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 2013

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's turnover amounted to RMB140,762,000, representing a decrease of approximately 8.9% from RMB154,579,000 for the six months ended 30 June 2012.

- The gross profit margin decreased by 3.6 percentage points as compared with the corresponding period in 2012 to approximately 2.9%. The decrease was mainly due to a steep decline in the selling price of cement during the Reporting Period.

- Loss attributable to equity holders of the Company slightly narrowed to RMB2,938,000 during the Reporting Period from RMB7,477,000 for the six months ended 30 June 2012.

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 2013 (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 2012.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**140,762**	154,579
Cost of sales	*7*	**(136,676)**	(144,528)
Gross profit		**4,086**	10,051
Distribution costs	*7*	**(1,110)**	(915)
Administrative expenses	*7*	**(7,404)**	(16,994)
Other income		**3,342**	3,569
Other (losses)/gains-net		**(383)**	163
Operating loss		**(1,469)**	(4,126)
Finance income		**689**	636
Finance costs		**(2,278)**	(4,324)
Financial costs – net		**(1,589)**	(3,688)
Share of post-tax loss of an associate	*4*	**(248)**	–
Loss before income tax		**(3,306)**	(7,814)
Income tax expense	*6*	**368**	337
		(2,938)	(7,477)
Loss attributable to equity holders of the Company		**(2,938)**	(7,477)
Total comprehensive loss for the period		**(2,938)**	(7,477)
Total comprehensive loss attributable to the equity holders of the Company		**(2,938)**	(7,477)
Loss per share for loss attributable to equity holders of the Company for the period (expressed in RMB per share)			
– Basic and diluted loss per share	*10*	**(0.006)**	(0.017)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2013** *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**144,558**	155,496
Land use rights		**17,518**	17,720
Investment in an associate	*4*	**4,752**	–
		166,828	173,216
Current assets			
Inventories		**32,133**	27,671
Trade and other receivables	*8*	**135,548**	113,673
Cash and cash equivalents		**78,724**	98,548
		246,405	239,892
Total assets		**413,233**	413,108
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*9*	**4,174**	4,174
Other reserves		**279,244**	279,244
Retained earnings		**26,582**	29,520
Total equity		**310,000**	312,938
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**3,352**	3,720
Current liabilities			
Trade and other payables	*12*	**49,602**	46,037
Current income tax payable		**279**	413
Borrowings	*11*	**50,000**	50,000
		99,881	96,450
Total liabilities		**103,233**	100,170
Total equity and liabilities		**413,233**	413,108
Net current assets		**146,524**	143,442
Total assets less current liabilities		**313,352**	316,658

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company			
	Note	**Share capital** *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2013 (audited)		**4,174**	**279,244**	**29,520**	**312,938**
Comprehensive loss					
Loss for the period		**–**	**–**	**(2,938)**	**(2,938)**
Total comprehensive loss for the period ended 30 June 2013		**–**	**–**	**(2,938)**	**(2,938)**
Balance at 30 June 2013 (unaudited)		**4,174**	**279,244**	**26,582**	**310,000**
Balance at 1 January 2012 (audited)		–	210,193	29,749	239,942
Comprehensive loss					
Loss for the period		–	–	(7,477)	(7,477)
Total comprehensive loss for the period ended 30 June 2012		–	–	(7,477)	(7,477)
Transactions with owners					
Capitalization issue		3,465	(3,465)	–	–
Issuance of ordinary shares		611	61,554	–	62,165
Total transactions with owners		4,076	58,089	–	62,165
Balance at 30 June 2012 (unaudited)		4,076	268,282	22,272	294,630

