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Dongwu Cement International Limited **東吳水泥國際有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 695)

Change in Use of Proceeds

I. USE OF PROCEEDS

References are made to the prospectus (the “Prospectus”) in relation to the initial public offering (“IPO”) dated 1 June 2012 and the interim report for the six months ended 30 June 2013 published on 6 September 2013 (“Interim Report”) of Dongwu Cement International Limited (the “Company”, together with its subsidiaries, the “Group”).

As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intends to apply the net proceeds from the IPO (the “IPO Proceeds”) in the following manner:

- approximately 39% will be used to acquire a suitable ready-mixed concrete station in Wujiang City;
- approximately 27% will be used to strengthen our sales network and enhance our logistics system and capability by establishing our own entrepots at strategic locations in Wujiang City, urban Suzhou, Shanghai Chongming Island and Qingpu District in Shanghai, respectively;
- approximately 26% will be used to upgrade some of our production equipment and to acquire new cement production equipment to replace some older equipment; and
- approximately 8% will be used towards working capital and other general corporate purposes.

As set out in the paragraph headed “The Use of the IPO Proceeds” in the Interim Report, as at 30 June 2013, approximately RMB4,257,000 of the IPO Proceeds had been applied in the manner set out in the Prospectus, as detailed below:

Intended use	Percentage	Net proceeds RMB'000	Utilized amount RMB'000	Unutilized amount RMB'000
Acquisition of a ready-mixed concrete station	39%	22,382	–	22,382
Strengthening sales network	27%	15,495	–	15,495
Upgrading production facilities	26%	14,922	4,257	10,665
Working capital	8%	4,591	–	4,591
Total	100%	57,390	4,257	53,133

II. CHANGE IN USE OF PROCEEDS

As set out in the paragraph headed “The Use of the IPO Proceeds” in the Interim Report, the Group was cautious about the expansion in the cement industry, and no substantial progress was made in the proposed acquisition of a ready-mixed concrete station and the investment in entrepots. Since its listing, the Company has conducted studies on a number of ready-mixed concrete stations and has been actively considering the potential acquisition or equity investment. However, no suitable acquisition target has been identified so far. Furthermore, the ready-mixed concrete stations within the scope of our studies experienced declines in profitability and increases in accounts receivable, given the increasingly intensified competition in concrete market due to the increasing number of ready-mixed concrete stations in Wujiang region over the past two years. In view of the potential adverse financial impact on the Company, the Company decides to terminate the plan on acquisition of a ready-mixed concrete station.

As for establishing entrepots and strengthening sales network, the Company has been taking efforts in site selection and application for the construction of cement entrepots. However, the current entrepot establishment plan encounters considerable difficulties due to the demanding requirements of environment impact assessment, as cement entrepots must be located close to river with an access to wharfs, as well as a severe shortage of land for construction. In this regard, the management of the Company changed the approach by partnering with two cement entrepots established by independent third parties without making investment in fixed assets, in order to meet the Company’s current needs from sales and entrepots. As a result, the Company decides to terminate the investment in entrepots.

To effectively utilize its proceeds and improve the return to shareholders, the Company believes that it is necessary to allocate the unutilized proceeds originally earmarked for acquisition of a ready-mixed concrete station and strengthening sales network totaling RMB37,878,000 to BT (build-transfer) projects of roads, bridges, tunnels and other infrastructures. With total investment recovered through installments payable by governments pursuant to repurchase agreements as well as a predetermined return, such BT projects feature stable project incomes and limited receivables collection risk, and hence can contribute to steady appreciation of the Company's external investment assets.

The Company decides to change the intended use of unutilized proceeds as follows:

Intended use	Percentage	Net proceeds RMB'000	Utilized amount RMB'000	Unutilized amount RMB'000
Infrastructure investment in				
BT projects	66%	37,877	–	37,877
Upgrading production facilities	26%	14,922	4,257	10,665
Working capital	8%	4,591	–	4,591
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Total	<u>100%</u>	<u>57,390</u>	<u>4,257</u>	<u>53,133</u>

To participate in infrastructure BT projects, the Company initially plans to cooperate with independent third parties with proven ability in Suzhou region to establish investment joint ventures which will be principally engaged in investment, construction and operation of roads, bridges, tunnels and other infrastructures. The Company will publish further details in due course.

The Board has considered the impact on the Group's business from the proposed change in use of proceeds and believes that, in view of the Group's operation and business updates, an reallocation of the unutilized IPO Proceeds will more effectively cater for the Group's financial needs and business development in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 29 November 2013

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