Annual Report
2012

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

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DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings:

"associated corporation(s)"	has the meaning ascribed to it under the SFO
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Dongwu Cement International Limited (東吳水泥國際有限公司)
"Group"	the Company and its subsidiaries
"Director(s)"	the director(s) of the Company
"Concord"	Concord Ocean Ltd, a substantial shareholder of the Company, wholly-owned by Mr. Jin Chungen, an executive Director
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Goldview"	Goldview Development Limited, a controlling shareholder and an associated corporation of the Company, wholly-owned by Mr. Tseung Hok Ming, a non-executive Director
"Suzhou Dongwu"	Suzhou Dongwu Cement Co., Ltd.(蘇州東吳水泥有限公司), a limited liability company incorporated in the PRC on 5 June 2003 and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO"	the initial public offering of the Shares by the Company in June 2012
"Latest Practicable Date"	9 April 2013
"Listing"	the listing of the Company on the main board of the Stock Exchange in June 2012
"Listing Date"	13 June 2012
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in appendix 10 to the Listing Rules

DEFINITIONS

"PRC" or "China"	The People's Republic of China, which only for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 1 June 2012 in relation to its IPO
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the twelve months ended 31 December 2012
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	shares of the Company, all of which are listed on the Stock Exchange
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"%"	per cent.

CORPORATE INFORMATION

Board of Directors

Executive Directors
Xie Yingxia *(Chairman)*
Jin Chungen
Yang Bin

Non-executive Director
Tseung Hok Ming

Independent Non-executive Directors
Cao Guoqi
Cao Kuangyu
Lee Ho Yiu Thomas

Joint Company Secretaries

Sun Xin
Chan Chin Wang Keith

Auditors

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Authorized Representatives

Yang Bin
Sun Xin

Audit Committee

Lee Ho Yiu Thomas *(Chairman)*
Cao Guoqi
Cao Kuangyu

Remuneration Committee

Cao Guoqi *(Chairman)*
Cao Kuangyu
Lee Ho Yiu Thomas

Nomination Committee

Cao Guoqi *(Chairman)*
Cao Kuangyu
Lee Ho Yiu Thomas

Stock Code

695

Company Website

http://www.dongwucement.com

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in PRC

Lili Town, Wujiang City,
Jiangsu Province, PRC

Principal Place of Business in Hong Kong

Unit 8505B-06A, Level 85
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Compliance Advisor

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

China Merchants Bank
Wujiang Rural Commercial Bank

Hong Kong Legal Advisors

Li & Partners
22nd Floor, World-Wide House
Central, Hong Kong

Contact Details

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FINANCIAL HIGHLIGHTS

Statement of comprehensive income		*(expressed in RMB'000, unless otherwise stated)*
	2012	2011
Revenue	**321,118**	464,045
Operating profit	**10,338**	116,567
Profit before income tax	**5,592**	109,378
Profit for the year	**1,038**	86,944
Basic and diluted earnings per share (expressed in RMB per Share)	**0.002**	0.205

Statement of financial position		*(expressed in RMB'000)*
	2012	2011
Non-current assets	**173,216**	192,113
Current assets	**239,892**	215,013
Total assets	**413,108**	407,126
Total equity	**312,938**	239,942
Non-current liabilities	**3,720**	2,697
Current liabilities	**96,450**	164,487
Total liabilities	**100,170**	167,184
Total equity and liabilities	**413,108**	407,126

Statement of cash flows		*(expressed in RMB'000)*
	2012	2011
Net cash flow generated from operating activities	**23,524**	36,004
Net cash flow generated from investing activities	**9,885**	110,639
Net cash flow generated from/(used in) financing activities	**23,737**	(123,461)
Net increase in cash and cash equivalents	**57,146**	23,182

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(note 1)	*(note 1)*	*(note 1)*
Revenue	**321,118**	464,045	354,950	291,622
Cost of sales	**(298,995)**	(341,923)	(305,619)	(268,592)
Gross profit	**22,123**	122,122	49,331	23,030
Operating profit	**10,338**	116,567	44,364	16,850
Profit before tax	**5,592**	109,378	39,909	14,834
Income tax expense	**(4,554)**	(22,434)	(8,123)	(3,034)
Profit for the year	**1,038**	86,944	31,786	11,800

Assets and liabilities

	As at 31 December			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(note 1)	*(note 1)*	*(note 1)*
Total assets	**413,108**	407,126	465,447	438,530
Total liabilities	**100,170**	167,184	186,469	209,620
Total equity	**312,938**	239,942	278,978	228,910

Note: 1. The figures for the three years ended 31 December 2011 have been extracted from the Company's Prospectus.

Confronting the adverse effects of growth slowdown in macro-economy, an increase in cement production and a decrease in demands in 2012, the Group proactively responded to the fierce competition in cement market by timely adapting the management strategies of production and operation, which include maintaining consistent product quality and strengthening marketing management to boost product sales, and enhancing internal management to control production costs and operation costs, so as to sharpen the overall competitiveness of the Group in the market and in the industry.

During the Reporting Period, the Group motivated all the employees to identify opportunities on cost savings, strengthened the management in the procurement of raw and auxiliary materials, the consumption of each item and the production equipments and technologies, and strictly controlled the production cost. In 2012, the output for cement clinker amounted to 848,000 tonnes, and cement output amounted to 1,230,000 tonnes, among which, 681,000 tonnes were PC 32.5 cement and 549,000 tonnes were PO 42.5 cement. The supply of raw and auxiliary materials for the production, the equipment operation and the production safety were at normal levels throughout the year, and the quality acceptance rate of the outgoing cement reached 100% throughout the year.

During the Reporting Period, under the influence of the growth slowdown in macro-economy and real estate investments, the cement demands dropped, leading to a substantial decrease in prices amidst fierce competition in the cement market as compared with the corresponding period last year. Given the unfavorable situation, the Group timely adjusted the marketing strategies in respond to the market. Leveraging on the Group's advantages in transportation, product quality and location, the Group proactively expanded the sales customer base, reorganized sales channel and network, and improved sales services. As a result, the income from principal business amounted to approximately RMB321,118,000 with product sales volume reaching 1,301,000 tonnes, among which, 672,000 tonnes were PC32.5 cement and 542,000 tonnes were PO42.5 cement, and the sales volume of cement clinker reaching 87,000 tonnes during the year.

The Group is determined to create the "DONGWU" Cement in order to gain enduring brand dominance. Since the founding of the Group, the path of building "DONGWU" cement has been laid with unswerving resolution to implement the principle of high level of quality and high level of services. Currently, DONGWU Cement has been well recognized by customers in the fields of municipal engineering, transportation, construction, water conservancy and civil use in Suzhou City, which shapes a reputable brand image for DONGWU Cement. We will continue to consolidate the quality reputation and the brand image of DONGWU Cement, making DONGWU Cement stronger with established regional brand dominance, so as to add an edge in the brand of the Group.

The Group continues to promote technology innovation in order to build up overall competitiveness. The Group has been paying assiduous attention to the development and application of new technologies and new manufacturing processes all along, and introduces them into the actual production in due course, so as to improve the quality and efficiency of production and lower production costs. In 2012, the Group applied technical innovations to the burners and to the adding of mineral powder, which effectively lowered production costs. We will continue to encourage technical innovation to cultivate the Group's creativity, so as to add another competitive edge to the Group in the course.

The Group will make continuous progress in light of the actual circumstances of the Group and the social development needs. Internally, we will constantly enhance production management, lower production costs; improve quality and services, stick to the path of building brand dominance; strengthen marketing management, consolidate and expand sales network; innovate unrelentingly and cultivate the Group's creativity. Externally, we pay assiduous attention to the development of up– and down-stream of the cement industry and the development of the associated industries, so as to expand outwardly in due course to scale up the Group and its revenue. We are confident that the Group will achieve better results and have a promising development future with its responsible attitude towards investors and its steering wheel in the hands of the experienced management team.

CHAIRMAN'S STATEMENT

On behalf of the Board of Dongwu Cement International Limited and its subsidiaries, I would like to present to the Shareholders the report for the year ended 31 December 2012, together with audited consolidated financial statements.

Financial Results

In 2012, the sales volume of the Group's cement products amounted to approximately 1,214.5 thousand tonnes, representing a decrease of approximately 13.7% from 2011; the revenue amounted to approximately RMB321,118,000, representing a decrease of approximately 30.8% from 2011; the gross profit margin amounted to approximately 6.9%, representing a decrease of approximately 73.8% from 2011. Further details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2012, profit attributable to the Shareholders and the basic earnings per share were RMB1,038,000 and RMB0.002, respectively.

Dividends

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

Business Operation in 2012

In 2012, the sales volume, revenue and gross profit margin of the Group all exhibited a downwards movement as compared with last year, which was resulted from the macro economic slowdown, a slump in the cement industry as a whole and the plunge of the market price across East China.

Despite the foregoing, the year 2012 would still be a memorable year for the Group as the Company was successfully listed on the Stock Exchange on 13 June 2012 with net proceeds from the listing reaching approximately RMB57,390,000.

Future Prospect

In 2013, guided by the long-term development strategy, the Group will continue to place more efforts in marketing with the focus on local market expansion, and broaden its income sources and enhance its profitability through dedicated customer service. Meanwhile, acquisition of downstream companies is a crucial step in the long-term development strategy of the Group. The Group will continue to consider the promotion of downstream company acquisitions, so as to expand the Group's scope of business and broaden its income sources. It will also improve internal management by reducing intermediate links, so as to boost production efficiency and save production costs. The Group will continue to explore environment-friendly production methods in order to improve competitiveness, consolidate market position and build-up social reputation of the Group.

Appreciation

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all our Shareholders, customers, consigners and bankers for their consistent trust and supports. Meanwhile, I would like to thank the management and all employees as well for their hard work and dedicated efforts, without which we would not achieve what we have achieved today.

Despite the new challenges confronting us in the new fiscal year, I am confident that we will achieve better results in 2013 with your strong supports. Thank you!

Xie Yingxia
Chairman

15 April 2013

Industry Overview

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

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

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

Financial Review

Set out below is a detailed discussion and analysis of the performance of the Group during the financial year, as well as the major factors affecting its results of operations and financial position:

Turnover

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

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

	2012			2011		
	Sales Volume	**Average selling price**	**Turnover**	Sales Volume	Average selling price	Turnover
	Thousand tonnes	***RMB/tonne***	***RMB'000***	*Thousand tonnes*	*RMB/tonne*	*RMB'000*
PO 42.5 cement	**542.2**	**264.8**	**143,565**	626.1	358.7	224,551
PC 32.5 cement	**672.3**	**233.6**	**157,035**	781.1	302.4	236,185
Clinker	**86.5**	**237.1**	**20,518**	10.3	320.7	3,309

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

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

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

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Distribution Costs

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

General and Administrative Expenses

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

Tax

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

The transitional period for the Enterprise Income Tax's "two-year exemption and three-year half rate" originally enjoyed by the Group's sole PRC subsidiary – Suzhou Dongwu ended on 31 December 2011, and the applicable income tax rate was 25% for the year ended 31 December 2012. Details for the Group's income tax are set out in note 24 to the consolidated financial statements in this Annual Report.

