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 2014

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately RMB340,093,000, representing an decrease of approximately 5.3% from approximately RMB359,007,000 for the year ended 31 December 2013.
- The gross profit margin decreased from approximately 12.4% for the year ended 31 December 2013 to approximately 5.4% for the Reporting Period.
- Profit attributable to equity holders of the Company significantly decreased to RMB5,741,000 during the Reporting Period from approximately RMB16,253,000 for the year ended 31 December 2013.

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 2014 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with the comparative figures for the corresponding period of 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**121,556**	134,034
Land use rights		**16,912**	17,316
Investments accounted for using the equity method	*5(b)*	**4,427**	4,608
Trade and other receivables	*6*	**61,350**	–
		204,245	155,958
Current assets			
Inventories		**33,369**	26,350
Trade and other receivables	*6*	**157,193**	138,746
Short-term bank deposits		**20,000**	–
Cash and cash equivalents		**20,120**	112,105
		230,682	277,201
Total assets		**434,927**	433,159

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*7*	**4,174**	4,174
Other reserves	*8*	**282,252**	281,317
Retained earnings		**48,506**	43,700
Total equity		**334,932**	329,191
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**7,134**	4,773
Current liabilities			
Trade and other payables	*9*	**39,337**	46,723
Current income tax payable		**3,524**	2,472
Borrowings	*10*	**50,000**	50,000
		92,861	99,195
Total liabilities		**99,995**	103,968
Total equity and liabilities		**434,927**	433,159
Net current assets		**137,821**	178,006
Total assets less current liabilities		**342,066**	333,964

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	*5(a)*	**208,245**	208,245
Current assets			
Amount due from subsidiaries	*5(a)*	**54,055**	54,790
Other receivables	*6*	**63**	136
Cash and cash equivalents		**1,018**	2,388
		55,136	57,314
Total assets		**263,381**	265,559
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*7*	**4,174**	4,174
Other reserves	*8*	**275,714**	275,714
Accumulated losses		**(17,996)**	(14,635)
Total equity		**261,892**	265,253
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	*5(a)*	**1,489**	306
Total equity and liabilities		**263,381**	265,559
Net current assets		**53,647**	57,008
Total assets less current liabilities		**261,892**	265,253

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**340,093**	359,007
Cost of sales	*13*	**(321,677)**	(314,428)
Gross profit		**18,416**	44,579
Distribution expenses	*13*	**(2,432)**	(1,902)
Administrative expenses	*13*	**(14,799)**	(20,885)
Other income	*11*	**5,004**	7,226
Other gains/(losses) – net	*12*	**5,299**	(359)
Operating profit		**11,488**	28,659
Finance income		**873**	1,495
Finance expenses		**(3,442)**	(4,546)
Finance expenses – net		**(2,569)**	(3,051)
Share of profit/(loss) of investments accounted for using the equity method	*5(b)*	**1,059**	(392)
Profit before income tax		**9,978**	25,216
Income tax expense	*14*	**(4,237)**	(8,963)
Profit for the year		**5,741**	16,253
Profit attributable to the equity holders of the Company		**5,741**	16,253
Total comprehensive income for the year		**5,741**	16,253
Total comprehensive income attributable to equity holders of the Company		**5,741**	16,253
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	*15*	**0.011**	0.032

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 2013		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	*8(a)*	–	2,073	(2,073)	–
Balance at 31 December 2013		4,174	281,317	43,700	329,191
Comprehensive income					
Profit for the year		**–**	**–**	**5,741**	**5,741**
Transactions with owners					
Transfer to statutory reserves	*8(a)*	**–**	**935**	**(935)**	**–**
Balance at 31 December 2014		**4,174**	**282,252**	**48,506**	**334,932**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December **2014** ***RMB'000***	 2013 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**19,466**	30,318
Interest paid		**(3,453)**	(4,441)
Income tax paid		**(824)**	(5,851)
Net cash generated from operating activities		**15,189**	20,026
Cash flows from investing activities			
Interest received		**1,301**	1,495
Purchase of property, plant and equipment		**(13,505)**	(2,972)
Proceeds from disposal of property, plant and equipment	*12(a)*	**30**	8
Increase in short-term bank deposits		**(20,000)**	–
Payment for acquisition of associates	*5(b)*	**(75,000)**	(5,000)
Net cash used in from investing activities		**(107,174)**	(6,469)
Cash flows from financing activities			
Proceeds from bank borrowings		**50,000**	50,000
Repayment of bank borrowings		**(50,000)**	(50,000)
Net cash generated from financing activities		**–**	–
Net decrease/(increase) in cash and cash equivalents		**(91,985)**	13,557
Cash and cash equivalents at beginning of the year		**112,105**	98,548
Exchange loss on cash and cash equivalents		**–**	–
Cash and cash equivalents at end of the year		**20,120**	112,105

