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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)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2014**

**FINANCIAL HIGHLIGHTS**

- During the Reporting Period, the Group's turnover amounted to RMB162,048,000, representing an increase of approximately 15.1% from RMB140,762,000 for the six months ended 30 June 2013.
- The gross profit margin increased by 1.3% as compared to 2.9% for the corresponding period in 2013 to approximately 4.2%.
- Loss attributable to equity holder of the Company narrowed to RMB1,597,000 during the Reporting Period from RMB2,938,000 for the six months ended 30 June 2013.

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 2014 (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 2013.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	5	<b>162,048</b>	140,762
Cost of sales	7	<b>(155,163)</b>	(136,676)
<b>Gross profit</b>		<b>6,885</b>	4,086
Distribution costs	7	<b>(1,108)</b>	(1,110)
Administrative expenses	7	<b>(6,776)</b>	(7,404)
Other income		<b>2,187</b>	3,342
Other losses		<b>(1,493)</b>	(383)
<b>Operating loss</b>		<b>(305)</b>	(1,469)
Finance income		<b>555</b>	689
Finance costs		<b>(1,714)</b>	(2,278)
Financial costs – net		<b>(1,159)</b>	(1,589)
Share of post-tax loss of an associate	4	<b>(37)</b>	(248)
<b>Loss before income tax</b>		<b>(1,501)</b>	(3,306)
Income tax expense	6	<b>(96)</b>	368
		<b>(1,597)</b>	(2,938)
<b>Loss attributable to equity holders of the Company</b>		<b>(1,597)</b>	(2,938)
<b>Total comprehensive loss for the period</b>		<b>(1,597)</b>	(2,938)
<b>Total comprehensive loss attributable to the equity holders of the Company</b>		<b>(1,597)</b>	(2,938)
Loss per share for loss attributable to equity holders of the Company for the period (RMB per share)			
– Basic and diluted loss per share	10	<b>(0.003)</b>	(0.006)

The notes on pages 6 to 14 are an integral part of this unaudited condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		125,853	134,034
Land use rights		17,114	17,316
Investments accounted for using the equity method	4	79,571	4,608
		<b>222,538</b>	155,958
<b>Current assets</b>			
Inventories		34,584	26,350
Trade and other receivables	8	135,701	138,746
Cash and cash equivalents		31,102	112,105
		<b>201,387</b>	277,201
<b>Total assets</b>		<b>423,925</b>	433,159
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	9	4,174	4,174
Other reserves		281,317	281,317
Retained earnings		42,103	43,700
<b>Total equity</b>		<b>327,594</b>	329,191
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		4,869	4,773
<b>Current liabilities</b>			
Trade and other payables	12	39,726	46,723
Current income tax payable		1,736	2,472
Borrowings	11	50,000	50,000
		<b>91,462</b>	99,195
<b>Total liabilities</b>		<b>96,331</b>	103,968
<b>Total equity and liabilities</b>		<b>423,925</b>	433,159
<b>Net current assets</b>		<b>109,925</b>	178,006
<b>Total assets less current liabilities</b>		<b>332,463</b>	333,964

The notes on pages 6 to 14 are an integral part of this unaudited condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	<i>Note</i>	Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 1 January 2014 (audited)</b>		<b>4,174</b>	<b>281,317</b>	<b>43,700</b>	<b>329,191</b>
<b>Comprehensive loss</b>					
Loss for the period		–	–	(1,597)	(1,597)
<b>Total comprehensive loss for the period ended 30 June 2014</b>		–	–	(1,597)	(1,597)
<b>Balance at 30 June 2014 (unaudited)</b>		<b>4,174</b>	<b>281,317</b>	<b>42,103</b>	<b>327,594</b>
<b>Balance at 1 January 2013 (audited)</b>		4,174	279,244	29,520	312,938
<b>Comprehensive loss</b>					
Loss for the period		–	–	(2,938)	(2,938)
<b>Total comprehensive loss for the period ended 30 June 2013</b>		–	–	(2,938)	(2,938)
<b>Balance at 30 June 2013 (unaudited)</b>		<b>4,174</b>	<b>279,244</b>	<b>26,582</b>	<b>310,000</b>

