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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to RMB359,007,000, representing an increase of approximately 11.8% from RMB321,118,000 for the year ended 31 December 2012.

- The gross profit margin increased from approximately 6.9% for the year ended 31 December 2012 to approximately 12.4% for the Reporting Period. The increase was mainly due to the decline in the Group's production costs, attributable to the decrease in the selling price of coal in 2013, as well as the rebound in the selling price of cement during the Reporting Period.

- Profit attributable to equity holders of the Company significantly increased to RMB16,253,000 during the Reporting Period from RMB1,038,000 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 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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**134,034**	155,496
Land use rights		**17,316**	17,720
Investment accounted for using the equity method		**4,608**	–
		155,958	173,216
Current assets			
Inventories		**26,350**	27,671
Trade and other receivables	*5*	**138,746**	113,673
Cash and cash equivalents		**112,105**	98,548
		277,201	239,892
Total assets		**433,159**	413,108
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*6*	**4,174**	4,174
Other reserves	*7*	**281,317**	279,244
Retained earnings		**43,700**	29,520
Total equity		**329,191**	312,938

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**4,773**	3,720
Current liabilities			
Trade and other payables	*8*	**46,723**	46,037
Current income tax payable		**2,472**	413
Borrowings	*9*	**50,000**	50,000
		99,195	96,450
Total liabilities		**103,968**	100,170
Total equity and liabilities		**433,159**	413,108
Net current assets		**178,006**	143,442
Total assets less current liabilities		**333,964**	316,658

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**208,245**	208,245
Current assets			
Amount due from subsidiaries		**54,790**	30,220
Other receivables	5	**136**	250
Cash and cash equivalents		**2,388**	30,341
		57,314	60,811
Total assets		**265,559**	269,056
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	6	**4,174**	4,174
Other reserves	7	**275,714**	275,714
Accumulated losses		**(14,635)**	(11,147)
Total equity		**265,253**	268,741
LIABILITIES			
Current liabilities			
Amount due to a subsidiary		**306**	315
Total equity and liabilities		**265,559**	269,056
Net current assets		**57,008**	60,496
Total assets less current liabilities		**265,253**	268,741

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**359,007**	321,118
Cost of sales	*11*	**(314,428)**	(298,995)
Gross profit		**44,579**	22,123
Distribution expenses	*11*	**(1,902)**	(1,452)
Administrative expenses	*11*	**(20,885)**	(23,073)
Other income	*10*	**7,226**	12,438
Other (losses)/gains – net		**(359)**	302
Operating profit		**28,659**	10,338
Finance income		**1,495**	1,677
Finance expenses		**(4,546)**	(6,423)
Finance expenses – net		**(3,051)**	(4,746)
Share of loss of investment accounted for using the equity method		**(392)**	–
Profit before income tax		**25,216**	5,592
Income tax expense		**(8,963)**	(4,554)
Profit for the year		**16,253**	1,038
Profit attributable to equity holders of the Company		**16,253**	1,038
Total comprehensive income for the year		**16,253**	1,038
Total comprehensive income attributable to equity holders of the Company		**16,253**	1,038
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*	**0.032**	0.002

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 2012		–	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		709	77,306	–	78,015
Share issuance cost		–	(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
Comprehensive income					
Profit for the year		**–**	**–**	**16,253**	**16,253**
Transactions with owners					
Transfer to statutory reserves	*7(a)*	**–**	**2,073**	**(2,073)**	**–**
Balance at 31 December 2013		**4,174**	**281,317**	**43,700**	**329,191**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December **2013** *RMB'000*	2012 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**30,318**	32,811
Interest paid		**(4,441)**	(6,095)
Income tax paid		**(5,851)**	(3,192)
Net cash generated from operating activities		**20,026**	23,524
Cash flows from investing activities			
Interest received		**1,495**	1,281
Proceeds from disposal of available-for-sale financial assets		**–**	13,696
Purchase of property, plant and equipment		**(2,972)**	(5,205)
Proceeds from disposal of property, plant and equipment		**8**	280
Payment for acquisition of an associate		**(5,000)**	–
Purchase of land use rights		**–**	(167)
Net cash (used in)/generated from investing activities		**(6,469)**	9,885
Cash flows from financing activities			
Proceeds from bank borrowings		**50,000**	56,700
Proceeds from issuance of shares		**–**	78,015
Payment of issuance cost		**–**	(18,900)
Repayment of bank borrowings		**(50,000)**	(79,770)
Repayments of other borrowings		**–**	(17,308)
Decrease in restricted deposit in relation to financing activities		**–**	5,000
Net cash generated from financing activities		**–**	23,737
Net increase in cash and cash equivalents		**13,557**	57,146
Cash and cash equivalents at beginning of the year		**98,548**	41,402
Cash and cash equivalents at end of the year		**112,105**	98,548