Net Profit Margin

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

Liquidity and Capital Resources

As stated in the prospectus of the Company, the Group planned to meet its working capital requirements primarily through cash flow from operating activities, bank loans and the use of trade and other payables, as well as the Company's IPO proceeds.

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Cash and cash equivalents	**98,548**	41,402
Borrowings	**50,000**	90,378
Debt to equity ratio	**16%**	38%
gearing ratio	**12%**	22%

Cash Flow

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

Borrowings

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

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

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

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

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

Debt to Equity Ratio

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

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

Capital Expenditure and Capital Commitments

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

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

IPO Proceeds and Use of the IPO Proceeds

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

Use	**Percentage**	**Net proceeds**	**Utilized amount**	**unutilized amount**
		RMB'000	*RMB'000*	*RMB'000*
acquisition of ready-mixed concrete station	39%	22,382	–	22,382
strengthening sales network	27%	15,495	–	15,495
upgrading production equipment	26%	14,922	3,999	19,923
working capital	8%	4,591	–	4,591
Total	100%	57,390	3,999	53,391

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

In 2012, the China macro economic indicators showed signs of slowdown and the cement industry was in fierce competition, the Group was therefore cautious in expansion within the industry. The originally proposed acquisition project of ready-mixed concrete stations and commence of sales of entrepots are still in the stage of research and study, and obtain no substantial progress. The management of the Company has been actively seeking investment opportunities, in order to expand the business scope of the Group, strengthen our profitability and strive to provide the best returns to the Shareholders.

Pledge of Assets

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

Contingent Liabilities

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

Events after the Reporting Period

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

Foreign Currency Risk

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

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

As of 31 December 2012, HK$37,000,000 of the IPO net proceeds had been exchanged into and deposited in Renminbi while the remaining balance of the IPO net proceeds were deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical exchange rate levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the Renminbi against foreign currencies upon the Company's exchange of its remaining balance of IPO net proceeds into Renminbi, may have a positive or negative impact on the Company's financial position. The management will closely monitor its foreign exchange exposure and will consider taking measures on hedging foreign currency exposure when necessary.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Reporting Period, the Group did not conduct any substantial acquisitions or disposals of its subsidiaries or associated companies.

Dividend

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

Employees and Remuneration Policies

As at 31 December 2012, the Group has a total of 258 employees. The total remuneration of the Group's employees amounted to approximately RMB12,477,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

Future Prospects

In 2013, the Group will seek to continue to effectively reduce and control the Group's production costs by enhancing internal controls, seeking new markets and expanding its market share and enhancing the profitability of the Group's products through dedicated customer service. The Group shall also continue to identify and consider suitable investment opportunities through mergers and acquisitions in the industry, should the same arise, and make an effort to enhance the Group's operational efficiency and improve its competitiveness by capital operation.

Executive Directors

Ms. Xie Yingxia (謝鶯霞), aged 36, is the Chairman and an executive Director of the Company, responsible for the overall planning and budget management of the Group. Ms. Xie obtained a bachelor degree in investment economics from Fudan University (復旦大學) and a master degree in business administration from China Europe International Business School (中歐國際工商學院), an accredited institution authorized by the PRC Ministry of Education to grant the said degree. Ms. Xie has extensive experience in financial management. From 1998 to 2001, Ms. Xie had worked for Xiamen International Bank as the account manager and the deputy head of the credit department, responsible for marketing, running account credit and account services. Subsequently from 2001 to 2008, Ms. Xie had worked for Orient Holdings Group Limited ("Orient Holdings"), an investment holding company, as the manager of the investment department, the chief financial officer and the vice president, responsible for evaluation and management of project investment, financial management, human resources and administrative matters, etc. Since joining our Group in July 2008, Ms. Xie has been serving as a director of the Company and was responsible for formulating annual budget, business plan, long term/strategic development of the Company and monitoring the implementation, conducting internal audit as well as reviewing and monitoring the performance of our senior management. Through active involvement in daily operation and management of the Company, Ms. Xie gained specific knowledge and experience in cement industry. Ms. Xie did not hold any directorship in any other listed companies in the past three years.

Mr. Jin Chungen (金春根), aged 51, is the Chief Executive Officer and an executive Director of the Company, responsible for the Group's general operation. Mr. Jin has extensive experience in cement related industries such as highway operation, maintenance and renovation, etc. From 1995 to 2005, Mr. Jin had been the general manager of Wujiang Yuan Tong Road Construction and Development Co., Ltd. (吳江遠通公路建設發展有限公司), a company principally engaged in the operation and toll collection of the National Highway Road No. 318 (Wujiang Section), responsible for the company's day-to-day management such as operation of toll roads, daily maintenance and renovation of roads, human resources, financial and administrative matters, etc. During the said period, Mr. Jin was heavily involved in the operation of toll highways as well as maintenance and renovation of roads, and since the operation, maintenance and renovation of roads involve substantial use of, inter alia, cement, Mr. Jin has also gained specific knowledge and experience in cement. Mr. Jin also possesses over 33 years of experience in corporate management. Between 1979 and 1990, Mr. Jin had worked for Jiangsu Orient as an officer and officer head, responsible for the company's daily operational and management affairs. Subsequently from 1991 to 1994, Mr. Jin had served as a general manager for Wujiang Fuyuan Garment Co., Ltd (吳江富源製衣有限公司), a company principally engaged in the garment processing, responsible for the company's overall management. Since joining our Group in January 2007, Mr. Jin has served as the director, chairman and general manager, respectively, of the Company, and is responsible for the management of the Company's daily operation, such as making production plan, raw materials procurement and sales etc. Currently, Mr. Jin is the vice chairman of the Cement Committee (the third session) of Jiangsu Province Building Material Industry Association (江蘇省建材行業協會第三屆水泥分會). Mr. Jin did not hold any directorship in any other listed companies in the past three years.

Executive Directors (Continued)

Mr. Yang Bin (楊斌), aged 39, is an executive Director of the Company. Mr. Yang graduated from Tsinghua University (清華大學) majoring in mechanical engineering and University of International Business and Economics (對外經濟貿易大學) with a master degree in business administration. Mr. Yang possesses over 10 years of experience in investment and capital markets. From 2000 to 2008, Mr. Yang was the manager of the investment division, assistant to the president and vice president of Orient Holdings. Since 2009, Mr. Yang has served as the vice president of Far East International Investment Company Limited ("Far East International"). Since joining our Group in March 2010, Mr. Yang has become a director of the Company, and participated in the overall management of the Company, such as participating in the board meetings of the Company, reviewing major decisions submitted to the board on operational matters, and reviewing the reports by the general manager. Mr. Yang did not hold any directorship in any other listed companies in the past three years.

Non-executive Director

Mr. Tseung Hok Ming (蔣學明), aged 51, was appointed as a non-executive Director of the Company on 29 November 2011. Mr. Tseung possesses over 25 years of experience in business and investment. He has been a director of Orient Financial Holdings Limited since July 2002, a director of Far East International since March 2004, a director of Orient International Petroleum & Chemical Limited since December 2004, a director of Sunshine Oilsands Limited, a company listed on the Stock Exchange (stock code: 02012) since March 2010 and a director of Orient International Resources Group Limited since April 2010.

Mr. Tseung began his career in 1986 as a director of a factory in Suzhou City and was responsible for overseeing textile manufacturing and trading. In 1996, Mr. Tseung established Orient International Group (HK) Limited, a textile trading and investment business, and managed the business as a director until 2005. In 1995, Mr. Tseung invested into Wujiang Yuan Tong Highway Construction and Development Limited, a highway construction and operations management business. He has acted as its Vice Chairman since 1995, and responsible for its investment and construction business. In 2003, Mr. Tseung invested in Anhui Hefei-Caohu-Wuhu Highway Limited, which principally engaged in the business of highway construction and maintenance, and acted as its chief representative until 2005. In June 2003, Mr. Tseung invested in the Company, whose business scope is manufacture and sales of clinker and cement.

Mr. Tseung acted as a director of the second board of directors of China Foreign Affairs University since 2005. Mr. Tseung is currently a vice chairman of the Hong Kong Financial Services Institute and the Hong Kong China Education Fund. Mr. Tseung graduated from the Chinese Academy of Social Sciences (中國社會科學院) in 1998 majoring in International Trading. Save as disclosed above, Mr. Tseung did not hold any directorship in any other listed companies in the past three years.

Independent Non-executive Directors

Mr. Cao Guoqi (曹國琪), aged 50, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Cao specializes in project investment, finance and management, fund operation and management, mergers and acquisitions, assets and capital operations, human resources management and project consultation. Mr. Cao obtained a doctoral degree in political economics from Shanghai Academy of Social Sciences (上海社會科學院) in 2004. Mr. Cao has been the MBA supervisor in Shanghai Advanced Institute of Finance, Shanghai Jiaotong University (上海交通大學上海高級金融學院) since December 2011, the part-time professor of Hunan University (湖南大學) since April 2008, the consultant to the government of Dongli District of Tianjin Municipality (天津市東麗區政府顧問) since March 2010, the executive director and general manager of Probest Limited in Hong Kong, the executive director and general manager of Master Energy INC in Hong Kong, and was appointed as the general manager of Shanghai Lingang New City Investment and Development Co., Ltd. (上海臨港新城投資開發集團有限公司) from April 2002 to April 2005. Mr. Cao is also an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8205). Mr. Cao is also an independent director of Inner Mongolia Jinyu Group Stock Company (內蒙古金宇集團股份有公司), a company listed on the Shanghai Stock Exchange (stock code: 600201). Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Mr. Cao Kuangyu (曹貺予), aged 63, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Cao has over 30 years of experience in the banking industry. Mr. Cao graduated from Hunan University in 1981 with a bachelor degree in economics, and obtained his masters degree in financial management from the University of London in 1998. Mr. Cao worked in the Bank of China, Hunan branch as a senior management from 1981 to 1996 and his last position was the deputy general manager of the branch. In 1996, Mr. Cao was transferred to the Singapore branch of Bank of China as deputy general manager until 1999. Mr. Cao worked in Citic Bank, Shenzhen branch from 1999 to 2003 and his last position was the president of the branch. Mr. Cao came to Hong Kong in 2003 when he worked as managing director, head of global investment banking division of BOCI Asia Limited until 2007.

