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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**155,496**	174,156
Land use rights		**17,720**	17,957
		173,216	192,113
Current assets			
Inventories		**27,671**	22,353
Trade and other receivables	*5*	**113,673**	146,258
Restricted bank deposits		**–**	5,000
Cash and cash equivalents		**98,548**	41,402
		239,892	215,013
Total assets		**413,108**	407,126
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*6*	**4,174**	–
Other reserves	*7*	**279,244**	210,193
Retained earnings		**29,520**	29,749
Total equity		**312,938**	239,942
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**3,720**	2,697
Current liabilities			
Trade and other payables	*8*	**46,037**	71,709
Current income tax payable		**413**	2,400
Borrowings	*9*	**50,000**	90,378
		96,450	164,487
Total liabilities		**100,170**	167,184
Total equity and liabilities		**413,108**	407,126
Net current assets		**143,442**	50,526
Total assets less current liabilities		**316,658**	242,639

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**208,245**	208,245
Current assets			
Amount due from a subsidiary		**30,220**	–
Trade and other receivables	*5*	**250**	–
Cash and cash equivalents		**30,341**	–
		60,811	–
Total assets		**269,056**	208,245
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*6*	**4,174**	–
Other reserves	*7*	**275,714**	207,930
Accumulated losses		**(11,147)**	–
Total equity		**268,741**	207,930
LIABILITIES			
Current liabilities			
Amount due to a subsidiary		**315**	315
Total equity and liabilities		**269,056**	208,245
Net current assets		**60,496**	(315)
Total assets less current liabilities		**268,741**	207,930

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**321,118**	464,045
Cost of sales	*11*	**(298,995)**	(341,923)
Gross profit		**22,123**	122,122
Distribution costs	*11*	**(1,452)**	(2,416)
Administrative expenses	*11*	**(23,073)**	(16,284)
Other income	*10*	**12,438**	16,332
Other gains/(losses) – net		**302**	(3,187)
Operating profit		**10,338**	116,567
Finance income		**1,677**	134
Finance costs		**(6,423)**	(7,323)
Finance costs – net		**(4,746)**	(7,189)
Profit before income tax		**5,592**	109,378
Income tax expense		**(4,554)**	(22,434)
Profit for the year		**1,038**	86,944
Profit attributable to equity holders of the Company		**1,038**	86,944
Other comprehensive income			
– Fair value gains of available-for-sale financial assets (net of tax)		**–**	2,257
– Recycling of fair value gains in available-for-sale financial assets (net of tax)		**–**	(6,595)
Total comprehensive income for the year		**1,038**	82,606
Total comprehensive income attributable to equity holders of the Company		**1,038**	82,606
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB per share)			
– Basic and diluted earnings per share	*12*	**0.002**	0.205
Dividends	*13*	**–**	121,642