NOTES TO THE 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 (the "**Listing**").

2. BASIS OF PREPARATION

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

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 2013 (2012: 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 2013 (2012: 10%).

4. REVENUE

Revenue of the Group for the year ended 31 December 2013 is analyzed as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**216,850**	143,565
Composite Portland cement strength class 32.5	**139,512**	157,035
Clinker	**2,645**	20,518
	359,007	321,118

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	
	2013	2012
	RMB'000	*RMB'000*
Revenue from the top five customers	**109,239**	89,896
Total revenue	**359,007**	321,118
Percentage	**30.43%**	27.99%

5. TRADE AND OTHER RECEIVABLES

Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables due from third parties	**99,959**	60,851
Less: provision for impairment of trade receivables	**(6,756)**	(3,502)
Trade receivables, net	**93,203**	57,349
Bills receivable	**36,114**	47,598
Trade and bills receivables	**129,317**	104,947
Prepayments for		
– acquisition of materials	**8,333**	7,569
Other receivables	**1,096**	1,157
Trade and other receivables	**138,746**	113,673

As at 31 December 2013 and 2012, no bills receivable was pledged for the borrowings.

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. As at 31 December 2013, the aging analyses of trade receivables due from third parties are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Below 90 days	**61,331**	30,806
From 91 days to 180 days	**2,626**	9,239
From 181 days to 1 year	**15,776**	16,833
From 1 year to 2 years	**16,733**	54
Over 2 years	**3,493**	3,919
	99,959	60,851

As at 31 December 2013, trade receivables of RMB6,756,000 (2012: RMB3,502,000) had been impaired. The amount of the provision was RMB6,756,000 (2012: RMB3,502,000). The individually impaired receivables mainly related to certain customers, which are in unexpectedly difficult economic situations.

The aging analyses of impaired trade receivables are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Below 90 days	**768**	–
From 91 days to 180 days	**962**	–
From 181 days to 1 year	**–**	–
From 1 year to 2 years	**1,567**	20
Over 2 years	**3,459**	3,482
	6,756	3,502

As at 31 December 2013, trade receivables of RMB32,640,000 (2012: RMB17,705,000) 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	
	2013	2012
	RMB'000	*RMB'000*
Overdue for 1 to 90 days	**16,975**	17,584
Overdue for 91 to 180 days	**465**	87
Overdue for 181 to 1 years	**15,166**	34
Overdue for more than 1 year	**34**	–
	32,640	17,705

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	
	2013	2012
	RMB'000	*RMB'000*
Below 1 year	**826**	1,157
From 1 year to 2 years	**270**	–
	1,096	1,157

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	
	2013	2012
	RMB'000	*RMB'000*
Beginning of year	**3,502**	6,071
Provision for the year *(Note 11)*	**3,297**	–
Release of provision upon collection for the year *(Note 11)*	**(43)**	(2,569)
End of year	**6,756**	3,502

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.