Mr. Cao served as an independent non-executive director of Simsen International Corporation Limited (stock code: 00993) from April 2010 to June 2010. Mr. Cao also served as an independent non-executive director of King Stone Energy Group Limited (stock code: 00663, formerly known as Yun Sky Chemical (International) Holdings Limited) from February 2010 to April 2012. Mr. Cao also served as a non-executive director of Continental Holdings Limited (stock code: 00513) from April 2010 to December 2011. Mr. Cao is currently an independent non-executive director of JLF Investment Company Limited (stock code: 00472, formerly known as Applied (China) Limited), Huili Resources (Group) Limited (stock code: 01303) and Junefield Department Store Group Limited (stock code: 00758). All the aforesaid companies are listed on the Stock Exchange. Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Independent Non-executive Directors (Continued)

Mr. Lee Ho Yiu, Thomas (李浩堯), aged 35, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Lee has extensive experience in auditing, accounting and financial management. Mr. Lee is currently a partner of Messrs. Lee, Au & Co., Certified Public Accountants. Mr. Lee previously worked as an assistant financial controller in a multinational luxury brands group and also worked at one of the big four international accounting firms. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants, a practicing member of the Hong Kong Institute of Certified Public Accountants, a certified tax advisor and member of the Hong Kong Taxation Institute, a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the ISACA. Mr. Lee holds a bachelor's degree in science from the University of Warwick and a second bachelor's degree in Chinese law from Tsinghua University (清華大學) in Beijing. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063) and Active Group Holdings Limited (stock code: 1096). Mr. Lee served as an independent non-executive director of ABC Communications (Holdings) Limited (stock code: 0030) from January 2011 to February 2013. All the aforesaid companies are listed on the Main Board of the Stock Exchange. Mr. Lee also serves as an independent non-executive director of Inno-Tech Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8202). Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

Senior Management

Mr. Hu Xiaowei (胡小偉), aged 37, is deputy general manager of Suzhou Dongwu. Mr. Hu is responsible for the marketing and sales of our Group. Prior to joining our Group in December 2006, Mr. Hu worked for Orient Holdings, an investment holding company, as the manager of the assets management department and was responsible for management of external investment enterprises and administrative matters. Mr. Hu graduated from the School of Management of Donghua University (東華大學) with a master degree in corporate governance.

Mr. Wu Junxian (吳俊賢), aged 32, is a deputy general manager of Suzhou Dongwu. Mr. Wu is responsible for human resources, internal controls and procurement of the Group. Mr. Wu joined our Group in March 2009, and has held various positions in the Company such as assistant to general manager and deputy general manager. Prior to joining our Group, Mr. Wu worked for Orient Holdings, an investment holding company, as an officer of the assets management department, responsible for project research and development from 2003 to 2007. Mr. Wu subsequently worked for Shanghai Keli Communications Technology Co., Ltd. (上海科立通訊科技有限公司), a company principally engaged in communication construction and services, as a project manager and was responsible for project development and customer service from 2007 to 2009. Mr. Wu graduated from Nanjing Audit University (南京審計學院) in 2003 with a bachelor degree in management administration.

Mr. Han Fuliang (韓福亮), aged 44, is a deputy general manager of Suzhou Dongwu. Mr. Han is responsible for the production of the Group. Mr. Han possesses over 20 years of experience in the management of cement production, and was previously the head of the production departments in a number of cement enterprises including Jilin Yatai Cement Company Ltd (吉林亞泰水泥有限公司) and Zhejiang Shenhe Cement Company Ltd (浙江申河水泥股份有限公司), respectively. Mr. Han joined our Group in June 2008, and has held various positions in the Company such as chief engineer and deputy general manager. Mr. Han graduated from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) in 1993 and obtained tertiary education qualification in cement technologies.

Senior Management (Continued)

Mr. Zhu Qi-wei (朱奇偉), aged 37, is the chief financial officer of our Group. Mr. Zhu joined our Group since May 2009. Mr. Zhu possesses extensive financial and management experience in manufacturing industry and also experienced in financial data analysis. He is familiar with tax policies and regulations in the PRC. Prior to joining the Group, Mr. Zhu previously worked as Assistant to the chief financial officer of General Management Office of Brilliance Tiancifu Group from 1998 to 2003, as vice manager of financial department, General Management Office Executive and Manager of Management Department of Choice Printing (Shanghai) Co., Ltd. from 2003 to 2007 and as Manager of Operating Analysis Department of Shanghai Only Education and Technology Company Limited (上海昂立教育科技有限公司) from 2008 to 2009. Mr. Zhu obtained a bachelor degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in 1998 and passed CPA exam in 2003 and has been qualified as a non-practicing member of Chinese Institute of Certified Public Accountants since 2005. In 2004, Mr. Zhu was qualified as a medium level accountant.

Joint Company Secretaries

Ms. Sun Xin (孫馨), aged 29, was appointed as the joint company secretary of the Company on 28 May 2012. Ms. Sun joined the Group in August 2010. From August 2006 to August 2010, Ms. Sun acted as the senior consultant of the business advisory and tax consultancy department of Deloitte Touche Tohmatsu CPA Ltd. During the office term, Ms. Sun was responsible for the provision of due diligence service and structuring support to the foreign multi-national companies and the private equity funds concerning acquisition activities in the PRC, as well as the provision of tax consultancy services, including international tax consultancy, indirect tax consultancy, general domestic tax consultancy and tax standardization. From September 2002 to July 2006, Ms. Sun studied at Shanghai International Studies University (上海外國語大學) majoring in international economic law and obtained a bachelor degree in law. From September 2003 to June 2005, she studied at Shanghai University of Finance and Economics (上海財經大學) and obtained the Certificate for Second Major (輔修專業證書) in Accounting. Ms. Sun is currently a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Chan Chin Wang Keith (陳展泓), aged 37, was appointed as the joint company secretary of the Company on 28 May 2012. Mr. Chan obtained his Bachelor of Laws degree in 1998 from the City University of Hong Kong, Master of Laws from the University of Hong Kong in 2005 and International Diploma in compliance from the University of Manchester Business School in 2008. Mr. Chan was admitted as a solicitor of the High Court of Hong Kong in January 2003. Mr. Chan was in private practice from 2003 to 2007 before he became an inhouse legal counsel in 2008. From 2008 to 2011, Mr. Chan was the in-house legal counsel for a number of companies listed on the Main Board of the Stock Exchange, advising on corporate, company secretarial and compliance matters. He was appointed as the joint company secretary and authorized representative of Amax Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00959) in August 2009 and had become its sole company secretary in November 2009 until his resignation of both positions in June 2010. Mr. Chan is an associate solicitor of Messrs. Li & Partners, a practising law firm in Hong Kong since January 2012. He is not an employee of the Company and he provides services to the Company as an external service provider.

Principal Activities

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2011. The Group mainly operates through its subsidiaries in the PRC. The Group is principally engaged in the production and sales of cement and clinker. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2012.

Results and Dividends

The Group's results for the year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on page 41.

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

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 14 May 2013 to Thursday, 16 May 2013 (both days inclusive), during which period no transfer of shares will be registered. For determining Shareholders' entitlement to attend and vote at the annual general meeting to be held on Thursday, 16 May 2013, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 13 May 2013.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 7 to the consolidated financial statement of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in note 18 to the consolidated financial statement of this annual report.

Share Capital

For the purposes of the IPO, each Share with a par value of HK$1.00 each in the share capital of the Company was subdivided into 100 Shares with a par value of HK$0.01 each on 28 May 2012. On the same day, the authorized share capital of the Company was increased from HK$10,000 to HK$100,000,000 divided into 10,000,000,000 Shares with a par value of HK$0.01 each by the creation of an additional of 9,999,000,000 Shares.

The Over-allotment Option (as defined in the Prospectus) was partially exercised due to an over-allocation in the international placing under the IPO of the Company. As such, 12,000,000 new Shares were additionally issued by the Company on 6 July 2012. The issued share capital of the Company was increased from HK$5,000,000 to HK$5,120,000 divided into 512,000,000 Shares with a par value of HK$0.01 each.

As at 31 December 2012, the Company's issued share capital was HK$5,120,000 divided into 512,000,000 Shares with a par value of HK$0.01 each.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity of this annual report.

Distributable Reserves

The Group's reserves available for distribution to Shareholders was approximately RMB29,520,000 (31 December 2011: approximately RMB29,749,000) as at 31 December 2012.

Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted within the Listing Rules as of the Latest Practicable Date.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or applicable laws of the Cayman Islands where the Company was incorporated.

Tax Reduction

Pursuant to the laws of Cayman Islands, the Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations by virtue of their interest in shares of the Company and there is no taxation in the nature of inheritance tax and estate duty.

Directors

The Directors of the Company during the year ended 31 December 2012 were as follows:

Chairman and Executive Director	Ms. Xie Yingxia
Chief Executive Officer and Executive Director	Mr. Jin Chungen
Executive Director	Mr. Yang Bin
Non-executive Director	Mr. Tseung Hok Ming
Independent non-executive Directors	Mr. Cao Guoqi
	Mr. Cao Kuangyu
	Mr. Lee Ho Yiu Thomas

There is no financial, business, family or other material/relevant relationship amongst the Directors.

Independence of Independent non-executive Directors

The Company has received from each of the independent non-executive Directors (namely Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas) a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective dates of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company.

In accordance with the Articles of Association of the Company, Mr. Yang Bin and Mr. Tseung Hok Ming will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with the Articles of Association of the Company, the Directors shall have the power from time to time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed shall hold office until the first general meeting of members after his appointment and be subject to reelection at such meeting. Accordingly, Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas shall hold office until the forthcoming annual general meeting of the Company and shall be eligible for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Emoluments, Five Highest Paid Individuals of the Company and senior management's emoluments

All of the Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the remuneration committee.

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in note 28 to the consolidated financial statement.

For the years 2011 and 2012, senior management of the Company comprises 3 and 5 individuals respectively.

The emoluments of senior management fell within the following bands:

Emolument band	Number of individuals For the year ended	
	2012	2011
Nil – HK$1,000,000	**5**	3
	5	3

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company, its holding companies, controlling shareholders, fellow subsidiaries or subsidiaries were parties and in which the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

At any time from the Listing Date to the period ended 31 December 2012, none of the Company or any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their respective spouses or children under the age of eighteen, had any right to subscribe for the interests or debentures of the Company or any other body corporate, or had exercised any such rights.

Directors' Interests in a Competing Business

None of the Directors or controlling shareholders of the Company had interests in business which competes or may compete with the Group's business.