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holders of the Company			
		Share capital	**Other reserves**	**Retained earnings**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011		**–**	**204,976**	**74,002**	**278,978**
Comprehensive income					
Profit for the year		–	–	86,944	86,944
Other comprehensive income					
– Fair value gains of available-for-sale financial assets		–	2,580	–	2,580
– Tax effect on fair value gains of available-for-sale financial assets		–	(323)	–	(323)
– Recycling of fair value gains of available-for-sale financial assets to profit or loss upon disposal		–	(7,538)	–	(7,538)
– Recycling of tax effect on fair value gains of available-for-sale financial assets to profit or loss upon disposal		–	943	–	943
Total comprehensive income		–	(4,338)	86,944	82,606
Transactions with owners					
Dividends paid to the then equity holder		–	–	(121,642)	(121,642)
Transfer to statutory reserves	*7(a)*	–	9,555	(9,555)	–
Deemed distribution arising from reorganization		–	(207,930)	–	(207,930)
Deemed contribution from shareholders		–	207,930	–	207,930
Total transactions with owners		–	9,555	(131,197)	(121,642)
Balance at 31 December 2011		**–**	**210,193**	**29,749**	**239,942**
Comprehensive income					
Profit for the year		**–**	**–**	**1,038**	**1,038**
Transactions with owners					
Capitalization issue		**3,465**	**(3,465)**	**–**	**–**
Issuance of ordinary shares	*6*	**709**	**77,306**	**–**	**78,015**
Share issuance cost	*6*	**–**	**(6,057)**	**–**	**(6,057)**
Transfer to statutory reserves	*7(a)*	**–**	**1,267**	**(1,267)**	**–**
Total transactions with owners		**4,174**	**69,051**	**(1,267)**	**71,958**
Balance at 31 December 2012		**4,174**	**279,244**	**29,520**	**312,938**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**32,811**	72,060
Interest paid		**(6,095)**	(7,323)
Income tax paid		**(3,192)**	(28,733)
Net cash generated from operating activities		**23,524**	36,004
Cash flows from investing activities			
Interest received		**1,281**	134
Dividends received from available-for-sale financial assets		**–**	2,400
Proceeds from disposal of available-for-sale financial assets		**13,696**	8,400
Advances to related parties		**–**	(75,532)
Repayments from related parties		**–**	177,218
Purchase of property, plant and equipment		**(5,205)**	(689)
Proceeds from disposal of property, plant and equipment		**280**	596
Purchase of land use rights		**(167)**	(1,888)
Net cash generated from investing activities		**9,885**	110,639
Cash flows from financing activities			
Proceeds from bank borrowings		**56,700**	73,070
Proceeds from other borrowing		**–**	15,000
Proceeds from issuance of shares	*6(d)*	**78,015**	–
Payment of issuance cost		**(18,900)**	–
Repayment of bank borrowings		**(79,770)**	(54,000)
Repayments of other borrowings		**(17,308)**	(18,669)
Repayment to a related party		**–**	(12,220)
Decrease/(Increase) in restricted deposit in relation to financing activities		**5,000**	(5,000)
Dividends paid to the then equity holder	*13*	**–**	(121,642)
Net cash generated from/(used in) financing activities		**23,737**	(123,461)
Net increase in cash and cash equivalents		**57,146**	23,182
Cash and cash equivalents at beginning of the year		**41,402**	18,220
Cash and cash equivalents at end of the year		**98,548**	41,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in RMB unless otherwise stated)

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 (the "**Listing**").

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") 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, and as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

All companies comprising the Group have adopted 31 December as their financial year end date.

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 during the year ended 31 December 2012 (2011: 100%).

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the year ended 31 December 2012 (2011: Nil).

4. REVENUE

Revenue of the Group for the year ended 31 December 2012 is analyzed as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**143,565**	224,551
Composite Portland cement strength class 32.5	**157,035**	236,185
Clinker	**20,518**	3,309
	321,118	464,045

The Group aims to maintain long-term relationship with reputable customers in the expansion of its business. Revenue from the top five customers is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue from the top five customers	**89,896**	155,057
Total revenue	**321,118**	464,045
Percentage	**27.99%**	33.41%

5. TRADE AND OTHER RECEIVABLES – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables due from third parties	**60,851**	59,178
Trade receivable due from a related party	–	2,450
Bills receivable	**47,598**	59,088
	108,449	120,716
Prepayments for		
– acquisition of materials	**7,569**	14,032
– others	**–**	2,890
Due from related parties	**–**	13,696
Other receivables	**1,157**	995
	8,726	31,613
Less: provision for impairment of trade receivables	**(3,502)**	(6,071)
	113,673	146,258

As at 31 December 2012, no bills receivable was pledged for the borrowings (2011: RMB10,600,000) (Note 9(ii)).

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.