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash generated from operations		**(12,385)**	29,110
Interest paid		**(1,374)**	(4,324)
Income tax paid		**–**	(2,952)
Net cash (used in)/generated from operating activities		**(13,759)**	21,834
Cash flows from investing activities			
Interest received		**687**	152
Proceeds from disposal of available-for-sale financial assets		**–**	13,696
Payment for acquisition of an associate	*4*	**(5,000)**	–
Purchase of property, plant and equipment		**(1,230)**	(7)
Purchase of land use rights		**–**	(167)
Net cash (used in)/generated from investing activities		**(5,543)**	13,674
Cash flows from financing activities			
Proceeds from bank borrowings		**–**	6,700
Proceeds from related parties		**–**	5,951
Proceeds from issuance of shares		**–**	67,254
Repayment of bank borrowings		**–**	(10,000)
Repayments of other borrowings		**–**	(16,710)
Repayments to related parties		**–**	(8,847)
Payment of issuance cost		**–**	(7,689)
Net cash generated from financing activities		**–**	36,659
Net (decrease)/increase in cash and cash equivalents		**(19,302)**	72,167
Cash and cash equivalents at the beginning of the period		**98,548**	41,402
Exchange loss on cash and cash equivalents		**(522)**	–
Cash and cash equivalents at end of the period		**78,724**	113,569

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 District, Suzhou, 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 2013.

The condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2013 (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 2012, 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 2012: 100%).

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the Period (30 June 2012: Nil).

4 INVESTMENT IN AN ASSOCIATE

On 18 February 2013, 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.

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.

No transaction costs have been treated as part of the investment in the associate. Notional goodwill of RMB4,260,000 has been identified as a result of this investment.

	Six months ended 30 June 2013
	RMB'000
Beginning of the period	–
Addition	5,000
Share of post-tax loss of an associate	(248)
End of the period	4,752

The Group's share of the results in GinkgoPharma and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2013
	RMB'000
Assets	10,118
Liabilities	120
Revenue	169
Share of loss	(248)

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:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**77,882**	70,018
Composite Portland cement strength class 32.5	**60,235**	77,304
Clinker	**2,645**	7,257
	140,762	154,579

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current income tax	**–**	(874)
Deferred tax on origination and reversal of temporary differences	**368**	1,211
	368	337

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

Hong Kong profits tax rate is 16.5% for the period (30 June 2012: 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 2012: 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% from 1 January 2008 onwards.

The Group's sole PRC subsidiary – Suzhou Dongwu Cement Co., Ltd. is able to carry forward taxable loss for five years.

Income tax expense is recognised 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 2013 is 11% (the estimated tax rate for the six months ended 30 June 2012 was 4%). The lower estimated average annual tax rate for the six months ended 30 June 2012 was mainly due to the listing expenses being charged to this period.

7 EXPENSE BY NATURE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(4,128)**	(9,715)
Raw materials and consumables used	**100,215**	112,076
Utilities and energy costs	**22,972**	24,248
Depreciation and amortization expenses	**12,370**	12,298
Employee benefit expenses	**6,573**	5,694
Transportation expenses	**1,697**	1,389
Taxes and levies	**860**	1,183
Entertainment expenses	**462**	271
Pollution discharge expenses	**296**	276
Repair and maintenance expenses	**761**	385
Consultancy, legal and professional fees	**1,365**	530
Listing expenses	**–**	12,844
Provision/(write back) for impairment of trade receivables	**177**	(324)
Traveling expenses	**162**	180
Auditors' remuneration – audit services	**586**	325
Operating lease payments	**–**	449
Other expenses	**822**	328
Total cost of sales, distribution costs and administrative expenses	**145,190**	162,437

8 TRADE AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
Trade receivables due from third parties	**86,181**	60,851
Bills receivable	**48,818**	47,598
	134,999	108,449
Prepayments for		
- acquisition of materials	**3,093**	7,569
Other receivables	**1,135**	1,157
	4,228	8,726
Less: provision for impairment of trade receivables	**(3,679)**	(3,502)
	135,548	113,673

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

At 30 June 2013 and 31 December 2012, the aging analyses of the trade receivables due from third parties were as follows:

	As at	
	30 June 2013	31 December 2012
	RMB'000	RMB'000
Below 90 days	**45,417**	30,806
From 91 days to 180 days	**9,524**	9,239
From 181 days to 1 year	**16,412**	16,833
From 1 year to 2 years	**11,149**	54
Over 2 years	**3,679**	3,919
	86,181	60,851

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.