The notes on pages 6 to 14 are an integral part of this unaudited condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2014</b>	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		<b>194</b>	(12,385)
Interest paid		<b>(1,193)</b>	(1,374)
		<hr/>	<hr/>
Net cash used in operating activities		<b>(999)</b>	(13,759)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received		<b>555</b>	687
Payment for acquisition of associates	4	<b>(75,000)</b>	(5,000)
Purchase of property, plant and equipment		<b>(5,720)</b>	(1,230)
		<hr/>	<hr/>
Net cash used in investing activities		<b>(80,165)</b>	(5,543)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Net cash used in financing activities		-	-
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(81,164)</b>	(19,302)
Cash and cash equivalents at the beginning of the period		<b>112,105</b>	98,548
Exchange gain/(loss) on cash and cash equivalents		<b>161</b>	(522)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>		<b><u>31,102</u></b>	<b><u>78,724</u></b>

The notes on pages 6 to 14 are an integral part of this unaudited condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Dongwu Cement International Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the “**Group**”. The Group is principally engaged in the production and sales of cement. The principal place of the Group’s business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

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 15 August 2014.

The condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2014 (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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Financial Information has been prepared under the historical cost convention, except that certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 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 2013: 100%).

The revenue derived from one of the external customers amounted to 14.72% of the Group’s revenue for the Period (30 June 2013: 15.43%).

#### 4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at	
	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Associate	75,000	–
Single insignificant associate	4,571	4,608
	<u>79,571</u>	<u>4,608</u>

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

	Six months ended 30 June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Associate	–	–
Single insignificant associate	(37)	(248)
	<u>(37)</u>	<u>(248)</u>

##### a) Interests in an associate

Set out below is an associate of the Group at 30 June 2014 which, in the opinion of the key management, is material to the Group.

	Six months ended 30 June 2014 <i>RMB'000</i>
Opening balance	–
Addition	75,000
Share of profit after tax	–
	<u>–</u>
Other comprehensive income	–
<b>Closing balance</b>	<u><u>75,000</u></u>

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

Nature of investment in the associate for the Period:

Name of entity	Place and date of incorporation	% of ownership interest	Nature of the relationship	Measurement method
蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*, “Suzhou Dongtong”)	PRC 15 January 2014	50%#	Note 1	Equity

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

# The Group holds 50% equity interest in Suzhou Dongtong. The Group has significant influence to the board of directors of Suzhou Dongtong only because the Group is only allowed to appoint one director to the board and the board decision is approved by simple majority.

*Note 1:* The main business of Suzhou Dongtong is the construction of infrastructure project under the “build and transfer”, which is a strategic partnership for the Group. And it will purchase cement from the Group for its construction projects in the coming years.

Suzhou Dongtong is a private company and there is no quoted market price available for its shares. And there are no commitments and contingent liabilities relating to the Group’s interest in Suzhou Dongtong.

#### ***Summarised financial information for Suzhou Dongtong***

Set out below are the summarised financial information for Suzhou Dongtong which is accounted for using the equity method.

#### ***Summary of statement of financial position***

	<b>As at 30 June 2014 RMB’000 (Unaudited)</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	124
<b>Current assets</b>	
Trade and other receivables	32,038
Cash and cash equivalents	117,838
	<u>149,876</u>
<b>Total assets</b>	<u><u>150,000</u></u>
<b>Total liabilities</b>	<u>–</u>
<b>Net assets</b>	<u><u>150,000</u></u>



### *Summary of statement of comprehensive income*

The Group did not account for any equity sharing from Suzhou Dongtong for the Period due to its short incorporation period and insignificant operation result, therefore, there is no statement of comprehensive income.

### *Reconciliation of the summary of financial information*

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Suzhou Dongtong.