Company

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Other receivables	**136**	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	Equivalent nominal value of ordinary shares
			HK$'000	*RMB'000*
Authorized:				
Ordinary shares of HK$0.01 each as at 1 January 2012, 31 December 2012 and 31 December 2013		10,000,000,000	100,000	81,520
Issued:				
Ordinary shares of HK$0.01 each as at 1 January 2012, 31 December 2012 and 31 December 2013		512,000,000	5,120	4,174

7. OTHER RESERVES

Group

	Share premium	Statutory reserve	Merger reserve	Total
		(Note (a))	*(Note (b))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	–	18,182	192,011	210,193
Capitalization issue	(3,465)	–	–	(3,465)
Issuance of ordinary shares	77,306	–	–	77,306
Share issuance cost	(6,057)	–	–	(6,057)
Appropriation to statutory reserves	–	1,267	–	1,267
At 31 December 2012	67,784	19,449	192,011	279,244
Appropriation to statutory reserves	**–**	**2,073**	**–**	**2,073**
At 31 December 2013	**67,784**	**21,522**	**192,011**	**281,317**

Company

	Share premium	Capital reserve *(Note (c))*	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	–	207,930	207,930
Capitalization issue	(3,465)	–	(3,465)
Issuance of ordinary shares	77,306	–	77,306
Share issuance cost	(6,057)	–	(6,057)
At 31 December 2012	67,784	207,930	275,714
At 31 December 2013	**67,784**	**207,930**	**275,714**

(a) Statutory reserve

The Company's subsidiary in the PRC is required to appropriate 10% of its profit after income tax calculated in accordance with the PRC accounting standards and systems to the statutory reserve until the balance reaches 50% of its registered capital, where further transfers will be at its 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, 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 2013, the Company's subsidiary in the PRC has appropriated RMB2,073,000 (2012: RMB1,267,000) to statutory reserve.

(b) Merge 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 2013 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	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**32,779**	38,334
Advances from customers	**2,370**	1,135
Salary payables	**2,969**	1,091
Other tax payables *(Note (a))*	**6,182**	2,460
Other payables	**2,423**	3,017
	46,723	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.

Aging analysis of trade and bills payables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Below 30 days	**20,807**	20,898
From 31 to 90 days	**7,295**	13,620
From 91 days to 180 days	**3,415**	1,817
From 181 days to 1 year	**476**	1,253
From 1 year to 2 year	**125**	54
Over 2 years	**661**	692
	32,779	38,334

(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	
	2013	2012
	RMB'000	*RMB'000*
Current:		
Unsecured bank borrowings	**50,000**	50,000

(a) The weighted average effective interest rates for the years ended 31 December 2013 and 2012 are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Bank borrowings	**6.90%**	7.45%
Other borrowings	**–**	17.07%

As at 31 December 2013 and 2012, the Group's borrowings were repayable within one year.

(b) 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 2013	**50,000**
– 31 December 2012	50,000

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

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

10. OTHER INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Tax refund *(Note(a))*	**6,035**	6,144
Government grants	**1,139**	6,294
Others	**52**	–
	7,226	12,438

(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.

11. EXPENSES BY NATURE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**15,522**	(3,510)
Raw materials and consumables used	**204,993**	210,259
Utilities and energy costs	**50,819**	51,639
Depreciation and amortization expenses	**24,833**	24,178
Employee benefit expenses	**16,008**	12,477
Transportation expenses	**3,306**	2,721
Office expenditure	**1,381**	525
Taxes and levies	**2,159**	1,990
Entertainment expenses	**709**	708
Pollution discharge expenses	**552**	552
Vehicle expenses	**533**	616
Repair and maintenance expenses	**8,187**	6,608
Consultancy, legal and professional fees	**2,140**	1,750
Net provision/(Write back) for impairment of trade receivables *(Note 5)*	**3,254**	(2,569)
Travelling expenses	**214**	336
Auditors' remuneration – audit services	**1,250**	1,248
Operating lease payments	**–**	400
Listing expenses	**–**	12,844
Other expenses	**1,355**	748
Total cost of sales, distribution costs and administrative expenses	**337,215**	323,520

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 year ended 31 December 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 year.

	Year ended 31 December	
	2013	2012
Profit attributable to equity shareholders of the Company *(RMB'000)*	**16,253**	1,038
Weighted average number of ordinary shares in issue *('000 share)*	**512,000**	472,262
Basic and diluted earnings per share *(RMB)*	**0.032**	0.002

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2013 and 2012, 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 years ended 31 December 2013 and 2012.