The aging of trade receivables of third parties is determined from the date when the corresponding revenue was recognized whereas bills receivable is determined from the issuance date of the relevant bank acceptance bills. As at 31 December 2012, the aging analyses of trade receivables due from third parties are as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Below 90 days	**30,806**	33,181
From 91 days to 180 days	**9,239**	16,871
From 181 days to 1 year	**16,833**	2,924
From 1 year to 2 years	**54**	542
Over 2 years	**3,919**	5,660
	60,851	59,178

As at 31 December 2012, trade receivables of RMB3,502,000 (2011: RMB6,071,000) had been impaired and were fully provided for. All of these receivables were aged over 181 days and are not expected to be recoverable.

As at 31 December 2012, trade receivables of RMB17,705,000 (2011: RMB4,163,000) were past due but not impaired. These related to a number of customers for whom there was no history of credit default. The aging analysis of these trade receivables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Overdue for 1 to 90 days	**17,584**	1,108
Overdue for 91 to 180 days	**87**	2,767
Overdue for 181 to 1 years	**34**	288
	17,705	4,163

Other receivables were all expected to be recoverable and therefore no provision was made. Aging analysis of other receivable at the end of each reporting period is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Below 1 year	**1,157**	984
From 1 year to 2 years	**–**	11
	1,157	995

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:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Beginning of year	**(6,071)**	(5,992)
Provision for the year *(Note 11)*	**–**	(79)
Release of provision upon collection for the year *(Note 11)*	**2,569**	–
End of year	**(3,502)**	(6,071)

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 (Note 11). Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The Company

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Other receivables	**250**	–

The Company's other receivables are all denominated in Hong Kong dollars, and the carrying values approximate to their fair values.

6. SHARE CAPITAL – COMPANY

	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 31 December 2012	*(b)*	10,000,000,000	100,000	81,520
Issued:				
Ordinary shares as at 31 December 2011	*(a)*	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)*	87,000,000	870	709
Ordinary shares of HK$0.01 each as at 31 December 2012		512,000,000	5,120	4,174

(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 2012, the Company capitalized HK$4,250,000 (equivalent to approximately RMB3,465,000) by crediting the share premium account of the Company and applied 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.

On 6 July 2012, the Company issued additional 12,000,000 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 total gross proceed from the issuance of the 87,000,000 new shares was approximately RMB78,015,000, of which paid up capital was approximately RMB709,000 and share premium was approximately RMB77,306,000. The share issuance cost relating to the new shares amounted to RMB6,057,000.

7. OTHER RESERVES

Group

	Available-for-sale financial assets	**Share premium**	**Statutory reserve** *(Note (a))*	**Merger reserve** *(Note (b))*	**Capital reserve** *(Note (c))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	4,338	–	8,627	192,011	–	204,976
Fair value gains of available-for-sale financial assets	2,580	–	–	–	–	2,580
Tax effect on fair value gains of available-for-sale financial assets	(323)	–	–	–	–	(323)
Recycling of fair value gains of available-for-sale financial assets to profit or loss upon disposal	(7,538)	–	–	–	–	(7,538)
Recycling of tax effect on fair value gains of available-for-sale financial assets to profit or loss upon disposal	943	–	–	–	–	943
Deemed distribution arising from reorganization	–	–	–	–	(207,930)	(207,930)
Deemed contribution from shareholders	–	–	–	–	207,930	207,930
Appropriation to statutory reserves	–	–	9,555	–	–	9,555
At 31 December 2011	**–**	**–**	**18,182**	**192,011**	**–**	**210,193**
Capitalization issue *(Note 6(c))*	**–**	**(3,465)**	**–**	**–**	**–**	**(3,465)**
Issuance of ordinary shares *(Note 6(d))*	**–**	**77,306**	**–**	**–**	**–**	**77,306**
Share issuance cost *(Note 6(d))*	**–**	**(6,057)**	**–**	**–**	**–**	**(6,057)**
Appropriation to statutory reserves	**–**	**–**	**1,267**	**–**	**–**	**1,267**
At 31 December 2012	**–**	**67,784**	**19,449**	**192,011**	**–**	**279,244**