### *Summary of financial information*

	<b>Six months ended 30 June 2014 RMB'000</b>
Opening net assets at 1 January 2014	–
Capital injection for the Period	150,000
Profit for the Period	–
Other comprehensive income	–
	<hr/>
<b>Closing net assets at 30 June 2014</b>	<b>150,000</b>
	<hr/>
Interest in Suzhou Dongtong @50%	75,000
	<hr/>
<b>Carrying value</b>	<b>75,000</b>
	<hr/> <hr/>

#### **b) Investment in single insignificant associate**

In addition to the interests in an associate disclosed above, the Group also has interest in a single insignificant associate – 银杏樹藥業(蘇州)有限公司 (GinkgoPharma Co., Ltd., “**GinkgoPharma**”, English translation for reference only) that is accounted for using the equity method.

	<b>Six months ended 30 June 2014 RMB'000</b>
<b>Carrying amount of GinkgoPharma</b>	<b>4,571</b>
	<hr/>
Amount of the reporting entity's share of:	
Share of loss	(37)
Other comprehensive income	–
	<hr/>
<b>Total comprehensive loss</b>	<b>(37)</b>
	<hr/> <hr/>

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

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

## 5 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:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Ordinary Portland cement strength class 42.5	<b>94,991</b>	77,882
Composite Portland cement strength class 32.5	<b>66,054</b>	60,235
Clinker	<b>1,003</b>	2,645
	<b><u>162,048</u></b>	<b><u>140,762</u></b>

## 6 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Current income tax	–	–
Deferred tax on origination and reversal of temporary differences	<b>(96)</b>	368
	<b><u>(96)</u></b>	<b><u>368</u></b>

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 2013: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the Period (30 June 2013: Nil).

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

Tax loss incurred by Dongwu Cement can be carried forward for not more than five accounting years.

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate of Dongwu Cement used for the six months ended 30 June 2014 is 6% (the estimated tax rate for the six months ended 30 June 2013 was 11%).

## 7 EXPENSE BY NATURE

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Changes in inventories of finished goods and work in progress	(6,857)	(4,128)
Raw materials and consumables used	121,259	100,215
Utilities and energy costs	22,212	22,972
Depreciation and amortization expenses	12,636	12,370
Employee benefit expenses	7,434	6,573
Transportation expenses	1,971	1,697
Taxes and levies	1,288	860
Entertainment expenses	185	462
Pollution discharge expenses	155	296
Repair and maintenance expenses	669	761
Consultancy, legal and professional fees	1,253	1,365
(Reversal)/provision for impairment of trade receivables	(1,455)	177
Traveling expenses	93	162
Auditors' remuneration – audit services	586	586
Property insurance	330	36
Other expenses	1,288	786
	<hr/>	<hr/>
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>163,047</b>	<b>145,190</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8 TRADE AND OTHER RECEIVABLES

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables due from third parties	80,432	99,959
Less: provision for impairment of trade receivables	(602)	(6,756)
	<hr/>	<hr/>
Trade receivables, net	79,830	93,203
Bills receivable	48,489	36,114
	<hr/>	<hr/>
Trade and bills receivables	128,319	129,317
Prepayments for – acquisition of materials	6,357	8,333
Other receivables	1,025	1,096
	<hr/>	<hr/>
	<b>135,701</b>	<b>138,746</b>
	<hr/> <hr/>	<hr/> <hr/>

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

At 30 June 2014 and 31 December 2013, the aging analyses of the trade receivables due from third parties were as follows:

	<b>As at</b>	
	<b>30 June 2014 RMB'000</b>	<b>31 December 2013 RMB'000</b>
Within 90 days	44,144	61,331
From 91 days to 180 days	32,177	2,626
From 181 days to 1 year	3,021	15,776
From 1 year to 2 years	561	16,733
Over 2 years	529	3,493
	<b>80,432</b>	<b>99,959</b>

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2014 RMB'000</b>	<b>2013 RMB'000</b>
Opening balance	6,756	3,502
Provision for the Period	112	177
Reversal of provision upon collection for the Period	(1,567)	–
Receivables written off during the Period as uncollectible	(4,699)	–
<b>Closing balance</b>	<b>602</b>	<b>3,679</b>

## 9 SHARE CAPITAL

	<b>Number of shares (thousands shares)</b>	<b>Share capital RMB'000</b>
Balance at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	512,000	4,174

## 10 LOSS PER SHARE

For the six months ended 30 June 2014 and 2013, basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the Period.