14. EVENTS AFTER THE BALANCE SHEET DATE

On 9 January 2014, Suzhou Dongwu Cement Co., Ltd* (蘇州東吳水泥有限公司)("**Suzhou Dongwu**"), the wholly-owned subsidiary of the Company and Hengtong Group Co. Ltd.,* (亨通集團有限公司) ("**Hengtong Group**"), a third party company entered into a cooperation agreement, pursuant to which the two parties agreed to establish a Joint Venture company, namely, Suzhou Dongtong Construction And Development Co. Ltd., 蘇州東通建設發展有限公司 ("**Dongtong**"). The registered capital of Dongtong is RMB150,000,000, which is owned as to 50% by Suzhou Dongwu and 50% by Hengtong Group.

Pursuant to the registration and approval by the relevant company registration authorities in the PRC, the scope of business of Dongtong covers primarily highways, urban roads, bridges, tunnels, foundation works, sewage treatment works and drainage works; and also covers 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 trade. Dongtong will mainly participate in the construction of infrastructure under the "build and transfer" arrangements in the coming years.

For further details regarding the cooperation agreement, please refer to the announcement of the Company dated 9 January 2014.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2013, China's major macro economic indicators have shown signs of stable increase. According to the preliminary statistics, the gross domestic product for the year amounted to RMB56,884.5 billion, representing a growth of 7.7% over the corresponding period last year (2012: 7.8%); fixed asset investment of the country (excluding rural households) reached RMB43,652.7 billion, representing a nominal growth of 19.6% (the real growth was 19.2% after deducting the price factor) over the corresponding period last year (2012: 20.7%). National property development and investment reached RMB8,601.3 billion, representing a year-on-year nominal growth of 19.8% (the real growth was 19.4% after deducting the price factor) (2012: 16.2%). (Source: website of PRC National Statistics Bureau)

The cement production of cement companies over a designated size amounted to 2.41 billion tones in 2013, posting a year-on-year growth of 9.6% (2012: 7.5%). As a result of the positive impact of the macro economic factors on the industry, industry structure integration as well as a further improvement between supply-demand relationship in cement industry, during the second half year of 2013, the sales price of cement has begun to rebound, with the yearly average price almost flat compared with the corresponding period last year. Attributable to the decrease in the price of coal, the cost of cement decreases as well. In 2013, both gross profit margin and net profit margin of cement industry increase slightly compared with the corresponding period of 2012.

As a result of the elimination of laggard production capacity and enhancement of energy conservation and emission reduction measures in the eastern region where the Group is located, the supply-demand relationship in cement industry has improved and the cement price has rebounded in the second half year of 2013. The cement price has rebounded significantly during the last quarter of 2013. 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 2013 in above three regions were RMB370 per tonne, RMB440 per tonne and RMB450 per tonne respectively, representing an increase of 15.6%, 25.7% and 36.4% 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%.)

In 2013, the sales volume, revenue and gross profit margin of the Group all exhibited a upwards movement compared with the corresponding period in 2012 as a result of the positive impact of the macro economic factors on the industry, improvement of supply-demand relationship in the cement industry and selling price rebound in the region where the Company located.

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:

Revenue

In 2013, the Group's revenue amounted to approximately RMB359,007,000, representing an increase of approximately RMB37,889,000 or 11.8% from approximately RMB321,118,000 in 2012. The increase was primarily attributable to the rising in sales volume and selling price of cement in 2013, with the sales volume (including clinker) increased by approximately 8.0% and the average selling price of cement (including clinker) increased by approximately 3.5%.