Connected Transactions

During the year ended 31 December 2012, the Group did not enter into any connected transactions or continuing connected transactions which need to be disclosed under Rule 14A.45 of the Listing Rules, and details for other connected transactions or continuing connected transactions are set out in note 31 to the consolidated financial statements for the year.

Pensions Scheme

The employees of members of the Group in the PRC are members of the state-managed employee benefit scheme (such as pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and housing fund) operated by PRC government. The Group is required to make contributions to the employee benefit scheme based on certain percentage of the salaries of its employees to fund the benefits.

During the year ended 31 December 2012, the employee benefit scheme contributions made by the Group amounted to approximately RMB1,017,000. Details of these schemes are set out in note 22 to the consolidated financial statement of this annual report.

Interests and Short Position of Directors and Chief Executive in the Shares, Underlying Shares and Debentures

As at 31 December 2012, the interests of the Directors, chief executive or their respective associates in the Shares and underlying Shares of the Company and its associated corporations which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company are as follows:

Name	Capacity	Long position/ Short position	Number of shares held	Approximate percentage of shareholding interest
Tseung Hok Ming	Interest of controlled corporation *(Note 1)*	Long position	297,500,000	58.11%
Jin Chungen	Interest of controlled corporation *(Note 2)*	Long position	77,500,000	15.14%

Notes:

1. *Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of part XV of the SFO. Goldview is also an associated corporation of the Company.*

2. *Concord is wholly-owned by Mr. Jin Chungen, an executive Director. Accordingly, Mr. Jin is deemed to be interested in the same Shares of the Company held by Concord by virtue of part XV of the SFO.*

Save as the disclosed above, as at 31 December 2012, so far as is known to the Directors, no Directors or chief executive of the Company or their respective associates had or were deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations by virtue of part XV of the SFO which had to be notified to the Company and The Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO or the Model Code, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

As at 31 December 2012, none of the Directors and chief executive of the Company (including their respective spouses and children under the age of 18) had or were granted any rights to subscribe for the securities and share options of the Company and its associated corporations, nor had they exercised any such rights.

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As at 31 December 2012, so far as is known to the Directors, the person(s), not being the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register kept under section 336 of the SFO are set out below:

Name	Capacity	Long position/ Short position	Number of shares held	Approximate percentage of shareholding interest
Goldview	Beneficial owner *(Note 1)*	Long position	297,500,000	58.11%
Concord	Beneficial owner *(Note 2)*	Long position	77,500,000	15.14%

Notes:

1. *Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of part XV of the SFO.*

2. *Concord is wholly-owned by Mr. Jin Chungen, an executive Director. Accordingly, Mr. Jin is deemed to be interested in the same Shares of the Company held by Concord by virtue of part XV of the SFO.*

Save as the disclosed above, as at 31 December 2012, so far as is known to the Directors, no other persons had any interest or short position in the Shares and underlying Shares of the Company which have to be disclosed to the Company or the Stock Exchange pursuant to divisions 2 and 3 of part XV of SFO or which have to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 28 May 2012 (the "Adoption Date"). The purpose of the Share Option Scheme is to provide person(s) working for the interests of our Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group. Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, invite all of the Directors, any full-time or part-time employee of the Company or the Group and any advisor or consultant (whether on an employment or contractual or honorary basis and whether paid or unpaid) who our Board considers, in its sole discretion, have contributed to the Company or the Group (the "Eligible Person"), to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company (the "Option"). The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the third anniversary of the Adoption Date (the "Scheme Period"), after which period no further Options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of the Options remaining outstanding and exercisable on the expiry of the Scheme Period. The grantee may exercise the Option within 3 years from the date of grant (the "Date of Grant") of the Option ("Option Period"). All of the outstanding Option shall lapse if the Option Period expires, the holders loss of office or cease to be the member of the Group.

The maximum number of Shares which may be issued upon exercise of all Options granted under the Share Option Scheme or any other share option schemes that the Company adopts must not exceed 30% of the Shares of the Company in issue from time to time. The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the Shares of the Company (or its subsidiaries) as of the Listing Date, being 50,000,000 Shares (the "Scheme Mandate Limit") for this purpose, which represents approximately 9.77% of the total issued capital of the Company at the date of this report. Any Option lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. Unless approved by Shareholders in general meeting, the total number of Shares issued and to be issued upon grant of Options by each under the Share Option Scheme in any 12-month period must not exceed 1% of the Shares of the Company in issue at such time.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK$1 in favor of the Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by the Company.

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the "Subscription Price")), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where the Company has been listed for less than 5 business days, the Offer Price shall be used as the closing price of any business day falling within the period before Listing.

The Company does not grant any Options under the Share Option Scheme during the year ended 31 December 2012.

Purchase, Sale or Redemption of Listed Securities

During the IPO, the Company has successfully made an offering of a total of 87,000,000 Shares (including 75,000,000 new Shares and 12,000,000 Shares which were additionally issued upon partial exercise of the Over-allotment Option (as defined in the Prospectus)) at the price of HK$1.10 per share.

Save as the disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Management Contracts

Save for labor contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year ended 31 December 2012 is as follows:

	Percentage of the Group's total sales (%)		Percentage of the Group's total purchases (%)
The largest customer	7.9	The largest supplier	20.0
Five largest customers in aggregate	28.0	Five largest suppliers in aggregate	48.0

None of the Directors or their associates or any Shareholder holding more than 5% equity interest in the Company had any interest in any of the Group's five largest customers or five largest suppliers.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers ("PwC"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution on re-appointment of PwC as the external auditor of the Company will be proposed at the forthcoming annual general meeting for Shareholders' approving.

Material Litigation and Arbitration

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

Events after the Reporting Period

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

Compliance with the Corporate Governance Code

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investor confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange as its own code on corporate governance.

For the period from the Listing Date to 31 December 2012 and up to the Latest Practicable Date, the Company has complied with the Code, except the situation disclosed below.

Code Provision A.1.1

Pursuant to code provision A.1.1, the Board should hold at least 4 meetings annually at approximately quarterly interval. For the period from the Listing Date to 31 December 2012, the Board held one meeting in accordance to the operational and business development of the Group, at which all Directors attended. The Board was of the opinion that there were no other significant matters that would require meetings and discussions with each Director through formal conference. However, the Board would still maintain an effective communication with each Director through other informal means, and ensure that Directors are informed with the latest development of the Group in a timely manner.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, the Company confirms that all Directors had complied with the required standards as set out in the Model Code during the period from the Listing Date to 31 December 2012 and up to the Latest Practicable Date.

Board of Directors

Duties and Divisions

The Board is responsible for overseeing and supervising all material matters of the Company, including developing and approving the overall strategy for management and operation, reviewing organization structure, the systems of internal control and risk management and the financial performance regularly, determining dividend policies, developing, reviewing and monitoring policies and practices on corporate governance of the Company and the code of conduct applicable to employees and Directors, reviewing and monitoring the training and continuous professional development of Directors and senior management, policies and practices of the Company on compliance with legal and regulatory requirements, reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report, monitoring operational activities and performance of senior management, so as to protect and enhance the interests of the Company and its Shareholders. The management is responsible for the daily management and operation of the Group.

During the Reporting Period and up to the Latest Practicable Date, the Board had, among others things, considered and approved the annual budget, management performance and the latest performance as compared with the annual budget as well as the business reports of the management, the annual results for the year ended 31 December 2012, the Initial Public Offering of the Company and the Listing, monitored the significant operational management and assessed the internal control and financial matters.

Board Composition

The Board currently comprises 7 Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The names and the profiles of these Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Board Meetings

The Board shall meet regularly and hold at least 4 Board meetings each year, so as to discuss the overall strategies and operational and financial performances of the Group. For the period from the Listing Date to 31 December 2012, the Board held one meeting in accordance to the operational and business development of the Group. The attendance of each Director is detailed as follows:

	Attendance rate
Executive Directors	
Ms. Xie Yingxia	100%
Mr. Jin Chungen	100%
Mr. Yang Bin	100%
Non-executive Director	
Mr. Tseung Hok Ming	100%
Independent non-executive Directors	
Mr. Cao Guoqi	100%
Mr. Cao Kuangyu	100%
Mr. Lee Ho Yiu Thomas	100%

Chairman and Chief Executive Officer

Ms. Xie Yingxia serves as Chairman of the Company.

The duties of the Chairman include: (a) approve and monitor the strategies and policies of the Company, annual budget and business planning, assess the performance of the Company, and oversee the management of the Company; (b) lead and monitor the duties of the Board to ensure the efficiency of the Board, perform due responsibilities, and discuss on all significant and appropriate issues in a timely manner; (c) ensure that all Directors are timely informed of the issues proposed at the Board meetings in due course, and all Directors are timely informed of sufficient and accurate information in a timely manner; and (d) examine and monitor the implementation of resolutions by the Board.

Mr. Jin Chungen serves as the Chief Executive Officer of the Company.

The duties of the Chief Executive Officer include: (a) manage the Group's businesses and coordinate the overall business operations; (b) participate in the formulation and implementation of the Group's policies and strategies approved by the Board, including facilitating the implementation of the Board resolutions, the annual operation plans and the investment plans of the Company; (c) with the assistance from the senior management team, submit the annual budget for the consideration and approval of the Board; (d) formulate the basic management systems of the Company, terms of reference, position standards and professional management procedures of each department as well as the performance assessing standards of the management of each level; and (e) fulfill other authorities granted by the Articles of Association and the Board.

Independent Non-Executive Director

For the period from the Listing Date to 31 December 2012, the Board had complied with the requirement as set out in the Listing Rules regarding appointment of at least three independent non-executive directors, one of which shall have appropriate professional qualifications or accounting or related financial management expertise. Independent non-executive directors play an important role through their independent judgments, advice of which is of great influence to the decision of the Board.

Each independent non-executive Director signed a letter of appointment with the Company for a term of three years since their respective dates of appointment. The Company has received the annual confirmations of independence from each of the three independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company confirmed that all independent non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules.

Directors' Continuous Training

Pursuant to the Code, all Directors should participate in the continuous professional training to improve and enrich their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, all Directors have (i) attended the directors' training held by competent professionals engaged by the Company, in relation to, among others things, responsibilities of directors, continuous responsibilities of the listed company on information disclosure, corporate governance and the latest amendment to the Listing Rules; and (ii) went through information on the Listing Rules and other latest information on regulatory requirements. The training records of each Director are kept and updated by company secretary of the Company.

Board Committees

The Board established audit committee, nomination committee and remuneration committee. The board committees have been provided with sufficient resources for performing their duties, and are able to seek independent advice under proper situation after proposing reasonable requests at the expense of the Company.