	Six months ended 30 June	
	2014	2013
Loss attributable to equity shareholders of the Company (RMB'000)	(1,597)	(2,938)
Weighted average number of ordinary shares in issue (thousand share)	<u>512,000</u>	<u>512,000</u>
Basic and diluted loss per share (RMB)	<u>(0.003)</u>	<u>(0.006)</u>

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2014 and 2013, diluted loss per share is the same as basic loss per share.

## 11 BORROWINGS

The Group has no secured borrowings as at 30 June 2014 and 31 December 2013.

Interest expense on borrowings for the period was RMB1,710,000 (30 June 2013: RMB1,928,000).

The carrying amounts of the Group's borrowings approximated to their fair values as at 30 June 2014 and 31 December 2013.

The Group's borrowings are denominated in RMB.

## 12 TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	33,777	32,779
Advances from customers	3,377	2,370
Salary payables	570	2,969
Other tax payables	492	6,182
Other payables	<u>1,510</u>	<u>2,423</u>
	<u>39,726</u>	<u>46,723</u>

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

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

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

The aging analysis of the trade payables are as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>20,008</b>	20,807
From 31 to 90 days	<b>9,335</b>	7,295
From 91 days to 180 days	<b>2,291</b>	3,415
From 181 days to 1 year	<b>1,169</b>	476
From 1 year to 2 year	<b>279</b>	125
Over 2 years	<b>695</b>	661
	<hr/> <b>33,777</b> <hr/>	<hr/> 32,779 <hr/>

### **13 RELATED-PARTY TRANSACTIONS**

#### **Key management remuneration**

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Basic salaries and benefit in kind	<hr/> <b>780</b> <hr/>	<hr/> 818 <hr/>

Save as disclosed of key management remuneration in the above, there are no transactions among the Group and its related parties for the six months ended 30 June 2014 (30 June 2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

From January to June 2014, major macro economic indicators have shown signs of stable increase in China's economy. During the Reporting Period, the GDP recorded a growth of 7.4%, slightly shy of the growth rate of 7.6% recorded during the corresponding period last year, whereas the fixed asset investment recorded a nominal growth of 17.3%, a modest drop compared to 20.1% of the corresponding period last year. (Source: PRC National Statistics Bureau)

From January to June 2014, the domestic cement production posted a growth of 3.58% to 1.144 billion tonnes, representing a decrease of approximately 63% as compared with the corresponding period last year. Whereas the price of cement dropped tremendously in 2014, the average price of cement from January to June in 2014 has slightly increased compared with the corresponding period last year, mainly because of a rapid growth in price during the fourth quarter of 2013. Meanwhile attribute to the decrease in the price of coal, it has a positive impact to the cost of cement production. Both the gross profit margin and net profit margin of cement industry increased in the first half of 2014 compared with the corresponding period of 2013. (Source: Digital Cement Net)

The Group belongs to the market in the eastern region. The price of cement continuously decreased from January to June 2014. Based on the price in the provincial cities (Nanjing, Hangzhou and Shanghai) of the main sales zone in Jiangsu Province, Zhejiang Province and Shanghai of the Group, the average prices of PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB310 per tonne, RMB350 per tonne, RMB360 per tonne respectively. The average price in Hangzhou and Shanghai were similar compared to the corresponding period last year, whereas the average price in Nanjing represent a decrease of 3.1%. (Source: Digital Cement Net)

In the first half year of 2014, the sales volume, revenue and gross profit of the Group have an upward movement compared to the corresponding period last year. However, as a result of the large scale equipment renewal and maintenance during the Reporting Period, the Group recorded a loss of approximately RMB1,597,000 in the first half of 2014,

## Business and Financial Review

### Turnover

During the Reporting Period, the Group's turnover amounted to approximately RMB162,048,000, representing an increase of approximately RMB21,286,000 or 15.1% from approximately RMB140,762,000 in the corresponding period in 2013. The increase was primarily attributable to the rise of sales volume and selling price. The sales volume of cement (including cement clinker) increased by approximately 1.1% and the average selling price of cement (including cement clinker) increased by approximately 13.9%.