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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 2014 (2013: 100%).

The revenue derived from one of the external customers amounted to RMB41,461,000 (2013: RMB28,354,000), which is 12% of the Group's revenue for the year ended 31 December 2014 (2013: 8%).

4. REVENUE

Revenue of the Group for the year ended 31 December 2014 is analyzed as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Ordinary Portland cement strength class 42.5	**197,783**	216,850
Composite Portland cement strength class 32.5	**141,307**	139,512
Clinker	**1,003**	2,645
	340,093	359,007

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	
	2014	2013
	RMB'000	*RMB'000*
Revenue from the top five customers	**135,202**	109,239
Total revenue	**340,093**	359,007
Percentage	**39.75%**	30.43%

Turnover of the Group consists of revenues from sales of cement products and clinker, and not includes revenues and gains that arise incidentally.

5(A). INVESTMENT IN AND AMOUNT DUE FROM AND DUE TO SUBSIDIARY – COMPANY

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Investment in Dongwu Investment *(Note (i))*	**315**	315
Deemed investment *(Note 8(c))*	**207,930**	207,930
	208,245	208,245
Amount due from Dongwu HK *(Note (ii))*	**54,013**	54,778
Amount due from Dongwu Investment *(Note (iii))*	**28**	12
Amount due from Dongwu Technology *(Note (iv))*	**14**	–
	54,055	54,790
Amount due to Dongwu Investment *(Note (v))*	**306**	306
Amount due to Dongwu HK *(Note (vi))*	**1,183**	–
	1,489	306

(i) On 29 November 2012, the Company set up its subsidiary – Dongwu Investment with a registered capital of USD50,000 (equivalent to RMB315,000).

(ii) The amount due from Dongwu HK is denominated in HKD, which is interest-free and collectible on demand.

(iii) The amount due from Dongwu Investment is denominated in HKD, which is paid on behalf of Dongwu Investment.

(iv) The amount due from Dongwu Technology is denominated in HKD, which is paid on behalf of Dongwu Technology.

(v) The amount due to Dongwu Investment is denominated in US dollars ("USD"), which is payable on demand.

(vi) The amount due to Dongwu HK is denominated in HKD, which is payable on demand.

5(B). INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Associates	**4,427**	4,608

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Associate *(i)*	**1,240**	–
Individually immaterial associate	**(181)**	(392)
	1,059	(392)

(i) Interests in an associate

Set out below is the movement of an associate invested and disposed of by the Group in 2014 which, in the opinion of the directors, is material to the Group.

	Year ended 31 December 2014
	RMB'000
Opening balance at 1 January	**–**
Additions *(Note 1)*	**75,000**
Share of profit	**1,240**
Other comprehensive income	**–**
Disposals *(Note 2)*	**(76,240)**
Closing balance at 31 December	**–**

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

Nature of investment in the associate for the year:

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

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

Note 1: For the period from 15 January to 21 December 2014, the Group held 50% equity interest of Dongtong at the date of Dongtong's incorporation. The Group had significant influence to the board of directors of Dongtong because the Group was only able to appoint one director into the board of a total of three directors, and the board decision is approved by simple majority.

Note 2: On 22 December 2014, the Group entered into an agreement with an independent third party company and disposed of 10% equity interest in Dongtong at a consideration of RMB16,600,000 (Note 6). The Group has recognized a disposal gain amounting to RMB1,352,000 (Note 12). The transaction consideration was subsequently received in January 2015.