Company

	Share premium	Capital reserve *(Note (c))*	Total
	RMB'000	*RMB'000*	
At 29 November 2011	–	–	–
Deemed contribution from shareholders	–	207,930	207,930
At 31 December 2011	**–**	**207,930**	**207,930**
Capitalization issue *(Note 6(c))*	**(3,465)**	**–**	**(3,465)**
Issuance of ordinary shares *(Note 6(d))*	**77,306**	**–**	**77,306**
Share issuance cost *(Note 6(d))*	**(6,057)**	**–**	**(6,057)**
At 31 December 2012	**67,784**	**207,930**	**275,714**

(a) Statutory reserve

The Company's subsidiary in the PRC is required to appropriate 10% of their profit after income tax calculated in accordance with the PRC accounting standards and systems to the statutory reserve until the balance reaches 50% of the their respective registered capital, where further transfers will be at their directors' discretion. The statutory reserve fund can be used to offset prior years' losses, if any and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of share capital for the PRC subsidiary. For the year ended 31 December 2012, the Company's subsidiary in the PRC has appropriated RMB1,267,000 (2011: RMB9,555,000) to statutory reserve.

(b) Merger Reserve

The Company was incorporated on 29 November 2011 and the Group's reorganization was completed prior to 31 December 2011. The merger reserve in the consolidated statement of financial position as at 31 December 2012 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

On 26 December 2011, Dongwu Cement (Hong Kong) Limited ("**Dongwu HK**") acquired the entire equity interest in Dongwu Cement from Far East International Investment Company Limited ("**Far East International**"), 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**") and Concord Ocean Limited ("**Concord**") 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.

8. TRADE AND OTHER PAYABLES – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**38,334**	48,232
Advances from customers	**1,135**	1,265
Salary payables	**1,091**	3,218
Other tax payables *(Note (a))*	**2,460**	3,119
Other payables	**3,017**	12,979
Due to a related party	**–**	2,896
	46,037	71,709

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.

Aging analysis of trade and bills payables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Below 30 days	**20,898**	23,475
From 31 to 90 days	**13,620**	19,719
From 91 days to 180 days	**1,817**	1,932
From 181 days to 1 year	**1,253**	2,000
From 1 year to 2 year	**54**	690
Over 2 years	**692**	416
	38,334	48,232

(a) Other tax payable mainly represented the value added tax ("**VAT**"). The sales of self-manufactured products of the PRC subsidiary are subject to VAT. The applicable tax rate for domestic sales is 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.

9. BORROWINGS – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current:		
Bank borrowings	**50,000**	73,070
Other borrowings		
– from non-bank financial institutions	**–**	15,000
– from financing arrangement	**–**	2,308
	50,000	90,378
Representing:		
Unsecured	**50,000**	–
Secured	**–**	90,378
	50,000	90,378

(i) The weighted average effective interest rates for the year ended 31 December 2012 are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Bank borrowings	**7.45%**	6.97%
Other borrowings	**17.07%**	14.68%

As at 31 December 2012 and 2011, the Group's borrowings were repayable within one year.

(ii) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity dates whichever is the earlier are as follows:

	6 months or less
	RMB'000
– 31 December 2012	50,000
– 31 December 2011	90,378

(iii) The carrying amounts of the Group's borrowings approximated to their fair values.

(vi) The Group's borrowings are denominated in RMB.

10. OTHER INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Dividend income from unlisted investments	**–**	2,400
Tax refund *(Note(a))*	**6,144**	13,354
Government grants *(Note(b))*	**6,294**	578
	12,438	16,332

(a) Tax refund mainly represented the refund of VAT. Pursuant to the Notice regarding Policies relating to Value-Added Tax on Products Made through Comprehensive Utilization of Resources and Certain Other Products issued by the Ministry of Finance and the State Administration of Taxation (財政部國家稅務總局關於部分資源綜合利用及其他產品增值稅政策問題的通知) promulgated on 9 December 2008, the Group's PRC subsidiary, Dongwu Cement, is eligible for VAT refund for utilizing recycled materials as raw materials for producing cement. VAT refund is recognized when there is a reasonable assurance that the VAT refunds will be received and the Group will comply with all the relevant conditions. In practice, the Group recognized it as other income upon the receipt of tax refund approval from tax bureau.

