upon Listing on 13 June 2012 (Note 9(c)), had been regarded as if these shares were in issue since 1 January 2011.

	Six months ended 30 June	
	2012	2011
(Loss)/Profit attributable to equity shareholders of the Company (thousand)	**(7,477)**	47,232
Weighted average number of ordinary shares in issue (thousand)	**432,418**	425,000
Basic and diluted earnings per share (RMB per share)	**(0.017)**	0.111

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2012 and 2011, diluted earnings per share is the same as basic earnings per share.

11 BORROWINGS

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Current		
Bank borrowings	**69,770**	73,070
Other borrowings		
– from non-bank financial institutions	**–**	15,000
– from financing arrangement*	**598**	2,308
	70,368	90,378
Representing:		
Unsecured**	**28,000**	–
Secured	**42,368**	90,378
	70,368	90,378

* These other borrowings represented a financing arrangement entered by the Group in the form of a sale and leaseback transaction for certain machinery with repurchase option. As the repurchase price is nil and the Group will definitely exercise its repurchase option, this arrangement is treated as a collateralized borrowing of the Group.

** As at 30 June 2012, the Group's unsecured borrowings of RMB28,000,000 were supported by the guarantee provided by the Company (30 June 2012: nil).

Movements in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	90,378
Repayments of borrowings	(26,710)
Proceeds from new borrowings	6,700
Closing amount as at 30 June 2012	70,368
Six months ended 30 June 2011	
Opening amount 1 January 2011	74,977
Repayments of borrowings	(22,401)
Proceeds from new borrowings	15,000
Closing amount as at 30 June 2011	67,576

The Group's secured borrowings are analyzed as follows:

	As at	
	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Bank and other borrowings:		
Secured by:		
– Property, plant and equipment	**13,598**	15,308
– Land use rights	**17,300**	17,300
Pledged by:		
– Bills receivables	**6,700**	10,000
– Restricted bank deposits	**4,770**	4,770
Corporate guarantees by:		
– Related parties	**–**	43,000
	42,368	90,378

Interest expense on borrowings for the Period was RMB4,324,000 (30 June 2011: RMB2,961,000).

12 TRADE AND OTHER PAYABLES

	As at **30 June 2012** *RMB'000*	As at 31 December 2011 *RMB'000*
Trade payables	**60,743**	48,232
Advances from customers	**2,011**	1,265
Salary payable	**1,087**	3,218
Other tax payables	**93**	3,119
Other payables	**25,172**	12,979
Due to a related party	**–**	2,896
	89,106	71,709

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

The ageing analysis of the trade payables are as follows:

	As at **30 June 2012** *RMB'000*	As at 31 December 2011 *RMB'000*
Trade payables		
Below 30 days	**21,374**	23,475
From 31 to 90 days	**18,203**	19,719
From 91 days to 180 days	**14,239**	1,932
From 181 days to 1 year	**5,172**	2,000
From 1 year to 2 year	**1,298**	690
Over 2 years	**457**	416
	60,743	48,232

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2012, China's major macro indicators have shown signs of economic slowdown. The GDP for the first half of the year recorded a growth of 7.8% over the corresponding period last year, which was lower than the overall growth rate of 9.2% throughout 2011; fixed-asset investment recorded a growth of 20.4% (the real growth was 18.0% after deducting the price factor) over the corresponding period last year, representing a decrease of 5.2 percentage points as compared with the growth rate for the corresponding period last year. Meanwhile, against the backdrop of the PRC government's strict macro-control over property investment, the growth of China's property development and investment continued to fall. In the first half of 2012, the national property development and investment reached approximately RMB3,061 billion, representing a year-on-year growth of 16.6% (the real growth was 14.3% after deducting the price factor), representing a decrease of 16.3 percentage points as compared with the growth rate for the corresponding period last year. (Source: PRC National Statistics Bureau)

Amid these various uncertainties, domestic cement production posted a growth of 5.48% in the first half of 2012, representing a decrease of nearly 14 percentage points as compared with the corresponding period last year. The domestic cement price experienced further drop for 14 consecutive weeks after the first quarter of 2012; the downside trend of the domestic cement market remained in June 2012 with the cement price falling to a 5-year low. According to the monitoring data from Digital Cement, in June 2012, the average price of PO 42.5 bulk cement in the domestic market was RMB356.61 per tonne, representing a month-to-month decrease of 2% as compared with the figure in May and a dramatic plunge of 17.98% as compared with the corresponding period last year. The continuous drop in the price of PO 42.5 bulk cement in the first half of 2012 was primarily due to the fierce "price competition" in the cement markets across China triggered by the macro-control policies and the unbalanced supply and demand of cement in mainland China. (Source: Digital Cement, at which all cement prices shown were inclusive of 17% of VAT, the same shall apply hereinafter)