9 SHARE CAPITAL

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$'000*	**Equivalent nominal value of ordinary shares** *RMB'000*
Authorized:				
Ordinary shares of HK$0.01 each as at 30 June 2013 and 31 December 2012		10,000,000,000	100,000	81,520
Issued:				
Ordinary shares of HK$0.01 each as at 30 June 2013 and 31 December 2012		512,000,000	5,120	4,174

10 LOSS PER SHARE

Basic loss per share for the six months ended 30 June 2013 and 2012 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. In determining the number of ordinary shares in issue for the six months ended 30 June 2012, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 and the subsequent sub-division of shares on 28 May 2012, 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, had been regarded as if these shares were in issue since beginning of the comparative period.

	Six months ended 30 June	
	2013	2012
Loss attributable to equity shareholders of the Company (RMB'000)	**(2,938)**	(7,477)
Weighted average number of ordinary shares in issue (thousand)	**512,000**	432,418
Basic and diluted loss per share (RMB)	**(0.006)**	(0.017)

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2013 and 2012, diluted loss per share is the same as basic loss per share.

11 BORROWINGS

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Current		
Bank borrowings	**50,000**	50,000
Representing:		
Unsecured	**50,000**	50,000

Movements in borrowings are analyzed as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Opening amount as at 1 January	**50,000**	90,378
Repayments of borrowings	**–**	(26,710)
Proceeds from new borrowings	**–**	6,700
Closing amount as at 30 June	**50,000**	70,368

The Group has no secured borrowings as at 30 June 2013 and 31 December 2012.

Interest expense on borrowings for the period was RMB2,278,000 (30 June 2012: RMB 4,324,000).

The carrying amounts of the Group's borrowings approximated to their fair values as at 30 June 2013 and 31 December 2012.

The Group's borrowings are denominated in RMB.

12 Trade and other payables

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Trade payables	**43,860**	38,334
Advances from customers	**2,541**	1,135
Salary payables	**470**	1,091
Other tax payables	**–**	2,460
Other payables	**2,731**	3,017
	49,602	46,037

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:

	As at	
	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Below 30 days	**24,730**	20,898
From 31 to 90 days	**15,233**	13,620
From 91 days to 180 days	**2,275**	1,817
From 181 days to 1 year	**757**	1,253
From 1 year to 2 years	**205**	54
Over 2 years	**660**	692
	43,860	38,334

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period from January to June 2013, macro indicators revealed a decelerating economy in China. During the Reporting Period, the GDP recorded a growth of 7.6%, slightly shy of the growth rate of 7.8% recorded during the corresponding period last year, whereas the fixed asset investment recorded a nominal growth of 20.1%, a modest drop compared to 20.4% of the corresponding period last year. Among all fixed asset investment, the aggregate investment in the construction industry was merely RMB177.9 billion, a decrease of 4.9% compared to the total amount of RMB187.1 billion recorded during the corresponding period last year. (Source: PRC National Statistics Bureau)

During the period from January to June 2013, the domestic cement production posted a growth of 9.67% to 1,096 million tonnes, representing an increase of approximately 76.5% as compared with the corresponding period last year. Under the influence of the macro economic slowdown, an increase in cement production as well as a decrease in market demand, the nationwide price competition lingered throughout the first half of 2013. (Source: Digital Cement Net)

The Group focuses on markets in Jiangsu Province, Zhejiang Province and Shanghai. From January to June 2013, the average price of cement in the above regions dropped without exception, and the average prices for PO42.5 cement in Nanjing (capital of Jiangsu Province), Hangzhou (capital of Zhejiang Province) and Shanghai were RMB309 per tonne, RMB333 per tonne and RMB333 per tonne respectively, representing a decrease of 6.9%, 12.7% and 7.1% respectively as compared to the corresponding period last year. (Source: Digital Cement Net)

In the first half of 2013, the operating revenue and gross profit was mired in a downward spiral as a result of the macro economic slowdown, a slump in the cement industry and the plunging market price of cement across East China, leading to a narrower operating revenue and gross profit as compared with the corresponding period last year and loss after tax of approximately RMB2,938,000.

Business and Financial Review

Turnover

During the Reporting Period, the Group's turnover amounted to approximately RMB140,762,000, representing a decrease of approximately RMB13,817,000 or 8.9% from approximately RMB154,579,000 as compared to that of the corresponding period in 2012. The decrease was primarily attributable to the decline in the average selling price of cement from January to June 2013 by approximately 11.0% as compared with the corresponding period in 2012.