(b) The government grants in 2012 mainly represented the incentive awarded by local government when the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited.

11. EXPENSES BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(3,510)**	(2,814)
Raw materials and consumables used	**210,259**	252,928
Utilities and energy costs	**51,639**	55,973
Depreciation and amortization expenses	**24,178**	25,144
Employee benefit expenses	**12,477**	13,389
Transportation expenses	**2,721**	3,173
Advertising expenses	**525**	692
Taxes and levies	**1,990**	3,516
Entertainment expenses	**708**	1,056
Pollution discharge expenses	**552**	554
Vehicle expenses	**616**	681
Repair and maintenance expenses	**6,608**	1,178
Consultancy, legal and professional fees	**1,750**	558
(Write back)/Provision for impairment of trade receivables *(Note 5)*	**(2,569)**	79
Traveling expenses	**336**	262
Auditors' remuneration - audit services	**1,248**	1,368
Operating lease payments	**400**	800
Listing expenses	**12,844**	–
Other expenses	**748**	2,086
Total cost of sales, distribution costs and administrative expenses	**323,520**	360,623

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the reporting year. In determining the number of ordinary shares in issue for the years ended 31 December 2012 and 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 6(a)) and the subsequent sub-division of shares on 28 May 2012 (Note 6(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 6(c)), had been regarded as if these shares were in issue since 1 January 2011.

	Year ended 31 December	
	2012	2011
Profit attributable to equity shareholders of the Company (RMB'000)	**1,038**	86,944
Weighted average number of ordinary shares in issue	**472,262**	425,000
Basic earnings per share (RMB)	**0.002**	0.205

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2012 and 2011, diluted earnings per share is the same as basic earnings per share.

13. DIVIDENDS

No dividends were declared by the Board of the Company for the year ended 31 December 2012.

Cash dividends of RMB49,268,000 (RMB0.116 per share*), RMB29,444,000 (RMB0.069 per share*) and RMB42,930,000 (RMB0.101 per share*), totally RMB121,642,000 were declared by the board of directors of Dongwu Cement to the then equity holder on 12 May 2011, 12 September 2011 and 21 December 2011 respectively. All these dividends were paid to the then equity holder of Dongwu Cement on 17 May 2011, 28 September 2011 and 21 December 2011 respectively.

* *In determining the number of ordinary shares in issue for the years ended 31 December 2012 and 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 6(a)) and the subsequent sub-division of shares on 28 May 2012 (Note 6(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 6(c)), had been regarded as if these shares were in issue since 1 January 2011.*

14. EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of an associate

The Group acquired 10% of the share capital of 銀杏樹藥業(蘇州)有限公司 (GinkgoPharma Co. Ltd, "GinkgoPharma", English translation for reference only), a company which is principally engaged in the business of research and development of pharmaceuticals and providing related technology support, for a cash consideration of RMB5,000,000 on 18 February 2013.

Although the Group holds less than 20% of the equity shares 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.

As the purchase price allocation is in progress, the Group cannot provide additional disclosures relating to the fair value information of GinkgoPharma.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2012, China's major macro indicators have shown signs of an economic slowdown. The gross domestic product for the year amounted to RMB51,932.2 billion, representing a growth of 7.8% over the corresponding period last year, which was lower than the overall growth rate of 9.2% in 2011; fixed asset investment of the country (excluding rural households) reached RMB36,483.5 billion, representing a growth of 20.6% (the real growth was 19.3% after deducting the price factor) over the corresponding period last year, and a decrease of 3.4 percentage points as compared with the growth rate in 2011. National property development and investment reached RMB7,180.4 billion, representing a year-on-year growth of 16.2% (the real growth was 14.9% after deducting the price factor), and a decrease of 11.9 percentage points as compared with the growth rate in 2011. (Source: website of PRC National Statistics Bureau)