On the same date, in order to stabilize the annual return to the Group, after approval by the Board of Directors of Dongtong, Dongtong agreed to guarantee a fixed annual payment to the Group for the period from 23 December 2014 up to 31 December 2017 with the two other shareholders of Dongtong as guarantors. The terms include the annual receipt of a fixed interest income at 31 December each year and the final collection of the loan principal at 31 December 2017. Group agreed to terminate all its shareholder's rights associated to the investments and the assigned director from the Group to the board of Dongtong has resigned from the directorship. As such, the Group disposed of the 40% equity interest held in Dongtong and recognized a disposal gain amounting to RMB5,408,000 (Note 12), and then recognized loans due from Dongtong amounting to RMB66,400,000 (Note 6). Loans due from Dongtong are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

6. TRADE AND OTHER RECEIVABLES

Group

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables due from third parties	**74,473**	99,959
Less: provision for impairment of trade receivables	**(676)**	(6,756)
Trade receivables, net	**73,797**	93,203
Bills receivable	**44,729**	36,114
Trade and bills receivables	**118,526**	129,317
Prepayments for		
– acquisition of materials	**15,416**	8,333
– acquisition of machinery	**1,030**	–
	16,446	8,333
Loans to Dongtong *(Note 5(b).(i))*	**66,400**	–
Amount due from a third party company *(Note 5(b).(i))*	**16,600**	–
Other receivables	**571**	1,096
	218,543	138,746
Less: non-current portion		
– Prepayments for acquisition of machinery	**(1,030)**	–
– Loans to Dongtong *(Note 5(b).(i))*	**(60,320)**	–
	(61,350)	–
Trade and other receivables	**157,193**	138,746

As at 31 December 2014 and 2013, no bills receivable was pledged for the borrowings.

All non-current receivables are due within five years from the end of the year.

The fair values of trade and other receivables are as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**73,797**	93,203
Bill receivables	**44,729**	36,114
Loans to Dongtong *(Note 5(b).(i))*	**66,400**	–
Amount due from a third party company (Note 5(b).(i))	**16,600**	–
Other receivables	**571**	1,096
	202,097	130,413

The fair value of loans to Dongtong is determined by reference to the consideration obtained by the Group for the disposal of 10% equity interests of Dongtong, which was based on the recent observable market transaction prices. The fair value is within level 2 of the fair value hierarchy.

The effective interest rates on non-current receivables were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Loans to Dongtong	**10.45%**	–

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

The aging of trade receivables of third parties is determined from the date when the corresponding revenue was recognized. As at 31 December 2014, the aging analyses of trade receivables due from third parties are as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Below 90 days	**53,806**	61,331
From 91 days to 180 days	**14,554**	2,626
From 181 days to 1 year	**4,263**	15,776
From 1 year to 2 years	**1,356**	16,733
Over 2 years	**494**	3,493
	74,473	99,959

As at 31 December 2014, trade receivables of RMB676,000 (2013: RMB6,756,000) had been impaired. The amount of the provision was RMB676,000 (2013: RMB6,756,000). 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	
	2014	2013
	RMB'000	*RMB'000*
Below 90 days	**–**	768
From 91 days to 180 days	**–**	962
From 1 year to 2 years	**216**	1,567
Over 2 years	**460**	3,459
	676	6,756

As at 31 December 2014, trade receivables of RMB19,991,000 (2013: RMB32,640,000) 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	
	2014	2013
	RMB'000	*RMB'000*
Overdue for 1 to 90 days	**14,554**	16,975
Overdue for 91 to 180 days	**4,263**	465
Overdue for 181 to 1 years	**1,140**	15,166
Overdue for more than 1 year	**34**	34
	19,991	32,640

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	
	2014	2013
	RMB'000	*RMB'000*
Below 1 year	**246**	826
From 1 year to 2 years	**325**	270
	571	1,096

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	
	2014	2013
	RMB'000	*RMB'000*
Beginning of year	**6,756**	3,502
Provision for the year *(Note 13)*	**186**	3,297
Release of provision upon collection during the year *(Note 13)*	**(1,467)**	(43)
Receivables written off during the year as uncollectible	**(4,799)**	–
End of year	**676**	6,756

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 13). 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	
	2014	2013
	RMB'000	*RMB'000*
Other receivables	**63**	136

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

7. SHARE CAPITAL – COMPANY

	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 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	100,000	81,520
Issued:			
Ordinary shares of HK$0.01 each as at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	512,000,000	5,120	4,174