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

		2013			2012	
	Sales Volume	**Average selling price**	**Revenue**	Sales Volume	Average selling price	Revenue
	Thousand Tonnes	***RMB/ Tonne***	***RMB'000***	*Thousand Tonnes*	*RMB/ Tonne*	*RMB'000*
PO 42.5 Cement	**781.8**	**277.4**	**216,850**	542.2	264.8	143,565
PC 32.5 Cement	**610.7**	**228.4**	**139,512**	672.3	233.6	157,035
Clinker	**12.3**	**215.9**	**2,645**	86.5	237.1	20,518

The sales volume of the Group's cement products in 2013 amounted to approximately 1,392.6 thousand tonnes, representing an increase of approximately 14.7% from 2012, while the sales revenue of the Group's cement products increased by approximately 18.6% from 2012 to approximately RMB356,362,000. The sales revenue of clinker was approximately RMB2,645,000 in 2013, representing a decrease by approximately 87.1% from RMB20,518,000 in 2012, which is mainly due to the significant decrease in selling clinker by the Group.

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

	2013		2012	
	Revenue	**% of total**	Revenue	% of total
	RMB'000	**revenue**	*RMB'000*	revenue
Jiangsu Province	**282,695**	**78.7%**	223,627	69.6%
Wujiang District	**242,572**	**67.6%**	218,267	68.0%
Jiangsu (excluding Wujiang)	**40,123**	**11.1%**	5,360	1.6%
Zhejiang Province	**42,935**	**12.0%**	59,915	18.7%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**35,111**	**9.8%**	56,214	17.5%
Jiaxing	**7,824**	**2.2%**	3,702	1.2%
Shanghai	**33,378**	**9.3%**	37,575	11.7%
Total	**359,007**	**100.0%**	321,118	100.0%

Attributable to industry structure integration, the enhancement of energy conservation and emission reduction measure, a further improvement between supply-demand relationship has occurred in cement industry. As a result of the above, both the selling volume and selling price of cement has rebounded. Under such influence, the revenue has increased by 11.8% compared with the corresponding period in 2012.

Gross Profit and Gross Profit Margin

In 2013, the Group's gross profit amounted to approximately RMB44,579,000, increasing by approximately RMB22,456,000 or 101.5% from approximately RMB22,123,000 in 2012, while the gross profit margin in 2013 amounted to approximately 12.4%, increasing by approximately 80.2% from approximately 6.9% in 2012. The decline in the Group's production costs, mainly attributable to the decrease in the selling price of coal, in 2013, as well as the rebound in selling price, have resulted in an increase in both the gross profit and gross profit margin, respectively.

Other Income

In 2013, the Group's other income amounted to approximately RMB7,226,000, representing a decrease of approximately 41.9% from RMB12,438,000 in 2012. The decrease was mainly due to a decline in listing bonus of RMB5,520,000.

Distribution Expenses

In 2013, the Group's distribution costs amounted to approximately RMB1,902,000, increasing by approximately 31% from approximately RMB1,452,000 in 2012. The increase was mainly due to an increase in sales volume of our cement products and hence the associated distribution costs in 2013. Sales and distribution fees accounted for approximately 0.5% of the Group's consolidated revenue which basically remained flat as compared to approximately 0.5% in 2012.

Administrative Expenses

In 2013, the Group's administrative expenses amounted to approximately RMB20,885,000, representing a decrease of approximately 9.5% from approximately RMB23,073,000 in 2012. The change in the administrative expenses was primarily due to (1) the listing fee of approximately RMB12,844,000 occurred in respect of the listing of the Company on the Stock Exchange in June 2012, while no such expenses in the Reporting Period; (2) employee benefit expenses increased by approximately RMB3,531,000; and (3) net provision for impairment of trade receivables of approximately RMB3,254,000, compared with write back for impairment of trade receivables of approximately RMB2,569,000 for the corresponding period last year.

Income Tax Expense

In 2013, the Group's income tax expense amounted to approximately RMB8,963,000, increased substantially from approximately RMB4,554,000 in 2012. The increase was mainly due to the substantial increase in the Group's profit before income tax in 2013.

Net Profit Margin

In 2013, the Group's net profit margin was approximately 4.53%, increasing significantly from approximately 0.3% in 2012. The increase was mainly due to the rebound in sales revenue and decline in the manufacturing cost in 2013, resulting in an increase in net profit to approximately RMB16,253,000 in 2013 from approximately RMB1,038,000 in 2012.