Audit Committee

The Company established audit committee on 28 May 2012 in accordance with the requirements of Rule 3.21 of the Listing Rules and the Code. The written terms of reference of the committee were formulated in compliance with the Code. Audit committee is comprised of three members, namely, Mr. Lee Ho Yiu Thomas, Mr. Cao Kuangyu and Mr. Cao Guoqi, all of whom are Independent non-executive Directors. Mr. Lee Ho Yiu Thomas is the chairman of audit committee. The primary duties of audit committee include reviewing and supervising the Company's financial reporting processes and internal control systems, nominating and monitoring external auditors and providing advice and comments to the Directors.

As at the date of this annual report, audit committee held one meeting to approve the interim results and financial statements of the Company for the six months ended 30 June 2012.

The attendance of the meeting is as follows:

	Attendance rate
Mr. Lee Ho Yiu Thomas *(Chairman)*	100%
Mr. Cao Guoqi	100%
Mr. Cao Kuangyu	100%

Remuneration Committee

The Company established remuneration committee on 28 May 2012 in compliance with the Code. The written terms of reference of the committee were formulated in compliance with the Code. Remuneration committee is comprised of three members, namely, Mr. Lee Ho Yiu Thomas, Mr. Cao Kuangyu and Mr. Cao Guoqi, all of whom are Independent non-executive Directors. Mr. Cao Guoqi is the chairman of remuneration committee. The primary duties of remuneration committee include evaluating the performance and making recommendations to the Board on the remuneration packages of Directors and senior management.

For the period from the Listing Date to 31 December 2012, there was no meeting of remuneration committee.

Nomination Committee

The Company established nomination committee on 28 May 2012 in compliance with the Code. The written terms of reference of the committee were formulated in compliance with the Code. Nomination committee is comprised of three members, namely, Mr. Lee Ho Yiu Thomas, Mr. Cao Kuangyu and Mr. Cao Guoqi, all of whom are Independent non-executive Directors. Mr. Cao Guoqi is the chairman of nomination committee. The primary duties of nomination committee include reviewing the structure, size and composition of the Board of the Company regularly and making recommendations to the Board regarding the nomination of appropriate candidates to fill vacancies on the Board.

For the period from the Listing Date to 31 December 2012, there was no meeting of nomination committee.

Joint Company Secretaries

Each of Ms. Sun Xin and Mr. Chan Chin Wang was appointed as joint company secretary of the Company on 28 May 2012. Details of the profiles of Ms. Sun Xin and Mr. Chan Chin Wang are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

According to Rule 3.29 of the Listing Rules, each of Ms. Sun Xin and Mr. Chan Chin Wang took no less than 15 hours of relevant professional training for the year ended 31 December 2012.

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the article 58 of the memorandum and articles of association of the Company, Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by sending written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for making enquiries to the Board

Any Shareholder who has enquiries or advice may deliver to the Board through mail at Unit 8505B-06A, Level 85, International Commerce Centre 1, Austin Road West, Kowloon, Hong Kong by post, or send an E-mail to admin@dongwucement.com.

Procedures for putting forward proposals at general meetings

Shareholders can feel free to put forward proposals relating to the operations, strategy and/or management of the Group for discussion at general meetings. Such proposals shall be submitted to the Board or the company secretary by written requisition. Pursuant to the article of association of the Company, Shareholders who proposed to submit proposals should convene extraordinary general meeting in accordance to the procedures as set out in the "procedures for shareholders to convene an extraordinary general meeting" above.

In respect of recommendation on proposing certain candidate to be elected as a director, please refer to (i) the procedures as set out in the articles published on the websites of the Company and the Stock Exchange; and (ii) the procedures as set out in the guidance of "procedures for shareholders to propose a candidate to be elected as a director of the Company" on the website of the Company.

Internal Control

The Board is responsible for maintaining an effective internal control system to safeguard the assets and the interests of Shareholders of the Group, and regularly reviewing and monitoring the effectiveness of internal control and risk management system to ensure an adequate and sufficient system. The Group implemented internal control system to minimize the risks encountered by the Group, and functioned it as a management tool of daily business operation management. The system only provides reasonable, rather than absolute, guarantee against misstatements or losses.

The Company has adopted a set of guides and policies on internal control, including manuals on corporate governance, to improve the existing internal control system, covering corporate governance, risk management, operation, legal affairs, finance and audit.

During the preparation for the Listing, the Company has engaged external independent consultant to evaluate the internal control of the Group, so as to maintain high-level corporate governance. The Board has conducted annual review on the implemented systems and procedures, covering finance, operation, compliance control, and risk management functions.

For the year ended 31 December 2012, the Board considered the internal control system was adequate and effective, and the Company also complied with the code provisions in relation to internal control as set out in the Code.

Director's Responsibilities in Respect of Financial Statements

The Directors acknowledge that they are responsible for giving honest, clear, and plain assessment on the performance, position and prospect of the consolidated financial statements as set out in annual and interim reports of the Group in accordance to the statutory requirements and the applicable accounting standards. Having made all reasonable enquiries, the Directors confirm, to the best of their knowledge, information and belief, that they were unaware of any significant uncertainties relating to the events or situations that may seriously cause doubt on continuing operation of the Company on an ongoing basis. To prepare the financial statements for the year ended 31 December 2012, the Directors have adopted applicable accounting policies and applied consistently, and made prudent and reasonable judgments and estimates.

Auditor's Remuneration

PricewaterhouseCoopers was the independent auditor of the Company. For the year ended 31 December 2012, the remuneration payable by the Company to PricewaterhouseCoopers in respect of statutory audit services is set out below:

Services rendered by the auditor	**Remuneration**
	(RMB'000)
Annual audit service	1,248
Non-audit services, if any	–
Total	1,248

Investor Relationship

The Company leverages on various formal channels of communication to ensure a fair and transparent disclosure on the business and financial performance. The information on the Company will be published on its website at www.dongwucement.com. The interim and annual reports, circulars and notices of the Group will be dispatched to Shareholders in due course.

The website of the Company provides information such as E-mail address, correspondence address and telephone number for public enquiries, as well as information on the business activities of the Company.

The annual general meeting of the Company provides a communicative opportunity between the Board and the Shareholders. The notice for the annual general meeting and related documents will be dispatched to the Shareholders in accordance to the Listing Rules, and will be published on the website of the Stock Exchange.

No annual general meeting was held during the period from the Listing Date to 31 December 2012.

From the Listing Date up to the year ended 31 December 2012, there were no significant changes to the memorandum and articles of association of the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dongwu Cement International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Dongwu Cement International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 90, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2012	2011
ASSETS	*Note*	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment	*7*	**155,496**	174,156
Land use rights	*8*	**17,720**	17,957
		173,216	192,113
Current assets			
Inventories	*10*	**27,671**	22,353
Trade and other receivables	*11*	**113,673**	146,258
Restricted bank deposits		**–**	5,000
Cash and cash equivalents	*13*	**98,548**	41,402
		239,892	215,013
Total assets		**413,108**	407,126
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*14*	**4,174**	–
Other reserves	*15*	**279,244**	210,193
Retained earnings		**29,520**	29,749
Total equity		**312,938**	239,942
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*16*	**3,720**	2,697
Current liabilities			
Trade and other payables	*17*	**46,037**	71,709
Current income tax payable		**413**	2,400
Borrowings	*18*	**50,000**	90,378
		96,450	164,487
Total liabilities		**100,170**	167,184
Total equity and liabilities		**413,108**	407,126
Net current assets		**143,442**	50,526
Total assets less current liabilities		**316,658**	242,639

The notes on pages 44 to 90 are an integral part of these consolidated financial statements.

The financial statements on page 39 to 90 were approved by the Board of Directors on 28 March 2013 and were signed on its behalf.

Xie Yingxia
Director

Yang Bin
Director

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2012	2011
ASSETS	*Note*	***RMB'000***	*RMB'000*
Non-current assets			
Investment in a subsidiary	*9*	**208,245**	208,245
Current assets			
Amount due from a subsidiary	*9*	**30,220**	–
Trade and other receivables	*11*	**250**	–
Cash and cash equivalents	*13*	**30,341**	–
		60,811	–
Total assets		**269,056**	208,245
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**4,174**	–
Other reserves	*15*	**275,714**	207,930
Accumulated losses	*27*	**(11,147)**	–
Total equity		**268,741**	207,930
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	*9*	**315**	315
Total equity and liabilities		**269,056**	208,245
Net current assets		**60,496**	(315)
Total assets less current liabilities		**268,741**	207,930

The notes on pages 44 to 90 are an integral part of these consolidated financial statements.

The financial statements on page 39 to 90 were approved by the Board of Directors on 28 March 2013 and were signed on its behalf.

Xie Yingxia
Director

Yang Bin
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	6	**321,118**	464,045
Cost of sales	21	**(298,995)**	(341,923)
Gross profit		**22,123**	122,122
Distribution costs	21	**(1,452)**	(2,416)
Administrative expenses	21	**(23,073)**	(16,284)
Other income	19	**12,438**	16,332
Other gains/(losses) – net	20	**302**	(3,187)
Operating profit		**10,338**	116,567
Finance income		**1,677**	134
Finance costs		**(6,423)**	(7,323)
Finance costs – net	23	**(4,746)**	(7,189)
Profit before income tax		**5,592**	109,378
Income tax expense	24	**(4,554)**	(22,434)
Profit for the year		**1,038**	86,944
Profit attributable to equity holders of the Company		**1,038**	86,944
Other comprehensive income			
– Fair value gains of available-for-sale financial assets (net of tax)		**–**	2,257
– Recycling of fair value gains in available-for-sale financial assets (net of tax)		**–**	(6,595)
Total comprehensive income for the year		**1,038**	82,606
Total comprehensive income attributable to equity holders of the Company		**1,038**	82,606
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB per share)			
– Basic and diluted earnings per share	25	**0.002**	0.205
The notes on pages 44 to 90 are an integral part of these consolidated financial statements.			
Dividends	26	**–**	121,642

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011		–	204,976	74,002	278,978
Comprehensive income					
Profit for the year		–	–	86,944	86,944
Other comprehensive income					
– Fair value gains of available-for-sale financial assets	*15*	–	2,580	–	2,580
– Tax effect on fair value gains of available-for-sale financial assets	*15*	–	(323)	–	(323)
– Recycling of fair value gains of available-for-sale financial assets to profit or loss upon disposal	*15*	–	(7,538)	–	(7,538)
– Recycling of tax effect on fair value gains of available-for-sale financial assets to profit or loss upon disposal	*15*	–	943	–	943
Total comprehensive income		–	(4,338)	86,944	82,606
Transactions with owners					
Dividends paid to the then equity holder	*26*	–	–	(121,642)	(121,642)
Transfer to statutory reserves	*15(a)*	–	9,555	(9,555)	–
Deemed distribution arising from reorganization		–	(207,930)	–	(207,930)
Deemed contribution from shareholders		–	207,930	–	207,930
Total transactions with owners		–	9,555	(131,197)	(121,642)
Balance at 31 December 2011		–	210,193	29,749	239,942
Comprehensive income					
Profit for the year		–	–	1,038	1,038
Transactions with owners					
Capitalization issue	*14*	3,465	(3,465)	–	–
Issuance of ordinary shares	*14*	709	77,306	–	78,015
Share issuance cost	*14*	–	(6,057)	–	(6,057)
Transfer to statutory reserves	*15(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**