8. OTHER RESERVES

Group

	Share premium	Statutory reserve *(Note (a))*	Merger reserve *(Note (b))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	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
Appropriation to statutory reserves	–	935	–	935
At 31 December 2014	67,784	22,457	192,011	282,252

Company

	Share premium	Capital reserve *(Note (c))*	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013, 31 December 2013 and 2014	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 to the statutory reserve until the balance reaches 50% of its registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any and may be converted into paid-in capital of the PRC subsidiary in proportion to their existing shareholding after approval from the appropriate authorities, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of paid-in capital for the PRC subsidiary. For the year ended 31 December 2014, the Company's subsidiary in the PRC has appropriated RMB935,000 (2013: RMB2,073,000) 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 2014 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 HK acquired the entire equity interest in Dongwu Cement from Far East International Investment Company Limited ("Far East International", a limited liability company incorporated on 29 September 2003 in Samoa, wholly-owned by the same ultimate shareholder), 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", a limited liability company incorporated in the British Virgin Islands ("BVI") on 16 March 2004, wholly-owned by the same ultimate shareholder) and Concord Ocean Limited ("Concord", a limited liability company incorporated in the BVI on 25 October 2000, wholly-owned by the controlling shareholder) 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.

9. TRADE AND OTHER PAYABLES – GROUP

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**33,274**	32,779
Advances from customers	**1,288**	2,370
Salary payables	**1,165**	2,969
Other tax payables *(Note (a))*	**1,001**	6,182
Other payables	**2,609**	2,423
	39,337	46,723

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	
	2014	2013
	RMB'000	*RMB'000*
Below 30 days	**14,947**	20,807
From 31 to 90 days	**14,246**	7,295
From 91 days to 180 days	**1,795**	3,415
From 181 days to 1 year	**1,018**	476
From 1 year to 2 year	**495**	125
Over 2 years	**773**	661
	33,274	32,779

(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.

10. BORROWINGS – GROUP

	As at 31 December	
	2014	2013
	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 2014 and 2013 are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Bank borrowings	**6.80%**	6.90%

As at 31 December 2014 and 2013, 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 2014	**50,000**
– 31 December 2013	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.

11. OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Tax refund *(Note(a))*	**4,122**	6,035
Government grants	**730**	1,139
Income from loans due from Dongtong *(Note 5(b))*	**152**	–
Others	**–**	52
	5,004	7,226

(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 (財政部國家税務總局關於部分資源綜合利用及其他產品增值税政策問題的通知) 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.

12. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Gain on disposal of equity interests in an associate *(Note 5(b).(i))*	**6,760**	–
(Loss)/gain on disposal of property, plant and equipment *(Note (a))*	**(1,442)**	3
Compensation for employee accidents	**(27)**	(370)
Others	**8**	8
	5,299	(359)

(a) The (loss)/gain on disposal of property, plant and equipment was derived from:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Proceeds from disposal of property, plant and equipment	**30**	8
Net book amount of property, plant and equipment	**(1,472)**	(5)
	(1,442)	3

13. EXPENSES BY NATURE

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(8,093)**	15,522
Raw materials and consumables used	**228,688**	204,993
Utilities and energy costs	**51,986**	50,819
Depreciation and amortization expenses	**24,915**	24,833
Employee benefit expenses	**15,957**	16,008
Transportation expenses	**4,136**	3,306
Office expenditure	**1,365**	1,381
Taxes and levies	**2,679**	2,159
Entertainment expenses	**305**	709
Pollution discharge expenses	**914**	552
Vehicle expenses	**446**	533
Repair and maintenance expenses	**12,084**	8,187
Consultancy, legal and professional fees	**1,848**	2,140
(Write back)/Net provision for impairment of trade receivables *(Note 6)*	**(1,281)**	3,254
Travelling expenses	**145**	214
Auditors' remuneration – audit services	**1,308**	1,250
Other expenses	**1,506**	1,355
Total cost of sales, distribution costs and administrative expenses	**338,908**	337,215

14. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising on or derived from the jurisdictions in which members of the Group are domiciled and operate.