The cement production of cement companies over a designated size amounted to 2.184 billion tonnes in 2012, posting a year-on-year growth of 7.4% and representing a decrease of 8.7 percentage points as compared with the corresponding period last year. Under the influence of this macro economic slowdown, an increase in cement production as well as a decrease in market demand, the cement market accelerated to a downside amidst fierce price competition in the cement industry across China during the Reporting Period. At one stage during the Reporting Period, the price of cement fell to a five-year low. The average price of cement throughout the year dropped drastically compared with the corresponding period last year, although the price of cement rebounded slightly in the last quarter. Based on the price in the provincial cities (Nanjing, Hangzhou and Shanghai) of the main sales zone (Jiangsu Province, Zhejiang Province and Shanghai) of the Group, the selling prices of our PO42.5 cement as at December 2012 in above three regions were RMB320 per tonne, RMB350 per tonne and RMB330 per tonne respectively, representing a decrease of 21.95%,18.60% and 23.26% respectively as compared with the corresponding period last year. (Source: Digital Cement, whereas all cement prices shown are inclusive of value added tax at a rate of 17%. The same shall apply to all cement prices quoted herein below)

In 2012, the sales volume, revenue and gross profit of the Group all exhibited a downwards movement as a result of the macro economic slowdown, a slump in the cement industry as a whole and the plunge of the market for cement price across East China.

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

In 2012, the Group's turnover amounted to approximately RMB321,118,000, representing a decrease of approximately RMB142,927,000 or 30.8% from approximately RMB464,045,000 in 2011. The decrease was primarily attributable to the decline in sales volume and selling price of cement in 2012, especially the average selling price of cement which decreased by approximately 24.4%.

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

	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	**542.2**	**264.8**	**143,565**	626.1	358.7	224,551
PC 32.5 cement	**672.3**	**233.6**	**157,035**	781.1	302.4	236,185
Clinker	**86.5**	**237.1**	**20,518**	10.3	320.7	3,309

By product, the sales volume of the Group's cement products in 2012 amounted to approximately 1,214.5 thousand tonnes, representing a decrease of approximately 13.7% from 2011, while the sales revenue of the Group's cement products decreased by approximately 34.8% from 2011 to approximately RMB300,600,000. A small portion of clinker was sold to ease the pressure on the Group's clinker's inventory due to the decrease in the sales volume of cement in 2012. The sales revenue of clinker was approximately RMB20,518,000 in 2012, compared to only approximately RMB3,309,000 in 2011.

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

	2012		2011	
	turnover *RMB'000*	**% of total turnover**	turnover *RMB'000*	% of total turnover
Jiangsu Province	**223,627**	**69.6%**	288,111	62.1%
Wujiang	**218,267**	**68.0%**	279,044	60.1%
Suzhou (excluding Wujiang)	**5,360**	**1.6%**	9,067	2.0%
Zhejiang Province	**59,916**	**18.7%**	107,785	23.2%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**56,214**	**17.5%**	97,959	21.1%
Jiaxing	**3,702**	**1.2%**	9,826	2.1%
Shanghai	**37,575**	**11.7%**	68,149	14.7%
Total	**321,118**	**100.0%**	464,045	100.0%

In 2012, the market demand for cement decreased due to a slowdown in domestic fixed-asset investment in China, resulting in a significant decrease in both sales volume and the selling price of the Group's cement products. Primarily influenced by these two factors, the sales revenue of other regions, with the exception of Wujiang, experienced a decrease of over 40% compared to 2011.

Gross Profit and Gross Profit Margin

In 2012, the Group's gross profit amounted to approximately RMB22,123,000, decreasing substantially by approximately RMB99,999,000 or 81.9% from approximately RMB122,122,000 in 2011, while the gross profit margin in 2012 amounted to approximately 6.9%, decreasing by approximately 73.8% from approximately 26.3% in 2011. Despite the decline in the Group's production costs in 2012, the selling price dropped more greatly than that of the production costs, resulting in a substantial decline in both the gross profit and gross profit margin, respectively.