The notes on pages 44 to 90 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	29	**32,811**	72,060
Interest paid		**(6,095)**	(7,323)
Income tax paid		**(3,192)**	(28,733)
Net cash generated from operating activities		**23,524**	36,004
Cash flows from investing activities			
Interest received		**1,281**	134
Dividends received from available-for-sale financial assets	19	**–**	2,400
Proceeds from disposal of available-for-sale financial assets		**13,696**	8,400
Advances to related parties	31(b)	**–**	(75,532)
Repayments from related parties	31(b)	**–**	177,218
Purchase of property, plant and equipment	7	**(5,205)**	(689)
Proceeds from disposal of property, plant and equipment	20(a)	**280**	596
Purchase of land use rights	8	**(167)**	(1,888)
Net cash generated from investing activities		**9,885**	110,639
Cash flows from financing activities			
Proceeds from bank borrowings		**56,700**	73,070
Proceeds from other borrowing		**–**	15,000
Proceeds from issuance of shares	14(d)	**78,015**	–
Payment of issuance cost		**(18,900)**	–
Repayment of bank borrowings		**(79,770)**	(54,000)
Repayments of other borrowings		**(17,308)**	(18,669)
Repayment to a related party	31(b)	**–**	(12,220)
Decrease/(Increase) in restricted deposit in relation to financing activities		**5,000**	(5,000)
Dividends paid to the then equity holder	26	**–**	(121,642)
Net cash generated from/(used in) financing activities		**23,737**	(123,461)
Net increase in cash and cash equivalents		**57,146**	23,182
Cash and cash equivalents at beginning of the year	13	**41,402**	18,220
Cash and cash equivalents at end of the year	13	**98,548**	41,402

The notes on pages 44 to 90 are an integral part of these 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").

Name	Place and date of incorporation	Principal activities and type of entity	Particulars of issued/paid-in capital	Equity interest held	
				Direct	Indirect
Dongwu International Investment Limited ("Dongwu Investment")	British Virgin Islands ("BVI") 29 November 2011	Investment holding, a limited liability company	USD50,000	100%	–
Dongwu Cement (Hong Kong) Limited ("Dongwu HK")	Hong Kong 16 December 2011	Investment holding, a limited liability company	HK$10,000	–	100%
蘇州東吳水泥有限公司 (Suzhou Cement Co., Ltd.*, "Dongwu Cement")	PRC 5 June 2003	Production and sales of cement, a limited liability company	USD25,000,000	–	100%

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

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, except that certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, and as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. 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 in Note 4.

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

Up to the date of issuance of this report, the HKICPA has issued the following new Hong Kong accounting standard ("HKAS"), amendments and interpretations which are related to the Group's operation but not yet effective for the annual accounting period beginning 1 January 2012 and which have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	'Presentation of financial statements'	1 July 2012
HKAS 12 (Amendment)	'Income taxes'	1 January 2012
HKAS 16	'Property, Plant and Equipment'	1 January 2013
HKAS 19	'Employee benefits'	1 January 2013
HKAS 27 (Revised 2011)	'Separate financial statements'	1 January 2013
HKAS 28 (Revised 2011)	'Associates and joint ventures'	1 January 2013
HKAS 32 (Amendment)	'Financial instruments: Presentation – Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 1	'First-time Adoption of Hong Kong Financial Reporting Standards'	1 January 2013
HKFRS 7(Amendment)	'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'	1 January 2013
HKFRS 9 (Amendment)	'Financial instruments'	1 January 2015
HKFRS7 & HKFRS 9	'Mandatory effective date & transition disclosures'	1 January 2015
HKFRS 10	'Consolidated financial statements'	1 January 2013
HKFRS 11	'Joint arrangements'	1 January 2013
HKFRS 12	'Disclosure of interest in other entities'	1 January 2013
HKFRS 13	'Fair value measurements'	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation (Continued)

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries (Continued)

2.2.1 Consolidation *(Continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are 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 segments, has been identified as the Board of Directors (the "Board") that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income" or "finance cost".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Construction-in-progress represents properties under construction and is carried at cost, which includes development and construction expenditure incurred, less any accumulated impairment losses. Construction-in-progress is not depreciated until such time as the assets are completed and available for use. When the assets concerned are available for use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated below.

All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives
Properties and plant	20 years
Machinery	10 years
Motor vehicles	5 years
Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses)" in the statement of comprehensive income.

2.6 Land use rights

Land use rights represent prepaid operating lease payments. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period of 50 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life and all have not available for use, are not subject to amortization and are tested annually for impairment. Assets that are subjected to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivable. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period, which in such case they are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" "restricted bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.10 and 2.11).

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date–the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets (Continued)

2.8.3 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Borrowings *(Continued)*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by each reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is within the control of the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits

The group company registered in PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organized by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

2.17 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in the consolidated financial statements, but to be disclosed by the Group, unless the possibility of an outflow of resources embodying economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure borrowings.

Financial guarantees are initially recognized in consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within "other gains/(losses)".

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

The Group produces and sells cement products to customers in the Jiangsu province, Zhejiang province and Shanghai city of the PRC. Sales of goods are recognized when a group entity has delivered products to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the relevant sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(ii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

2.20 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized as income in profit or loss of the period in which it becomes receivable.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's equity holders is recognized as a liability in the Company's statement of financial position in the period in which the dividends are approved by the Company's equity holders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under the policies approved by the Board, which provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Company's cash and cash equivalents are denominated in Hong Kong Dollars ("HKD"). Foreign exchange risk of the Group primarily arises from cash and cash equivalents of the Company. The Group follows the guidance promulgated by PRC State Administration of Foreign Exchange as the Group mainly operates in PRC. Conversion of HKD into RMB is subject to rule and regulations of foreign exchange control promulgated by the PRC government. The Group has not used any derivatives to hedge its exposure to foreign currency risk.

(ii) Commodity price risk

The Group consumes coal and raw materials including gypsum, pyrite cinder and slag in the production of its cement products and is exposed to fluctuations in the prices of the aforesaid which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of coal and other raw materials could adversely affect its business, financial condition and results of operations. The Group has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(iii) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. Fluctuation of deposit interest rates to financial assets does not have a significant impact to the Group's performance.

The Group's interest rate risk arises from short-term borrowings. Borrowings with variable floating rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk. The Group does not have formal policies on interest rate risk. As at 31 December 2012 and 2011, the Group's borrowings were all denominated in RMB (2011: RMB).

At 31 December 2012, if interest rates on borrowings had been 60 basis points (2011: 60 basis point) higher/lower with all other variables held constant, post-tax profit for the year would have been RMB450,000 (2011: RMB579,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of the bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2012, the Group's bank deposits were placed in the commercial banks with high credit ratings.

The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivable is low. Based on past experience, the customer payment default rate is low. The Group has a significant concentration of credit risk in trade receivables, which is accounted for by amounts due from the Group's top five customers as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Balance of trade receivables from top five customers	**48,601**	43,258
Balance of trade receivables *(Note 11)*	**60,851**	59,178
Percentage	**79.87%**	73.10%

It is the Group's policy to receive settlement from customers in the form of cash, cheques or endorsed bank accepted bills. Credit sales are made only to selected customers with long-term business trading history. The issuing banks of these bank acceptance bills are either state-owned banks with investment grade ratings or local banks with good reputation. The Group considered the default risk from these bank acceptance bills is low. Therefore the Directors consider the Group's bank acceptance bills and trade receivables have no significant exposure to credit risk.

As at 31 December 2012, there was no financial guarantee provided by the Group (2011: Nil).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 *Financial risk factors (Continued)*

(c) Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, short-term bank borrowings and the financial support provided by the equity holders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	RMB'000
At 31 December 2012	
Borrowings (including interest payment)*	52,183
Trade and other payables**	41,351
	93,534
At 31 December 2011	
Borrowings (including interest payment)*	92,427
Trade and other payables**	64,107
	156,534

* Interest on borrowings is calculated based on borrowings held as at 31 December.

** Excluding advances from customers, other taxes payable and salary payable.

3.2 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio equals total borrowings divided by total equity.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 *Capital risk management* *(Continued)*

The debt-to-equity ratio at 31 December 2012 is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total borrowings *(Note 18)*	**50,000**	90,378
Total equity	**312,938**	239,942
Debt-to-equity ratio	**15.98%**	37.67%

Decrease of debt-to-equity ratio at 31 December 2012 was mainly due to the repayment of borrowings and the increase in total equity after the Company's shares listed on the Main Board of the Stock Exchange of Hong Kong Limited.

3.3 *Fair value estimation*

None of the Group's assets are subsequently measured at fair value at 31 December 2012 (2011: None).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Carrying value of non-current assets*

Non-current assets, including property, plant and equipment and land use rights are carried at cost less accumulated depreciation/amortization. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts are revised, and this may have an impact on the Group's results of operations or financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Useful lives of machinery

The directors determine the estimated useful lives and related depreciation charges for its machinery. This estimate is based on the historical experience of the actual useful lives of machinery of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the actual useful lives of the manufacturing machinery is 10% shorter than or longer than that of the directors' estimate, the estimated depreciation expenses of the machinery charged for the year ended 31 December 2012 would be RMB1,884,000 (2011: RMB1,905,000) higher or RMB1,542,000 (2011: RMB1,559,000) lower, respectively.

(c) Estimated impairment of trade and other receivables

The Group maintains a provision for impairment of trade and other receivable arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience, If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the impairment.

(d) Estimated impairment of inventories

The Group writes down inventories to net realizable value based on an assessment of the realizability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed.

(e) Income taxes and deferred tax

The Group is mainly subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognized liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board that makes strategic decisions.

The Group is principally engaged in the production and sales of cement and 100% of its sales are derived in the PRC during the year ended 31 December 2012 (2011: 100%).