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current tax on profit for the year	**1,876**	7,910
Deferred tax on origination and reversal of temporary differences	**2,361**	1,053
Income tax expense	**4,237**	8,963

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

Hong Kong profits tax rate is 16.5% for the year ended 31 December 2014 (2013: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the year ended 31 December 2014 and 2013.

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%.

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

Hence, the applicable income tax rate for the year ended 31 December 2014 was 25% (2013: 25%).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the income tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**9,978**	25,216
Tax calculated at domestic tax rates applicable to profit in PRC	**2,495**	6,304
Tax effects of:		
– Associate's results reported net of tax	**45**	98
– Expenses not deductible for tax purposes	**99**	59
– Tax losses for which no deferred income tax asset was recognized	**851**	877
– Withholding tax on attributable profit	**841**	1,866
– Income not subject to tax	**(94)**	(241)
Tax charge	**4,237**	8,963

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares if any.

	Year ended 31 December	
	2014	2013
Profit attributable to equity shareholders of the Company *(RMB'000)*	**5,741**	16,253
Weighted average number of ordinary shares in issue *('000 share)*	**512,000**	512,000
Basic and diluted earnings per share *(RMB)*	**0.011**	0.032

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2014 and 2013, diluted earnings per share is the same as basic earnings per share.

16. DIVIDENDS

No dividends were declared by the Board of the Company for the years ended 31 December 2014 and 2013.

17. EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2015, the Group issued 40,000,000 placing shares at a price of HK$1.30 per placing share to six placees who are independent third parties. The gross proceeds and net proceeds arising from the placing are HK$52,000,000 (equivalent to RMB41,021,000) and approximately HK$51,300,000 (equivalent to RMB40,469,000) respectively. The Group intends to use the net proceeds for acquiring 100% equity interest in Shanghai Biofit and for increasing working capital of the Group.

On 16 February 2015, Xi Hua Shanghai Investment Management Company Limited, a wholly owned subsidiary of the Company entered into an agreement with the shareholders of Shanghai Biofit to acquire 100% equity interest in Shanghai Biofit for a consideration of RMB32,000,000. As a result, control of the operations of Shanghai Biofit will be transferred to the Group and Shanghai Biofit will become a subsidiary of the Group from the completion date onwards. As at the date of this announcement, the proposed acquisition is yet to complete.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2014, China's major macro economic indicators have shown signs of growing slowly. The gross domestic product for the year amounted to approximately RMB63,646.3 billion, representing a growth of 7.4% over the corresponding period of last year (2013: 7.7%); fixed asset investment of the country (excluding rural households) reached approximately RMB50,200.5 billion, representing a nominal growth of 15.7% (the actual growth was 15.1% after deducting the price factor) over the corresponding period of last year, decrease by 3.9 percentage points as compared to 2013. National property development and investment reached RMB9,503.6 billion, representing a year-on-year nominal growth of 10.5% (the actual growth was 9.9% after deducting the price factor), down by 9.3 percentage points as compared to 2013. (Source: website of PRC National Statistics Bureau)

The cement production of cement companies over a designated size amounted to 2.48 billion tonnes in 2014, posting a year-on-year growth of 1.8% (2013: 9.6%). In 2014, due to the slowdown of macro-economic growth and the gloomy real estate market, cement market saw a drop in prices and the yearly average price decreased significantly as compared with the corresponding period of last year.

In the eastern region where the Group is located, cement price experienced continuous decline from January to December 2014. For cement prices in early December 2014 in the capital cities of the Group's major markets (being Jiangsu province, Zhejiang province and Shanghai), prices of PO 42.5 Cement in Nanjing (capital city of Jiangsu province), Hangzhou (capital city of Zhejiang province) and Shanghai reported RMB280 per tonne, RMB330 per tonne, and RMB320 per tonne, respectively, down by 24.3%, 25% and 28.9% as compared with the corresponding period of last year. (Source: Digital Cement Net)

In 2014, product costs has casted pressure on the Group. As different to cement companies with mines, price hike of production elements in 2014, especially that of limestone, caused pressure on the production costs of the Company. Meanwhile, the cement kiln waste heat recovery power station exerted influence on the Group in 2014, and the decrease of the electricity generated also posed a negative impact on production costs of the Group for the year. In the first half of 2014, the Group made a large-scale update and maintenance on equipment, which added additional costs. In addition, price of clinker experienced great fluctuations in the year, making the costs of using self-produced clinker higher than that of buying from external producers.