In Eastern China where the Group's operations are based, the cement price continued to decline at a percentage higher than the national average level in the first half of 2012. As for the provincial capital cities (Nanjing, Hangzhou and Shanghai) of the Group's principal sales regions (Jiangsu Province, Zhejiang Province and Shanghai), the prices of PO 42.5 cement were RMB300 per tonne, RMB280 per tonne and RMB350 per tonne respectively in late June 2012, representing a decrease of 36.2%, 37.8% and 25.5% respectively as compared with the corresponding period last year. (Source: Digital Cement)

As affected by the macro economy and industry circumstances, and further to the decreases in the revenue and gross profit margin of the Group as of 30 April 2012 as disclosed in the Company's prospectus (the "**Prospectus**") dated 1 June 2012 in relation to the initial public offering of the shares of the Company (the "**IPO**"), the Group recorded continuous decreases in the revenue and gross profit margin for May and June 2012 due to various uncertainties, thus resulting in significant decline in its revenue and sales profit for the first half of 2012.

Business Review

Turnover

As of 30 June 2012, the Group's turnover decreased by approximately 28.0% to approximately RMB154,579,000 from approximately RMB214,789,000 for the corresponding period last year. The decrease was primarily attributable to decline in sales volume and selling price of cement over the Reporting Period, especially the average selling price of cement which decreased by approximately 22.8%.

The table below sets forth the analysis on turnover by product:

	For the six months ended 30 June					
	2012			2011		
	Sales volume *Thousand tonnes*	**Average selling price** *RMB/tonne*	**Turnover** *RMB'000*	Sales volume *Thousand tonnes*	Average selling price *RMB/tonne*	Turnover *RMB'000*
PO 42.5 cement	**241.2**	**290.3**	**70,018**	276.0	378.1	104,361
PC 32.5 cement	**310.9**	**248.6**	**77,304**	345.5	319.6	110,428
Clinker	**31.0**	**234.4**	**7,257**	-	-	-

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 552.1 thousand tonnes, representing a decrease of approximately 11.2% year-on-year while the sales revenue of the cement products decreased by approximately 31.4% year-on-year to approximately RMB147,322,000. A small portion of clinker was sold to ease the pressure on clinker's inventory due to the decrease in the sales volume of cement. The income of clinker sales was approximately RMB7,257,000 during the Reporting Period, whilst no revenue for clinker sales was recorded over the same period last year.

The table below sets forth the analysis on turnover by region:

	For the six months ended 30 June			
	2012		2011	
	Turnover	**% of total turnover**	Turnover	% of total turnover
	RMB'000		*RMB'000*	
Jiangsu Province	**104,485**	**67.6%**	133,311	62.0%
Wujiang Province	**101,000**	**65.3%**	129,781	60.4%
Suzhou (excluding Wujiang)	**3,485**	**2.3%**	3,530	1.6%
Zhejiang Province	**32,057**	**20.7%**	45,869	21.4%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**28,686**	**18.6%**	42,377	19.7%
Jiaxing	**3,371**	**2.1%**	3,492	1.7%
Shanghai	**18,037**	**11.7%**	35,609	16.6%
Total	**154,579**	**100.0%**	214,789	100.0%

During the Reporting Period, due to the slowdown in the domestic fixed-asset investment, causing a decrease in the demand of cement in the market, there was a slight decline in the sales of cement products of the Group. As the selling price of cement products declined steeper, all sales regions experienced different levels of decline in sales as compared to those over the corresponding period last year, especially in Shanghai, which experienced a decline of nearly 50% in sales.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit decreased by approximately 83.9% to approximately RMB10,051,000 from approximately RMB62,565,000 over the corresponding period last year, while the gross profit margin decreased by approximately 77.7% to approximately 6.5% from approximately 29.1% for the corresponding period last year. The decrease was mainly due to a steep decline in the Group's selling price of cement during the Reporting Period.

Other Income

During the Reporting Period, the Group's other income decreased by approximately 52.5% to approximately RMB3,569,000 from approximately RMB7,516,000 over the corresponding period last year. The decrease was mainly due to the decline in tax refunds as a result of the decrease in revenue from sales of PC 32.5 cement.

Sales and Distribution Fees

During the Reporting Period, the Group's sales and distribution fees decreased by approximately 27.1% to approximately RMB915,000 from approximately RMB1,255,000 over the corresponding period last year. The decrease was mainly due to a reduction in transportation expenses. Sales and distribution fees accounted for approximately 0.6% of the Group's consolidated turnover which basically remained flat as compared to the corresponding period last year.