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

	For the six months ended 30 June					
	2014			2013		
	Average			Average		
	Sales	Selling	Turnover	Sales	Selling	Turnover
	volume	Price		Volume	Price	
	<i>Thousand</i>	<i>RMB/</i>	<i>RMB'000</i>	<i>Thousand</i>	<i>RMB/</i>	<i>RMB'000</i>
	<i>tonnes</i>	<i>tonne</i>		<i>tonnes</i>	<i>tonne</i>	
PO 42.5 Cement	<b>320.6</b>	<b>296.3</b>	<b>94,994</b>	305.5	254.9	77,872
PC 32.5 Cement	<b>275.1</b>	<b>240.1</b>	<b>66,052</b>	275.8	218.4	60,235
Clinker	<b>3.8</b>	<b>263.8</b>	<b>1,002</b>	12.3	215.9	2,655

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 595.7 thousand tonnes, representing an increase of approximately 2.5% year on year, while the sales revenue of cement products increased by approximately 16.6% year on year to approximately RMB161,046,000. The income from clinker sales was approximately RMB1,002,000, representing a decrease of approximately 62.3% year on year.



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

	<b>For the six months ended 30 June</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Turnover</b>	<b>% of total</b>	<b>Turnover</b>	<b>% of total</b>
	<b>RMB'000</b>	<b>turnover</b>	<b>RMB'000</b>	<b>turnover</b>
<b>Jiangsu Province</b>	<b>141,122</b>	<b>87.1%</b>	106,993	76.0%
Wujiang District	<b>114,407</b>	<b>70.6%</b>	99,601	70.8%
Suzhou (excluding Wujiang District)	<b>26,715</b>	<b>16.5%</b>	7,392	5.2%
<b>Zhejiang Province</b>	<b>17,889</b>	<b>11.0%</b>	16,241	11.5%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	<b>13,095</b>	<b>8.0%</b>	12,777	9.1%
Jiaxing	<b>4,794</b>	<b>3.0%</b>	3,464	2.4%
<b>Shanghai</b>	<b>3,037</b>	<b>1.9%</b>	17,528	12.5%
<b>Total</b>	<b>162,048</b>	<b>100.0%</b>	140,762	100.0%

During the Reporting Period, due to integration of industry structure in the second half of last year and the enhancement of energy conservation and emission reduction measure, a further improvement in the supply-demand in cement industry. As a result, both the sales volume and selling price of cement has increased. The turnover of respective regions (excluding Shanghai City) have increased compared to the corresponding period last year, among the others the sales volume of Suzhou Province (excluding Wujiang District) have an obvious increase of more than 261%.

### ***Gross Profit and Gross Profit Margin***

During the Reporting Period, the Group's gross profit amounted to approximately RMB6,885,000, an increase of approximately RMB2,799,000 or 68.5% compared to approximately RMB4,086,000 in 2013, while the gross profit margin during the Reporting Period amounted to approximately 4.2%, an increase of approximately 1.3% compared to approximately 2.9% in the corresponding period last year. The decline in the Group's production costs, mainly attributable to the decrease in the selling price of coal, as well as the increase in selling price, have resulted in an increase in both the gross profit and gross profit margin respectively.

### ***Other Income***

During the Reporting Period, the Group's other income amounted to approximately RMB2,187,000, representing a decrease of approximately 34.6% compared to RMB3,342,000 in the corresponding period last year. The decrease was mainly due to a decline in government bonus, as well as the decline in value-added tax refund as a result of the drop of turnover percentage of PC 32.5 cement to total turnover.

### ***Distribution Expenses***

During the Reporting Period, the Group's distribution costs amounted to approximately RMB1,108,000, which basically remain the same as compared to approximately RMB1,110,000 in the corresponding period last year. Sales and distribution fees accounted for approximately 0.7% of the Group's consolidated revenue which has a slight decrease compared to approximately 0.8% in the corresponding period last year.

### ***Administrative Expenses***

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB6,776,000, representing a decrease of approximately 8.5% from approximately RMB7,404,000 in the corresponding period last year. The decline in the administrative expenses was primarily due to the decline in expenses such as business entertainment expenses and administrative expenses, etc.