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

	For the six months ended 30 June					
	2013			2012		
	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	**305.5**	**254.9**	**77,882**	241.2	290.3	70,018
PC 32.5 cement	**275.8**	**218.4**	**60,235**	310.9	248.6	77,304
Clinker	**12.3**	**215.9**	**2,645**	31.0	234.4	7,257

By product, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 581.3 thousand tonnes, representing an increase of approximately 5.3% year-on-year, while the sales revenue of cement products decreased by approximately 6.2% year-on-year to approximately RMB138,117,000. The income from clinker sales was approximately RMB2,645,000, representing a decrease of approximately 63.5% year-on-year.

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

	For the six months ended 30 June			
	2013		2012	
	Turnover *RMB'000*	**% of total turnover**	Turnover *RMB'000*	% of total turnover
Jiangsu Province	**106,993**	**76.0%**	104,485	67.6%
Wujiang District, Suzhou	**99,601**	**70.8%**	101,000	65.3%
Suzhou (excluding Wujiang District)	**7,392**	**5.2%**	3,485	2.3%
Zhejiang Province	**16,241**	**11.5%**	32,057	20.7%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**12,777**	**9.1%**	28,686	18.5%
Jiaxing	**3,464**	**2.4%**	3,371	2.2%
Shanghai	**17,528**	**12.5%**	18,037	11.7%
Total	**140,762**	**100.0%**	154,579	100.0%

During the Reporting Period, due to the increasing supply and fading demand of cement in the regions, selling price of the Group's cement products saw a significant drop. Save for the slender increase in the sales in Suzhou (excluding Wujiang District) following the securing of a subway project, all regions experienced different levels of decline in sales as compared to those over the corresponding period last year, especially in South Zhejiang Province, which experienced a decline of nearly 55.5% in sales.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit dipped substantially by approximately RMB5,965,000 or 59.3% to approximately RMB 4,086,000 from approximately RMB10,051,000 over the corresponding period last year, while the gross profit margin decreased by approximately 3.6 percentage points to approximately 2.9% from approximately 6.5% for the corresponding period last year. The decrease was mainly due to a steep decline in the selling price of cement during the Reporting Period.

Other Income

During the Reporting Period, the Group's other income decreased by approximately 6.4% to approximately RMB3,342,000 from approximately RMB3,569,000 over the corresponding period last year. The decrease was mainly due to the decline in value-added tax refunds as a result of the decrease in revenue from the sales of PC 32.5 cement.

Sales and Distribution Fees

During the Reporting Period, the Group's cost for distribution increased by approximately 21.3% to approximately RMB1,110,000 from approximately RMB915,000 over the corresponding period last year. The increase was mainly attributable to a slight rise in transportation fees. Sales and distribution fees represented approximately 0.8% of the Group's consolidated turnover, posting an increase as compared with approximately 0.6% of the corresponding period last year.

General and Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses decreased by approximately 56.4% to approximately RMB7,404,000 from approximately RMB16,994,000 over the corresponding period last year. The decrease in the general and administrative expenses was primarily due to (1) the inclusion of the listing fee of approximately RMB12,844,000 in respect of the listing of the Company on the Stock Exchange on 13 June 2012 in the profit and loss account as of 30 June 2012, while no such expense was incurred during the corresponding period in 2013; and (2) the incurrence of addition costs in 2013 in the capacity of a listed entity, including directors' fee, legal, compliance and printing expenses in an aggregate amount of RMB1,657,000.

Tax

During the Reporting Period, the Group's income tax expenses amounted to approximately RMB368,000, remained flat as compared with approximately RMB337,000 for the corresponding period last year.

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

Net Profit Margin

During the Reporting Period, the Group recorded a net profit margin of approximately -2.09%, a slight improvement as compared to the net profit margin of approximately -4.84% over the corresponding period last year. This was primarily due to the inclusion of the listing fee of approximately RMB12,844,000 in respect of the listing of the Company on the Stock Exchange on 13 June 2012 in the profit and loss account as of 30 June 2012, while no such expense was incurred during the Reporting Period, resulting in a slight improvement in net loss to approximately RMB2,938,000 during the Reporting Period from approximately RMB7,477,000 over the corresponding period last year.