General and Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses increased by approximately 139.2% to approximately RMB16,994,000 from approximately RMB7,105,000 over the corresponding period last year. The significant increase in the general and administrative expenses was primarily due to the inclusion of the listing fee of approximately RMB12,844,000 in respect of the listing of the Company on the Stock Exchange in June 2012 in the profit and loss account for the six months ended 30 June 2012.

Tax

During the Reporting Period, the Group recorded a credit of income tax expenses of approximately RMB337,000, which is deductible after the Reporting Period, as compared to the income tax expenses of approximately RMB11,605,000 over the corresponding period last year. The difference was primarily due to the loss before tax recorded during the Reporting Period as compared to the profit before tax recorded for the corresponding period last year. Moreover, from 1 January 2012 onwards, Suzhou Dongwu Cement Co., Ltd. (蘇州東吳水泥有限公司), the Company's PRC wholly-owned subsidiary, was subject to an enterprise income tax of 25% and no longer entitled to the preferential tax rate of 12.5%.

Further details relating to the income tax expenses are set out in note 5 to the interim condensed consolidated financial statements.

Net Profit Margin

During the Reporting Period, Group recorded a net loss margin of approximately 4.8% as compared to the net profit margin of approximately 22.0% over the corresponding period last year. This was primarily due to (1) a decline in sales revenue, resulting in a decrease in net profit of approximately RMB5,367,000 for the six months ended 30 June 2012 from approximately RMB47,232,000 over the corresponding period last year; (2) the inclusion of the listing fee of approximately RMB12,844,000 in respect of the listing of the Company in the profit and loss account for the six months ended 30 June 2012, resulting in a loss of approximately RMB7,477,000 in the net profit during the Reporting Period.

Liquidity and Capital Resources

As stated in the Prospectus, the Group planned to meet its working capital needs primarily through cash flow from operating activities, bank loans and the use of trade and other payables, as well as the Company's IPO proceeds.

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Cash and cash equivalents	**113,569**	41,402
Borrowings	**70,368**	90,378
Debt to equity ratio	**24%**	38%

Cash Flow

As at 30 June 2012, the Group's cash and cash equivalents increased by approximately 174.3% to approximately RMB113,569,000 from approximately RMB41,402,000 as at 31 December 2011. The increase was primarily due to (1) an increase of approximately RMB67,254,000 in the IPO proceeds; (2) an increase of approximately RMB21,834,000 in the cash flow from operating activities; (3) an increase of approximately RMB13,696,000 in the cash flow from recovering the amount in relation to the disposal of financial assets; (4) a reduction in cash flow of approximately RMB10,579,000 for payments of listing fees (including the repayment to Far East International Investment Company Limited, a connected person of the Company, which previously paid part of the listing fees on behalf of the Company); and (5) a net cash outflow of approximately RMB20,010,000 for repayment of part of the borrowings.

Borrowings

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Current:		
Bank borrowings	**69,770**	73,070
Other borrowings		
– from non-bank financial institutions	**–**	15,000
– from financing arrangement	**598**	2,308
	70,368	90,378

During the Reporting Period, the Group recorded a net decrease in borrowings of approximately RMB20,010,000, primarily attributable to repayment of the borrowings from non-bank financial institutions of approximately RMB15,000,000 and a reduction in the lease borrowings under financial arrangement of approximately RMB1,710,000 during the Reporting Period, with a view to optimizing the Group's assets structure and reducing interest costs.

As at 30 June 2012, the Group's bank borrowings decreased by approximately 4.5% to approximately RMB69,770,000 from approximately RMB73,070,000 as at 31 December 2011. All such borrowings were bearing floating rate.

Amongst the aforesaid borrowings, approximately RMB 42,368,000 was secured by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits by way of charge or pledge, and approximately RMB28,000,000 was guaranteed by the Company (as at 31 December 2011: approximately RMB90,378,000 charged, pledged and/or guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits, as well as the corporate guarantees by related or unrelated parties).

Details relating to the maturity of the Group's borrowings are set out in note 11 to the interim condensed consolidated financial statements.

As at 30 June 2012, the Group's bank financing facility was fully utilised.

Debt to Equity Ratio

As at 30 June 2012, the Group's debt to equity ratio decreased sharply to 24% from 38% as at 31 December 2011. The decrease was primarily due to (1) a net decrease of approximately RMB20,010,000 in borrowings; and (2) an increase of approximately RMB62,165,000 in the share capital and other reserves during the Reporting Period.