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 Company's IPO proceeds.

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Cash and cash equivalents	**112,105**	98,548
Borrowings	**50,000**	50,000
Debt to equity ratio	**15%**	16%
Debt to Asset ratio	**12%**	12%

Cash Flow

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately RMB112,105,000, representing an increase of approximately 13.8% from approximately RMB98,548,000 as at 31 December 2012. The increase was primarily due to an increase of approximately RMB20,026,000 in the cash flow from operating activities.

Borrowings

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

As at 31 December 2013, the Group's bank borrowings amounted to approximately RMB50,000,000, remaining the same as at 31 December 2012.

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 2013, the Group still had unutilized banking facilities of RMB50,000,000.

Debt to Equity Ratio

As at 31 December 2013, the Group's debt to equity ratio decreased slightly to 15% from 16% as at 31 December 2012.

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 2013, the Group's capital expenditure amounted to approximately RMB2,972,000, decrease of approximately 44.7% from approximately RMB5,372,000 in 2012. The capital expenditure and capital commitments were mainly for the Group's implementation of a number of measures for renewal of facilities and enhancement of technologies, which included the upgrading of lime stone crushing line and energy-sowing coal-injection duct, in order to enhance the Group's productivity and reduce production costs.

As at 31 December 2013, 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 disclosed in the announcement of the Company published on 29 November 2013, the Group was cautious about the expansion in the cement industry, and no substantial progress was made in the proposed acquisition of a ready-mixed concrete station and the investment in entrepots. To effectively utilize its proceeds and improve the return to shareholders, the Company has allocated the unutilized proceeds originally earmarked for acquisition of a ready-mixed concrete station and strengthening sales network totaling RMB37,878,000 to BT (build-transfer) projects of roads, bridges, tunnels and other infrastructures. As of 31 December 2013, approximately RMB4,257,000 of the proceeds was utilized mainly for the upgrading of the Group's production equipment.

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

As of 31 December 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.

Pledge of Assets

As at 31 December 2013, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 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 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 2013, HK$68,200,000 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.

As discussed in the announcement of the Company regarding the formation of joint venture (the "**Joint Venture Announcement**") published on 9 January 2014, Suzhou Dongwu (the wholly-owned subsidiary of the Company) has entered into a cooperation agreement (the "**Cooperation Agreement**") with Hengtong Group. According to the Cooperation Agreement, Suzhou Dongwu and Hengtong Group agree to form a joint venture namely Dongtong with a registered capital of RMB150,000,000. Suzhou Dongwu and Hengtong Group will contribute the capital of RMB75,000,000 and RMB75,000,000 respectively, holding 50% and 50% shares of Dongtong respectively. The contributed capital of the Company (through Suzhou Dongwu) under the Cooperation Agreement will be funded both by IPO proceeds and other internal resources. As at the date of this announcement, the Company, according to the Cooperation Agreement, has already contributed the capital amounting to RMB50,000,000. Dongtong was registered and established on 15 January 2014, with the business scope covering covers primarily highways, urban roads, bridges, tunnels, foundation works, sewage treatment works, and drainage works; and also covers 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 trade. Please refer to the Joint Venture Announcement for further details regarding the Cooperation Agreement.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group has a total of 241 employees. The total remuneration of the Group's employees amounted to approximately RMB16,008,000 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 current manufacturing facility reform, accelerate the transformation towards environment preservation-oriented cement manufacturing entity, and improve the comprehensive competitiveness and market position, to ensure the Group rooted in local market, while becoming a lead cement manufacturing company within the region.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 Reporting Period, 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 Reporting Period, the Board held two scheduled meetings 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. The Board also holds provisional meetings to review, discuss and decide specific matters related to the development and strategy of the Group. During the Reporting Period, the Board held two provisional meetings, to discuss and pass resolutions (among others) regarding change in use of IPO proceeds and formation of joint venture.

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 Reporting Period, they had complied with the requirements as set out in the Model Code.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2013. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on the results announcement.

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 2013 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 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 annual report will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 21 March 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.