Other Income

In 2012, the Group's other income amounted to approximately RMB12,438,000, representing a decrease of approximately 23.8% from RMB16,332,000 in 2011. The decrease was mainly due to a decline in tax refunds as a result of the decrease in sales revenue from PC32.5 cement products in 2012.

Distribution Costs

In 2012, the Group's distribution costs amounted to approximately RMB1,452,000, decreasing by approximately 39.9% from approximately RMB2,416,000 in 2011. The decrease was mainly due to a reduction in the Group's transportation expenses and lease payments in 2012. Sales and distribution fees accounted for approximately 0.5% of the Group's consolidated turnover which basically remained flat as compared to approximately 0.5% in 2011.

General and Administrative Expenses

In 2012, the Group's general and administrative expenses amounted to approximately RMB23,073,000, representing an increase of approximately 41.7% from approximately RMB16,284,000 in 2011. The significant increase in the general and administrative expenses was primarily due to the listing fee of approximately RMB12,844,000 in respect of the listing of the Company on the Stock Exchange in June 2012. In addition, employee benefit expenses, taxes and levies and provision for impairment of trade receivables in 2012 decreased slightly compared to 2011.

Tax

In 2012, the Group's income tax expenses amounted to approximately RMB4,554,000, decreased substantially from approximately RMB22,434,000 in 2011. The decrease was mainly due to the substantial decline in the Group's profit before income tax in 2012.

Net Profit Margin

In 2012, the Group's net profit margin was approximately 0.3%, decreasing sharply from approximately 18.7% in 2011. The decrease was mainly due to (1) the decline in sales revenue in 2012, resulting in a decrease in net profit to approximately RMB8,867,000 in 2012 from approximately RMB86,944,000 in 2011; (2) after taking into account the Company's listing fee of approximately RMB12,844,000, listing reward revenue of approximately RMB5,517,000 and the relevant income tax expenses of approximately RMB502,000, the net profit of the Group decreased in 2012 to approximately RMB1,038,000.

Liquidity and Capital Resources

As stated in the prospectus ("**Prospectus**") of the Company dated 1 June 2012 in relation to the initial public offering ("**IPO**"), 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 Company's IPO proceeds.

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Cash and cash equivalents	**98,548**	41,402
Borrowings	**50,000**	90,378
Debt to equity ratio	**16%**	38%

Cash Flow

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately RMB98,548,000, representing an increase of approximately 138.0% from approximately RMB41,402,000 as at 31 December 2011. The increase was primarily due to (1) an increase of approximately RMB59,115,000 in the cash flow received from the IPO proceeds; (2) an increase of approximately RMB23,524,000 in the cash flow from operating activities; (3) an increase of approximately RMB13,696,000 in the cash flow from recovering this amount in relation to the disposal of financial assets; (4) a reduction in cash flow of approximately RMB40,378,000 for repayment of part of borrowings.

Borrowings

	As at 31 December 2012	As at 31 December 2011
	RMB'000	*RMB'000*
Current:		
Bank borrowings	**50,000**	73,070
Other borrowings		
– from non-bank financial institutions	**–**	15,000
– from financing arrangement	**–**	2,308
	50,000	90,378

In 2012, the Group recorded a decrease in borrowing of approximately RMB40,378,000, mainly attributable to a decrease of approximately RMB23,070,000 in bank borrowings and a decrease by approximately RMB15,000,000 in borrowings from non-bank financial institutions.

As at 31 December 2012, the Group's bank borrowings amounted to approximately RMB50,000,000, representing a decrease of approximately 31.6% from approximately RMB73,070,000 as at 31 December 2011.