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

Capital Expenditure and Capital Commitments

As at 30 June 2012, the Group's capital expenditure increased to approximately RMB174,000 from approximately RMB17,000 over the corresponding period last year. The increase was primarily due to the payment of deed tax during the Reporting Period of approximately RMB167,000 arising from the purchase of land use right.

As at 30 June 2012, the Group did not have any capital commitments.

IPO Proceeds and Use of the IPO Proceeds

During the IPO, the Company has issued a total of 87,000,000 shares (including 75,000,000 new shares and 12,000,000 shares which were additionally issued upon partial exercise of the Over-allotment Option (as defined in the Prospectus)). After deducting the related expenses, the IPO net proceeds was approximately RMB57,563,000.

The Group will apply the above IPO net proceeds in accordance with the manners set out in the Prospectus, being:

- approximately RMB22,450,000, representing approximately 39% of the net proceeds, will be used to acquire a suitable ready-mixed concrete station in Wujiang City;

- approximately RMB15,542,000, representing approximately 27% of the net proceeds, will be used to strengthen the Group's sales network and enhance the Group's logistics system and capability by establishing the Group's own entrepots at strategic locations in Wujiang City, urban Suzhou, Shanghai Chongming Island and Qingpu District in Shanghai, respectively;

- approximately RMB14,966,000, representing approximately 26% of the net proceeds, will be used to upgrade some of the Group's production equipment and to acquire new cement production equipment to replace some older equipment; and

- approximately RMB4,605,000, representing approximately 8% of the net proceeds, will be used towards working capital and other general corporate purposes.

As of 30 June 2012, the IPO net proceeds were not utilized and were deposited in licensed banks in Hong Kong as short-term current savings in Hong Kong dollars.

Pledge of Assets

Details relating to the pledge of assets by the Group over the Reporting Period are set out in note 11 to the interim condensed consolidated financial statements.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISK

The Group conducted its business primarily in mainland China with most of its operating expenses and capital account denominated in Renminbi and a small amount denominated in Hong Kong dollars. Foreign exchange debts were primarily used in the payment of offshore intermediary fees. During the Reporting Period, the Group was not materially affected in either operating business or operational capital due to fluctuations in foreign exchange rate.

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

As of 30 June 2012, all the IPO net proceeds are deposits in Hong Kong dollars. As Renminbi is not a freely convertible currency, future exchange rates of Renminbi could vary significantly from the current or historical exchange rates as a result of any controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. Significant appreciation or devaluation of Renminbi against foreign currencies upon the Company's exchange of its IPO net proceeds into Renminbi may have a positive or negative impact on the Company's financial position. The management will closely monitor foreign exchange exposure and will consider taking measures on hedging foreign currency exposure when necessary.

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2012.

FUTURE PROSPECTS

For the second half of 2012, amid the prevailing economic conditions, the Group will place more efforts in its marketing, focus on local market expansion, and optimize its product mix, so as to broaden its income sources and enhance its profitability. Meanwhile, the Group will implement a number of measures for renewal of facilities and enhancement of technologies in the second half of the year, including modification of combustors, addition of mineral powder tanks, etc., in order to enhance its productivity and reduce production costs.

From a long-term strategic development perspective, the Group will proactively seek acquisitions of downstream companies in the second half of the year. After thorough market research and comprehensive consideration on various criteria such as geographical location, asset quality and business capability of the potential acquisition targets, the Group will identify appropriate acquisition targets and formulate acquisition proposals as soon as practicable, with a view to expanding the Group's scope of business.

Generally, the Group aims to strengthen its comprehensive competitiveness through the above initiatives, so as to rapidly respond to changes in the macro economy and industry circumstances and generate satisfactory returns for its shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the IPO, the Company has successfully made an offering of a total of 87,000,000 shares (including 75,000,000 new shares and 12,000,000 shares which were additionally issued upon partial exercise of the Over-allotment Option (as defined in the Prospectus)) at the price of HK$1.10 per share.

Save as the disclosed above, the Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are of the view that the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from the listing date of the Company to 30 June 2012.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by Directors of the Company to regulate their securities transactions. Having made specific enquiries to each Director of the Company, all Directors confirmed that during the period from the listing date of the Company to 30 June 2012, they had complied with the requirements as set out in the Model Code.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2012 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of such financial report has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2012 is published on the website of Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2012 interim report will be despatched to the shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 29 August 2012

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Jin Chungen and Mr. Yang Bin as executive Directors, Mr. Tseung Hok Ming as non-executive Director and Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.