Operating income and gross profit margin of the Group for 2014 decreased as compared with the corresponding period of last year due to the decline of cement price and the pressure on costs. However, in a bid to stabilise the annual income, the Group disposed of its 10% equity interest in Suzhou Dongtong Construction and Development Ltd ("Dongtong") in December 2014, and shifted the original income model to fixed income model, thus achieving sound investment incomes. The Group recorded RMB5,741,000 of profit in 2014.

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 2014, the Group's turnover amounted to approximately RMB340,093,000, representing a decrease of approximately RMB18,914,000 or 5.3% from approximately RMB359,007,000 in 2013. The decrease was primarily attributable to the decline in sales volume and selling price of cement in 2014, with the average selling price of cement decrease by approximately 2.6% and sales volume of cement decrease by 2.3%.

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

	2014			2013		
	Sales Volum *Thousand Tonnes*	**Average selling price** *RMB/ Tonne*	**Revenue** *RMB'000*	Sales Volume *Thousand Tonnes*	Average selling price *RMB/ Tonne*	Revenue *RMB'000*
PO 42.5 Cement	**732.4**	**270.0**	**197,783**	781.8	277.4	216,850
PC 32.5 Cement	**628.4**	**224.9**	**141,307**	610.7	228.4	139,512
Clinker	**3.8**	**263.9**	**1,003**	12.3	215.9	2,645

Categorized by product type, the sales volume of cement products in 2014 amounted to approximately 1,364.6 thousand tonnes, representing a decrease of approximately 2.9% from 2013, while the sales income of cement products was RMB339,090,000, down by approximately 4.8% from 2013. The sales income of clinker was approximately RMB1,003,000 in 2013, representing a decrease by approximately 62.1% from RMB2,645,000 of clinker sales income in 2013, which is mainly due to the significant decrease in the sales of clinker by the Group.

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

	2014		2013	
	Turnover ***RMB'000***	**% of total revenue**	*Turnover* *RMB'000*	% of total revenue
Jiangsu Province	**300,220**	**88.3%**	282,695	78.7%
Wujiang District, Suzhou City	**251,369**	**73.9%**	242,572	67.5%
Suzhou City (excluding Wujiang District)	**48,851**	**14.4%**	40,123	11.2%
Zhejiang Province	**32,809**	**9.6%**	42,935	12.0%
South Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**27,676**	**8.1%**	35,111	9.8%
Jiaxing	**5,133**	**1.5%**	7,824	2.2%
Shanghai	**7,064**	**2.1%**	33,378	9.3%
Total	**340,093**	**100.0%**	359,007	100.0%

Gross Profit and Gross Profit Margin

In 2014, the Group's gross profit amounted to approximately RMB18,416,000, decrease by approximately RMB26,163,000 or 58.7% from approximately RMB44,579,000 in 2013, while the gross profit margin in 2014 reached approximately 5.4%, decrease by approximately 7% from approximately 12.4% in 2013, which mainly resulted from the increase in production costs due to the following factors:

(1) The Group made large-scale update and maintenance on equipment in the first half of the year, amounting to approximately RMB11,656,000, up by RMB4,339,000 or 59.31% over 2013;

(2) Price hike of production elements, especially that of limestone, brought pressure on production costs, pulling production costs to RMB55 per tonne, up by 25% as compared with RMB44 per tonne in 2013; and

(3) Under the influence of cement kiln waste heat recovery power station, the decrease of the electricity generated posed a negative impact on production costs of the Group for the year, the power generation from waste heat recovery saved approximately RMB6,000,000 in electricity tariff during the year, down by RMB5,748,000 or 48.9% from RMB11,748,000 in 2013.

Other Revenue

In 2014, the Group's other revenue amounted to approximately RMB5,004,000, representing a decrease of approximately RMB2,222,000 or 30.8% from RMB7,226,000 in 2013. The decrease was mainly due to drop in the tax refunded as a result of the decline in the turnover of PC32.5 Cement as a percentage to total turnover.