The aforesaid borrowings were not secured, pledged, or guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits (as at 31 December 2011: approximately RMB90,378,000 were secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits, as well as the corporate guarantees provided by related or unrelated parties).

As at 31 December 2012, the Group still had unutilized banking facilities of RMB50,000,000.

Debt to Equity Ratio

As at 31 December 2012, the Group's debt to equity ratio decreased sharply to 16% from 38% as at 31 December 2011. The decrease was primarily due to (1) a decrease of approximately RMB40,378,000 in borrowings; and (2) an increase of approximately RMB73,225,000 in the share capital and other reserves during the Reporting Period.

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

Capital Expenditure and Capital Commitments

In 2012, the Group's capital expenditure amounted to approximately RMB5,372,000, representing a slight increase from approximately RMB2,577,000 in 2011. The increase was mainly attributable to the Group's implementation of a number of measures for renewal of facilities and enhancement of technologies in the second half of 2012, which included the modification of combustors, addition of mineral powder tanks, etc., in order to enhance the Group's productivity and reduce production costs, thereby increasing capital expenditure.

As at 31 December 2012, the Group did not have any material capital commitments.

IPO Proceeds and Use of the IPO Proceeds

The Company received IPO net proceeds of approximately RMB57,390,000. As of 31 December 2012, approximately RMB3,999,000 of the proceeds was utilized in the manner as set out in the Prospectus, mainly for the upgrading of the Group's production equipment.

Use	**Percentage**	**Net proceeds**	**Utilized amount**
		RMB'000	*RMB'000*
acquisition of ready-mixed concrete station	39%	22,382	–
strengthening sales network	27%	15,495	–
upgrading production equipment	26%	14,922	3,999
working capital	8%	4,591	–
Total	100%	57,390	3,999

As of 31 December 2012, the unutilized IPO net proceeds were deposited in licensed banks in Hong Kong and China as short-term current savings in Hong Kong dollars or RMB.

Pledge of Assets

As at 31 December 2012, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

In February 2013, Suzhou Dongwu Cement Co., Ltd, a subsidiary of the Company, made a capital contribution of RMB5,000,000 to GinkgoPharma Co. Ltd (銀杏樹藥業(蘇州)有限公司) with its internally generated funds, thereby resulting in it holding a 10% equity interest in that company.

FOREIGN CURRENCY RISK

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

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

As of 31 December 2012, HK$37,000,000 of the IPO net proceeds had been exchanged into and deposited in Renminbi while the remaining balance of the IPO net proceeds were 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 exchange rate 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 internationally, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the Renminbi against foreign currencies upon 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 its 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 of its subsidiaries or associated companies.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group has a total of 258 employees. The total remuneration of the Group's employees amounted to approximately RMB12,477,000 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 2013, the Group will seek to continue to effectively reduce and control the Group's production costs by enhancing internal controls, seeking new markets and expanding its market share and enhancing the profitability of the Group's products through dedicated customer service. The Group shall also continue to identify and consider suitable investment opportunities through mergers and acquisitions in the industry, should the same arise, and make an effort to enhance the Group's operational efficiency and improve its competitiveness by capital operation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the IPO, the Company successfully made a share 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 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 ("**Code**") as set out in Appendix 14 to the Listing Rules during the period from the listing of the Company on the main board of the Stock Exchange on 13 June 2012 ("**Listing Date**") to 31 December 2012 and up to the date of this announcement, saved as disclosed below.

Code Provision A.1.1

Code Provision A.1.1 stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals. During the period from the Listing Date up to 31 December 2012, the Board held one meeting at which all the Directors were present. The Board considers that during the abovementioned period, the Group had no significant matters which required the meeting and discussion of all Directors through formal meetings. Notwithstanding, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner.

COMPLIANCE WITH THE MODEL CODE

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 31 December 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.

The Audit Committee has reviewed the Group's annual financial statements for the year ended 31 December 2012 and has discussed the financial statements issues with the management. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 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 annual 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, 28 March 2013

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.