### ***Income Tax Expense***

During the Reporting Period, the Group's income tax expense amounted to approximately RMB96,000, the Group's income tax deduction amounted to and approximately RMB368,000 in the corresponding period last year, attributed to the profit in Suzhou Dongwu recorded during the Reporting Period, while Suzhou Dongwu recorded a loss during the corresponding period last year.

Details of the Group's income tax are set out in note 6 to the condensed consolidated financial statements in this report.

### ***Net Profit Margin***

During the Reporting Period, the Group's net profit margin was approximately -0.99%, a slight increase as compared to approximately -2.09% in the corresponding period last year. The increase was mainly due to the increase in sales revenue and lower in the manufacturing cost, resulting in an increase of net profit to approximately RMB-1,501,000 from approximately RMB-3,306,000.

## Liquidity and Capital Resources

The Group planned to meet its working capital requirements primarily through cash flow from operating activities, bank loans and the use of trade and other payables as well as the proceeds from the initial public offering of the Company.

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Cash and cash equivalents	<b>31,102</b>	78,724
Borrowings	<b>50,000</b>	50,000
Debt to equity ratio	<b>15%</b>	15%
Debt to asset ratio	<b>12%</b>	12%

### *Cash Flow*

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB31,102,000, representing a decrease of approximately 60.5% from approximately RMB78,724,000 as at 31 December 2013. The decrease was primarily due to the capital contribution of RMB75,000,000 to Suzhou Dongtong by Suzhou Dongwu during the Reporting Period.

### *Borrowing*

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Current:		
Bank borrowings	<b>50,000</b>	50,000
Other borrowings		
– from non-bank financial institutions	–	–
– from financing arrangement	–	–
	<b>50,000</b>	50,000

During the Reporting Period, the Group's bank borrowings remained stable. Bank borrowings of the Group as at 30 June 2014, bearing fixed interest rate amounted to approximately RMB50,000,000, essentially flat compared to that as at 31 December 2013.

The aforesaid borrowings was not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits. The aforesaid borrowings will be due prior to 19 January 2015.

Details of the Group's borrowings are set out in note 11 in the condensed consolidated financial statements in this report.

As at 30 June 2014, the Group had RMB50,000,000 unutilized bank financing facilities.

As 30 June 2014, the Group's debt to equity ratio was 15%, relatively flat compared to 15% as at 31 December 2013.

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

### ***Capital Expenditure and Capital Commitments***

As at 30 June 2014, the Group's capital expenditure presented a notable increase to approximately RMB5,720,000 from approximately RMB1,230,000 over the corresponding period last year. The increase was primarily due to the equipment maintenance and renewal, as well as the purchase of environment preservation equipment.

As at 30 June 2014, the Group did not have any material capital commitments.

### ***The Use of the IPO Proceeds***

The company raised net proceeds of approximately RMB57,390,000 from its IPO. As at 30 June 2014, approximately RMB47,854,000 from the proceeds had been applied in the manners set out in the Prospectus and the announcement of the Company dated 29 November 2013, mainly used for investing on BT (build-transfer) projects of roads, bridges, tunnels and other infrastructures, as well as upgrading the Group's production facilities.

<b><i>Intended use</i></b>	<b>Percentage</b>	<b>Net proceeds RMB'000</b>	<b>Utilized amount RMB'000</b>	<b>Unutilized amount RMB'000</b>
Infrastructure investment in BT projects	66%	37,877	37,877	–
Upgrading production facilities	26%	14,922	9,977	4,945
Working capital	8%	4,591	–	4,591
<b>Total</b>	<b>100%</b>	<b>57,390</b>	<b>47,854</b>	<b>9,536</b>

As at 30 June 2014, the unutilized IPO net proceeds were deposited in licensed banks in Hong Kong and China as a short-term current savings in Hong Kong dollars or RMB.

### ***Pledge of Assets***

As at 30 June 2014, the Group did not pledge any of its assets.

## *Contingent Liabilities*

As at 30 June 2014, the Group had no material contingent liabilities.