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

6. REVENUE

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

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Properties and plant	Machinery	Motor vehicles	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011						
Opening net book amount	101,903	96,713	565	2,799	–	201,980
Additions	–	268	150	271	–	689
Disposals (Note 20(a))	(1,834)	(167)	(31)	(1,659)	–	(3,691)
Depreciation	(6,814)	(17,147)	(272)	(589)	–	(24,822)
Closing net book amount	93,255	79,667	412	822	–	174,156
At 31 December 2011						
Cost	140,034	182,130	4,499	9,515	–	336,178
Accumulated depreciation	(46,779)	(102,463)	(4,087)	(8,693)	–	(162,022)
Net book amount	93,255	79,667	412	822	–	174,156
Year ended 31 December 2012						
Opening net book amount	**93,255**	**79,667**	**412**	**822**	**–**	**174,156**
Additions	**–**	**1,805**	**692**	**30**	**2,678**	**5,205**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Disposals (Note 20(a))	**–**	**–**	**(91)**	**–**	**–**	**(91)**
Depreciation	**(6,309)**	**(16,959)**	**(274)**	**(232)**	**–**	**(23,774)**
Closing net book amount	**86,946**	**64,513**	**739**	**620**	**2,678**	**155,496**
At 31 December 2012						
Cost	**139,663**	**182,802**	**1,535**	**8,731**	**2,678**	**335,409**
Accumulated depreciation	**(52,717)**	**(118,289)**	**(796)**	**(8,111)**	**–**	**(179,913)**
Net book amount	**86,946**	**64,513**	**739**	**620**	**2,678**	**155,496**

7. PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

(a) Depreciation expense has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cost of sales	**22,326**	23,321
Administrative expenses	**1,448**	1,501
	23,774	24,822

(b) As at 31 December 2012, no property, plant and equipment (2011: RMB52,429,000) was mortgaged for bank borrowings of the Group.

8. LAND USE RIGHTS – GROUP

Land use rights represent prepaid operating lease payments. All land use rights of the Group are located in the PRC and are held on leases of 50 years. Movements in land use rights are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Beginning of year	**17,957**	13,942
Transfer from trade and other receivable -prepayment for acquisition of land use rights	**–**	2,449
Additions	**167**	1,888
Amortization *(Note 21)*	**(404)**	(322)
End of year	**17,720**	17,957

Amortization of land use rights is included in administrative expenses in the consolidated statement of comprehensive income. As at 31 December 2012, no land use right was pledged for borrowing for the Group (2011: RMB11,962,000).

9. INVESTMENT IN AND AMOUNT DUE FROM AND DUE TO SUBSIDIARY – COMPANY

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Investment in Dongwu Investment *(Note (a))*	**315**	315
Deemed investment *(Note 15(c))*	**207,930**	207,930
	208,245	208,245
Amount due from Dongwu HK *(Note (b))*	**30,220**	–
Amount due to Dongwu Investment *(Note (c))*	**315**	315

(a) On 29 November 2011, the Company set up its subsidiary – Dongwu Investment with a registered capital of USD50,000 (equivalent to RMB315,000).

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

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

A list of the subsidiaries of the Company is set out in Note 1.1.

10. INVENTORIES – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**15,868**	10,776
Work-in-progress	**4,947**	7,002
Finished goods	**6,856**	4,575
	27,671	22,353

The cost of inventories recognized as an expense and included in "cost of sales" amounted to approximately RMB298,995,000 for the year ended 31 December 2012 (2011: RMB341,923,000). No inventory write-down was made for the year ended 31 December 2012 (2011: Nil).

11. TRADE AND OTHER RECEIVABLES – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables due from third parties	**60,851**	59,178
Trade receivable due from a related party *(Note 30(c)(i))*	**–**	2,450
Bills receivable	**47,598**	59,088
	108,449	120,716
Prepayments for		
– acquisition of materials	**7,569**	14,032
– others	**–**	2,890
Due from related parties *(Note 30(c))*	**–**	13,696
Other receivables	**1,157**	995
	8,726	31,613
Less: provision for impairment of trade receivables	**(3,502)**	(6,071)
	113,673	146,258

As at 31 December 2012, no bills receivable was pledged for the borrowings (2011: RMB10,600,000) (Note 18(ii)).

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

11. TRADE AND OTHER RECEIVABLES – GROUP *(Continued)*

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

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

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

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

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

11. TRADE AND OTHER RECEIVABLES – GROUP *(Continued)*

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

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

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

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

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Beginning of year	**(6,071)**	(5,992)
Provision for the year *(Note 21)*	**–**	(79)
Release of provision upon collection for the year *(Note 21)*	**2,569**	–
End of year	**(3,502)**	(6,071)

The origination and release of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statement of comprehensive income (Note 21). Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash.

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

The Company

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

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

12. FINANCIAL INSTRUMENTS BY CATEGORY

Group

(a) **31 December 2012**

	Loans and receivables RMB'000
Financial assets:	
Trade and other receivables excluding prepayments	**106,104**
Cash and cash equivalents	**98,548**
Total	**204,652**

	Other financial liabilities at amortized cost RMB'000
Financial liabilities:	
Borrowings	**50,000**
Trade and other payables excluding non-financial liabilities	**41,351**
Total	**91,351**

31 December 2011

	Loans and receivables RMB'000
Financial assets:	
Trade and other receivables excluding prepayments	129,336
Restricted bank deposits	5,000
Cash and cash equivalents	41,402
Total	175,738

	Other financial liabilities at amortized cost RMB'000
Financial liabilities:	
Borrowings	90,378
Trade and other payables excluding non-financial liabilities	64,107
Total	154,485

12. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

31 December 2012

	Loans and receivables
	RMB'000
Financial assets:	
Amount due from a subsidiary	30,220
Trade and other receivables	250
Cash and cash equivalents	30,341
	60,811

31 December 2012

	Other financial liabilities at amortized cost
	RMB'000
Financial liabilities:	
Amount due to a subsidiary	315

31 December 2011

	Other financial liabilities at amortized cost
	RMB'000
Financial liabilities:	
Amount due to a subsidiary	315

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit risk exposure of the Group's trade receivables which are not impaired and bank deposits have been disclosed in the Note 11 and Note 3.1(b).

13. CASH AND CASH EQUIVALENTS

Group

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cash at bank and in hand	**98,548**	41,402

The Group's cash at bank and on hand are denominated in:

	As at 31 December	
	2012	2011
RMB	**68,015**	41,402
HKD	**30,526**	–
USD	**7**	–
	98,548	41,402

Company

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cash at bank and in hand	**30,341**	–

All the Company's cash and cash equivalents are denominated in HKD.

14. SHARE CAPITAL – COMPANY

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000
Authorized:				
Ordinary shares of HK$1.00 each as at 31 December 2011	(a)	10,000	10	8
Ordinary shares of HK$0.01 each as at 31 December 2012	(b)	10,000,000,000	100,000	81,520
Issued:				
Ordinary shares as at 31 December 2011	(a)	100	–	–
Shares increase pursuant to sub-division	(b)	9,900	–	–
Share issued pursuant to the capitalization issue	(c)	424,990,000	4,250	3,465
New share issued upon listing	(d)	87,000,000	870	709
Ordinary shares of HK$0.01 each as at 31 December 2012		512,000,000	5,120	4,174

(a) The Company was incorporated in the Cayman Islands on 29 November 2011 with an authorized share capital of HK$10,000 divided into 10,000 shares of a par value of HK$1.00 each. At the time of its corporation, the total number of issued shares of the Company was 100 shares.

(b) On 28 May 2012, the Company sub-divided each authorized issued and unissued share of a par value of HK$1.00 each in the share capital of the Company into 100 shares of a par value of HK$0.01 each. The number of issued shares of the Company was increased from 100 shares to 10,000 shares as a result of sub-division;

On 28 May 2012, the authorized share capital of the Company was increased from HK$10,000 to HK$100,000,000 by the creation of an additional 9,999,000,000 shares of a par value of HK$0.01 each.

(c) On 13 June 2012, the Company capitalized HK$4,250,000 (equivalent to approximately RMB3,465,000) by crediting the share premium account of the Company and applied such sum to pay up in full at par a total of 424,990,000 shares for allotment and issue to the shareholders in proportion to their respective shareholdings.

(d) On 13 June 2012, the Company issued 75,000,000 new shares with nominal value of HK$0.01 each for the Hong Kong public offer and international placing at the offer price of HK$1.1 (equivalent to approximately RMB0.8967) each.

On 6 July 2012, the Company issued additional 12,000,000 new shares with nominal value of HK$0.01 each for the Hong Kong public offer and international placing at the offer price of HK$1.1 (equivalent to approximately RMB0.8967) each.

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

15. OTHER RESERVES

Group

	Available-for-sale financial assets RMB'000	Share premium RMB'000	Statutory reserve *(Note (a))* RMB'000	Merger reserve *(Note (b))* RMB'000	Capital reserve *(Note (c))* RMB'000	Total RMB'000
At 1 January 2011	4,338	–	8,627	192,011	–	204,976
Fair value gains of available-for-sale financial assets	2,580	–	–	–	–	2,580
Tax effect on fair value gains of available-for-sale financial assets	(323)	–	–	–	–	(323)
Recycling of fair value gains of available-for-sale financial assets to profit or loss upon disposal	(7,538)	–	–	–	–	(7,538)
Recycling of tax effect on fair value gains of available-for-sale financial assets to profit or loss upon disposal	943	–	–	–	–	943
Deemed distribution arising from reorganization	–	–	–	–	(207,930)	(207,930)
Deemed contribution from shareholders	–	–	–	–	207,930	207,930
Appropriation to statutory reserves	–	–	9,555	–	–	9,555
At 31 December 2011	–	–	18,182	192,011	–	210,193
Capitalization issue *(Note 14(c))*	–	(3,465)	–	–	–	(3,465)
Issuance of ordinary shares *(Note 14(d))*	–	77,306	–	–	–	77,306
Share issuance cost *(Note 14(d))*	–	(6,057)	–	–	–	(6,057)
Appropriation to statutory reserves	–	–	1,267	–	–	1,267
At 31 December 2012	**–**	**67,784**	**19,449**	**192,011**	**–**	**279,244**

15. OTHER RESERVES *(Continued)*

Company

	Share premium *(Note (c))* *RMB'000*	Capital reserve *RMB'000*	Total
At 29 November 2011	–	–	–
Deemed contribution from shareholders	–	207,930	207,930
At 31 December 2011	–	207,930	207,930
Capitalization issue *(Note 14(c))*	(3,465)	–	(3,465)
Issuance of ordinary shares *(Note 14(d))*	77,306	–	77,306
Share issuance cost *(Note 14(d))*	(6,057)	–	(6,057)
At 31 December 2012	**67,784**	**207,930**	**275,714**

(a) Statutory reserve

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

(b) 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 2012 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

15. OTHER RESERVES *(Continued)*

(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"), 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.