Liquidity and Capital Resources

The Group planned to meet its working capital needs primarily through cash flow from operating activities, bank loans and the use of trade and other payables, as well as the proceeds from the initial public offering ("IPO") of the Company's shares in June 2012.

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Cash and cash equivalents	**78,724**	98,548
Borrowings	**50,000**	50,000
Debt to equity ratio	**16.1%**	16.0%
Debt to asset ratio	**12.1%**	12.1%

Cash Flow

As at 30 June 2013, the Group's cash and cash equivalents decreased by approximately 20.1% to approximately RMB78,724,000 from approximately RMB98,548,000 as at 31 December 2012. The primarily due to (1) a decrease of cash flow of approximately RMB21,875,000 as a result of an increase in trade and other receivables; (2) an investment of RMB5,000,000 in GinkgoPharma Co. Ltd..

Borrowings

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Current:		
Bank borrowings	**50,000**	50,000
Other borrowings		
– from non-bank financial institutions	**–**	–
– from financing arrangement	**–**	–
	50,000	50,000

During the Reporting Period, the Group's bank borrowings remained stable. Bank borrowings of the Group as at 30 June 2013, bearing fixed interest rate, amounted to approximately RMB50,000,000, essentially flat compared to that as at 31 December 2012.

The aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits.

The aforesaid borrowings will be due prior to 31 December 2013.

As at 30 June 2013, the Group had RMB50,000,000 unutilized bank financing facility.

Debt to Equity Ratio

As at 30 June 2013, the Group's debt to equity ratio was 16.1%, relatively flat compared to 16.0% as at 31 December 2012.

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 2013, the Group's capital expenditure presented a notable increase to approximately RMB1,230,000 from approximately RMB174,000 over the corresponding period last year. The increase was primarily due to the upgrading of machine and equipment.

As at 30 June 2013, 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 2013, approximately RMB4,257,000 from the proceeds had been applied in the manners set out in the prospectus dated 1 June 2012, mainly used for upgrading the Group's production facilities.

Use	**Percentage**	**Net proceeds**	**Utilized amount**	**Unutilized amount**
		RMB'000	*RMB'000*	*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

As at 30 June 2013, 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.

In 2013, the Group was cautious about the expansion in the cement industry, due to the lackluster growth as evidenced by all major macro indicators in China and the fierce competition in the industry. Hence, no substantial progress was made in the proposed acquisition of a ready-mixed concrete station and the investment in establishing entrepots. The management of the Company has been actively seeking investment opportunities in order to expand the business scope of the Group, strengthen our profitability and strive to provide the best returns to the shareholders.

Pledge of Assets

As at 30 June 2013, the Group did not pledge any of its assets. Details relating to the pledge of assets by the Group during the Reporting Period are set out in note 11 to the condensed consolidated interim financial statements.

Contingent Liabilities

As at 30 June 2013, 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 RMB522,000 due to the weakness of Hong Kong dollars.

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 2013, HK$37,000,000 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

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 ("**GinkgoPharma**") with its internal financial resources, thereby 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.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2013.

FUTURE PROSPECTS

In the second half of 2013, the Group will remain focus on the local market. In particular, the Group will explore new markets and expand its market share through bidding on high-quality projects as well as strive for reduced energy consumption, higher production efficiency and lower production cost through internal control measures, so as to enhance the Group's profitability.

In light of the long-term development strategies, the Group will step up the research on the technologies in relation to synchronization of cement kilns for disposal of urban wastewater, garbage and contaminated soil, and will proactively facilitate the transformation of cement production into a green and environment-friendly industry, in a bid to enhance the overall strength of the Group and maximize returns for the shareholders.

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.

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 (the "**Code**") contained in Appendix 14 of the Listing Rules as its own code on corporate governance.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to each Director of the Company and received their respective confirmation, the Company believed that all Directors had complied with the requirements as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2013 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of these financial reports within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2013 is published on the website of Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2013 interim report will be despatched to the shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 15 August 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.