Sales and Distribution Expenses

In 2014, the Group's sales and distribution expenses amounted to approximately RMB2,432,000, increase by approximately RMB530,000 or 27.9% from approximately RMB1,902,000 in 2013. The increase was mainly due to the increase of the drayage in terms of cement transportation fees caused by growing sales volume of PC32.5 cement. Sales and distribution expenses accounted for approximately 0.7% of the Group's consolidated turnover which increased as compared to approximately 0.5% in 2013.

General and Administrative Expenses

In 2014, the Group's general and administrative expenses amounted to approximately RMB14,799,000, representing a decrease of approximately RMB6,086,000 or 29.1% from approximately RMB20,885,000 in 2013. The decrease in the general and administrative expenses was primarily due to (1) RMB4,535,000 of write back of provision for bad debts; and (2) the decrease of employee bonus by RMB1,906,000.

Taxation

In 2014, the Group's income tax expense amounted to approximately RMB4,237,000, decrease substantially from approximately RMB8,963,000 in 2013, mainly due to the decrease in the Group's profit before income tax in 2014.

Net Profit Margin

In 2014, the Group's net profit margin was approximately 1.69%, decrease significantly from approximately 4.53% in 2013. The decrease was mainly due to the decline and then slight increase in sales income in 2014, resulting in an decrease in net profit to approximately RMB5,741,000 in 2014 from proximately RMB16,253,000 in 2013.

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 and part of proceeds from the placing of new shares.

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash and cash equivalents	**20,120**	112,105
Borrowings	**50,000**	50,000
Debt to equity ratio	**15%**	15%
Debt to Asset ratio	**11.4%**	12%

Cash Flow

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB20,120,000, representing a decrease of approximately RMB91,985,000 or 82.1% from approximately RMB112,105,000 as at 31 December 2013. The decrease was primarily due to approximately RMB100,705,000 in the cash flow used in investment.

Borrowings

	31 December 2014 RMB'000	31 December 2013 RMB'000
Current:		
Bank borrowings	**50,000**	50,000

As at 31 December 2014, the Group's bank borrowings amounted to approximately RMB50,000,000, remaining the same as RMB 50,000,000 as at 31 December 2013.

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: approximately RMB50,000,000 not secured, pledged, or guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits or by corporate guarantee made by related parties or non-related parties).

As at 31 December 2014, the Group still had unutilized banking facilities of RMB50,000,000.

Debt to Equity Ratio

As at 31 December 2014, the Group's debt to equity ratio was 15%, basically flat with 15% as at 31 December 2013.

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 2014, the Group's capital expenditure amounted to approximately RMB13,505,000, a substantial increase from RMB2,973,000 in 2013, mainly due to the addition of environment-friendly equipment and the update and maintenance of equipment.

As at 31 December 2014, the Group did not have any 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 2014, the proceeds was utilized in full mainly for infrastructure investment in BT projects and updating production facilities.

Intended use	**Percentage**	**Net proceeds** *RMB'000*	**Utilized amount** *RMB'000*	**Unutilized amount** *RMB'000*
Infrastructure investment in BT projects	66%	37,877	37,877	0
Upgrading production facilities	26%	14,922	14,922	0
Working capital	8%	4,591	4,591	0
Total	100%	57,390	57,390	0

Pledge of Assets

As at 31 December 2014, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and 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 in operating business and 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 2014, HK$52,799,000 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 disclosed by the Company, on 16 February 2015, the Company acquired **Shanghai Biofit Environmental Technology Co., Ltd.**, a company possessing tier-3 professional contractor qualification for environmental engineering, mainly engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services, at a consideration of RMB32,000,000. For further details of the acquisition, please refer to the announcement of the Company dated 16 February 2015.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group has a total of 244 employees. The total remuneration amounted to approximately RMB15,957,000 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 2015, the Group will continue to reduce costs in an effective manner through improving its internal control; expand market share and increase product profitability by refining customer services; conduct prudent research and actively promote various businesses in environmental sector; and make attempts in capital operation to enhance management efficiency and improve comprehensive competitiveness.

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 above mentioned 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 three provisional meetings, to consider and pass (among others) matters on the placing and the acquisition of 100% equity interest in Shanghai Biofit Environment Technology Co., Ltd.

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 2014 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 2014. 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 2014 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 2014 is published on the website of Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2014 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, 25 March 2015

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 and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.