## **FOREIGN CURRENCY RISK**

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and the remaining denominated in Hong Kong dollars. The debts denominated in foreign currencies were primarily due to the Group's payment of offshore intermediary fees. During the Reporting Period, the Hong Kong dollars of the Company deposited in the offshore banks recorded a foreign exchange loss of approximately RMB161,000 due to the weakness of Hong Kong dollar.

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As of 30 June 2014, HK\$68,200,000 of the IPO net proceeds had been exchanged into deposits in Renminbi while the remaining balance was deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in mainland China and/or abroad, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the Renminbi against foreign currencies resulting from the Company's exchange of its remaining balance of IPO net proceeds into Renminbi, may have a positive or negative impact on the Company's financial position. The management will closely monitor the foreign exchange exposures of the Company and will consider taking measures on hedging foreign currency risks when necessary.

## **SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

As disclosed in the announcement dated 9 January 2014, Suzhou Dongwu and Hengtong Holdings Ltd. ("**Hengtong Group**") entered into a cooperation agreement. According to the cooperation agreement, Suzhou Dongwu and Hengtong Group agree to form the joint venture Suzhou Dongtong construction and development Ltd ("**Suzhou Dongtong**"). Suzhou Dongtong was registered and incorporated on 15 January 2014, with a registered capital of RMB150,000,000. Suzhou Dongwu and Hengtong Group contributed a capital of RMB75,000,000 respectively, holding 50% and 50% interest of the joint venture respectively.

As at 30 June 2014, according to the cooperation agreement Suzhou Dongwu contributed RMB75,000,000 to Suzhou Dongtong.

## **OPERATION AND FUTURE PROSPECTS OF MAJOR INVESTMENT PROJECTS**

Suzhou Dongtong's business scope covers primarily highways, urban roads, bridges, tunnels foundation works, sewage treatment works; and drainage works; and also the construction and management of industrial and civil buildings and landscaping projects; engineering technical consultation, project supervision, project bidding agency property management, sales of building materials and domestic trading. Suzhou Dongtong has actively developed construction related business within its business scope since its incorporation, which includes the negotiation and contract of BT, BOT and other projects. Suzhou Dongtong has obtained the BT investment project of the Taihu bridge expansion in Western hills ("**Taihu bridge project**"), which is presently underway.

In February 2013, Suzhou Dongwu made a capital contribution of RMB5,000,000 to GinkgoPharma, holding a 10% equity interest in the company. GinkgoPharma is a company engaged in biological agents pharmaceutical intermediary, pharmaceutical research and development and technical consulting, technical services and technology transfer. GinkgoPharma focuses on the research and development of renovation in medicine. It has submitted to China Food and Drug Administration (CFDA) an application for clinical research towards type 1.1 chemical medicine, with self-owned intellectual property, for the cure of Hepatitis C, which is the first time a domestic company has made such application in this field. Currently, this research is progressed on normal basis.

## **INTERIM DIVIDEND**

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2014.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, the Group had a total of 244 employees. The total remuneration of our employees amounted to approximately RMB7,434,000 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 2014, under the guidance of long-term development strategy, the Group will continue to enhance its current manufacturing facility reform, accelerate the transformation towards environment preservation-oriented cement manufacturing entity, and improve its comprehensive competitiveness and market position, to ensure the Group's position in local market, and to become a leading cement manufacturing company within the region.

## **OTHER INFORMATION**

### **Share Capital**

As at 30 June 2014, the Company's issued share capital was HK\$5,120,000, divided into 512,000,000 Shares with a par value of HK\$0.01 each.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

### **MATERIAL LITIGATION AND ARBITRATION**

Save as the disclosed in the Prospectus, so far as is known to the Directors, the Group was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claims of material importance to be pending or threatened by or against the Company during the Reporting Period.

### **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 investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code as its own code on corporate governance.

The Company has complied with the Corporate Governance Code during the Reporting Period.

### **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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 to all Directors, all Directors had confirmed they have complied with the requirements as set out in the Model Code during the Reporting Period.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2014 and has discussed the financial reporting with the key management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

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

Hong Kong, 15 August 2014

*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 Director and Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.*