16. DEFERRED INCOME TAX LIABILITIES – GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Deferred tax assets:		
– deferred tax asset to be recovered after 12 months	**(876)**	(759)
– deferred tax asset to be recovered within 12 months	**–**	–
	(876)	(759)
Deferred tax liabilities:		
– deferred tax liability to be settled after 12 months	**4,596**	3,456
– deferred tax liability to be settled within 12 months	**–**	–
	4,596	3,456
Deferred tax liabilities, net	**3,720**	2,697

16. DEFERRED INCOME TAX LIABILITIES – GROUP *(Continued)*

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Beginning of year	**2,697**	7,245
Charged/(Credited) to profit or loss *(Note 24)*	**1,023**	(3,928)
Credited to other comprehensive income	**–**	(620)
End of year	**3,720**	2,697

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Fair value changes related to available-for-sale financial assets**	**Withholding tax for attributable profit relating to equity holder** *(Note (a))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	620	7,374	7,994
Charged to profit or loss	–	8,598	8,598
Credited to profit or loss			
– dividends in the year *(Note(a))*	–	(12,516)	(12,516)
Charged to other comprehensive income	323	–	323
Credited to other comprehensive income			
– upon disposal of available-for-sale financial assets	(943)	–	(943)
At 31 December 2011	–	3,456	3,456
Charged to profit or loss *(Note 24)*	–	1,140	1,140
At 31 December 2012	–	4,596	4,596

Deferred tax assets	**Provisions**
	RMB'000
At 1 January 2011	(749)
Credited to profit or loss	(10)
At 31 December 2011	(759)
Credited to profit or loss	(117)
At 31 December 2012	**(876)**

16. DEFERRED INCOME TAX LIABILITIES – GROUP *(Continued)*

(a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of their earnings generated from 1 January 2008.

17. TRADE AND OTHER PAYABLES – GROUP

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**38,334**	48,232
Advances from customers	**1,135**	1,265
Salary payables	**1,091**	3,218
Other tax payables *(Note (a))*	**2,460**	3,119
Other payables	**3,017**	12,979
Due to a related party *(Note 30(c)(iii))*	**–**	2,896
	46,037	71,709

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

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

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

17. TRADE AND OTHER PAYABLES – GROUP *(Continued)*

Aging analysis of trade and bills payables is as follows:

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

(a) Other tax payable mainly represented the value added tax ("VAT"). The sales of self-manufactured products of the PRC subsidiary are subject to VAT. The applicable tax rate for domestic sales is 17%.

Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

18. BORROWINGS – GROUP

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

18. BORROWINGS – GROUP *(Continued)*

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

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

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

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

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

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

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

19. OTHER INCOME

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

19. OTHER INCOME *(Continued)*

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

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

20. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Gain/(loss) on disposal of property, plant and equipment *(Note (a))*	**189**	(3,095)
Others	**113**	(92)
	302	(3,187)

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Proceeds from disposal of property, plant and equipment	**280**	596
Net book amount of property, plant and equipment *(Note 7)*	**(91)**	(3,691)
	189	(3,095)

21. EXPENSES BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(3,510)**	(2,814)
Raw materials and consumables used	**210,259**	252,928
Utilities and energy costs	**51,639**	55,973
Depreciation and amortization expenses *(Notes 7, 8)*	**24,178**	25,144
Employee benefit expenses *(Note 22)*	**12,477**	13,389
Transportation expenses	**2,721**	3,173
Advertising expenses	**525**	692
Taxes and levies	**1,990**	3,516
Entertainment expenses	**708**	1,056
Pollution discharge expenses	**552**	554
Vehicle expenses	**616**	681
Repair and maintenance expenses	**6,608**	1,178
Consultancy, legal and professional fees	**1,750**	558
(Write back)/Provision for impairment of trade receivables *(Note 11)*	**(2,569)**	79
Traveling expenses	**336**	262
Auditors' remuneration - audit services	**1,248**	1,368
Operating lease payments	**400**	800
Listing expenses	**12,844**	–
Other expenses	**748**	2,086
Total cost of sales, distribution costs and administrative expenses	**323,520**	360,623

22. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**10,713**	12,005
Welfare benefits	**747**	761
Pension costs – defined contribution plans *(Note(a))*	**1,017**	623
	12,477	13,389

22. EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Pensions scheme – defined contribution plans

The employees of the Group in the PRC participate in defined contribution retirement schemes based on laws and regulations in the PRC. The local government authorities of the PRC are responsible for the pension liabilities to these retired employees. For the year ended 31 December 2012, the Group made monthly contributions to the retirement schemes at rates of 20% (2011: 20%) of the basic salaries of employees.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments above.

23. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Interest expense:		
– Borrowings wholly repayable within 5 years	**6,345**	6,819
– Discounting of bills receivable	**–**	473
– Others	**78**	31
Finance costs	**6,423**	7,323
Finance income – interest income on bank deposits	**(1,677)**	(134)
Net finance costs	**4,746**	7,189

24. 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	
	2012	2011
	RMB'000	*RMB'000*
Current tax on profit for the year	**3,531**	26,362
Deferred tax on origination and reversal of temporary differences *(Note 16)*	**1,023**	(3,928)
Income tax expense	**4,554**	22,434

24. INCOME TAX EXPENSE *(Continued)*

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 2012 (2011: 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 2012 (2011: Nil).

Under the Law of the People's Republic of China on Corporate Income Tax and Implementation Regulation of the People's Republc of China on Crporate Income Tax the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

The Group's sole PRC subsidiary – Dongwu Cement is subject to a full corporate income tax exemption for two years and a 50% deduction in the succeeding three years, commencing from the first profitable year after a five-year losses carrying forward. The year 2007 was the first profitable year of Dongwu Cement.

Hence, the applicable income tax rate for the year ended 31 December 2012 was 25% (2011: 12.5%).

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	
	2012	2011
	RMB'000	*RMB'000*
Profit before tax	**5,592**	109,378
Tax calculated at domestic tax rates applicable to profit in PRC	**1,398**	27,345
Effect of tax holidays	**–**	(13,672)
Tax effects of:		
– Expenses not deductible for tax purposes	**2,101**	163
– Income not subject to tax	**(85)**	–
– Withholding tax on attributable profit *(Note 16)*	**1,140**	8,598
Tax charge	**4,554**	22,434

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the reporting year. In determining the number of ordinary shares in issue for the years ended 31 December 2012 and 2011, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 (Note 14(a)) and the subsequent sub-division of shares on 28 May 2012 (Note 14(b)), and the 424,990,000 shares issued and allotted through capitalization of the share premium account of the Company upon listing on 13 June 2012 (Note 14(c)), had been regarded as if these shares were in issue since 1 January 2011.

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

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

26. DIVIDENDS

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

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

* In determining the number of ordinary shares in issue for the years ended 31 December 2012 and 2011, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 (Note 14(a)) and the subsequent sub-division of shares on 28 May 2012 (Note 14(b)), and the 424,990,000 shares issued and allotted through capitalization of the share premium account of the Company upon listing on 13 June 2012 (Note 14(c)), had been regarded as if these shares were in issue since 1 January 2011.

27. LOSS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the statement of financial position of the Company to the extent of RMB11,147,000 (2011: nil).

28. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

(a) Directors' and chief executive's emoluments

Name	Salary	Employer's contribution to pension scheme, discretionary bonus and other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2012			
Executive directors			
Ms. Xie Yingxia (謝鶯霞) *(Note (i))**	108	–	108
Mr. Jin Chungen (金春根) *(Note (i))*#*	108	–	108
Mr. Yang Bin (楊斌) *(Note (i))**	108	–	108
Non-executive director			
Mr. Tseung Hok Ming (蔣學明) *(Note (i))**	108	–	108
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯) *(Note (ii))*	81	–	81
Cao Kuangyu (曹貺予) *(Note (ii))*	81	–	81
Cao Guoqi (曹國琪) *(Note (ii))*	81	–	81
	675	–	675
For the year ended 31 December 2011			
Executive directors			
Ms. Xie Yingxia (謝鶯霞)*	–	–	–
Mr. Jin Chungen (金春根)*#	–	–	–
Mr. Yang Bin (楊斌)*	–	–	–
Non-executive director			
Mr. Tseung Hok Ming (蔣學明)*	–	–	–
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	–	–	–
Cao Kuangyu (曹貺予)	–	–	–
Cao Guoqi (曹國琪)	–	–	–
	–	–	–

Notes:

(i) *Appointed at 29 November 2011.*

(ii) *Appointed at 28 May 2012.*

* Prior to the listing, these directors received emoluments from Far East International and certain related parties of the Group, part of which were in relation to their services to the Group. No apportionment has been made for the year ended 31 December 2011 and for the period from 1 January to 12 June 2012 as the directors consider it is impractical to apportion the amount between their services to the Company and their services to Far East International and certain related parties of the Group. Starting from 13 June 2012, the Group bears and pays the directors' emoluments to these directors relating to their services to the Group.

Mr. Jin Chungen is also the chief executive officer of the Company.

28. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

(Continued)

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Company for the year ended 31 December 2012 included four of the directors of the Company (2011: None).

The emoluments paid and payable to the remaining one (2011: five individual) for the year ended 31 December 2012 are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Basic salaries	**108**	271
Discretionary bonuses and other benefits	**–**	297
Employer's contribution to pension scheme	**–**	9
	108	577

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2012	2011
Emolument band		
Nil – HK$1,000,000	**1**	5

29. CASH GENERATED FROM OPERATIONS

(a) *Reconciliation of profit for the year to cash generated from operations:*

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**1,038**	86,944
Adjustments for:		
– Income tax expense *(Note 24)*	**4,554**	22,434
– Depreciation *(Note 7)*	**23,774**	24,822
– Amortization *(Note 8)*	**404**	322
– (Release of provision)/Provision for impairment for trade receivables *(Note 11)*	**(2,569)**	79
– (Gain)/loss on disposal of property, plant and equipment *(Note 20)*	**(189)**	3,095
– Listing expenses	**12,844**	–
– Interest income *(Note 23)*	**(1,677)**	(134)
– Finance costs *(Note 23)*	**6,423**	7,323
– Dividend income on available-for-sale financial assets	**–**	(2,400)
Changes in working capital		
– Inventories	**(5,318)**	(1,428)
– Trade and other receivables	**21,856**	(50,555)
– Trade and other payables	**(28,329)**	(18,442)
Cash generated from operations	**32,811**	72,060

30. COMMITMENTS – GROUP

(a) *Capital commitments*

As at 31 December 2012, the Group has no capital commitments (2011: None).

(b) *Operating lease commitments*

The Group's future aggregate minimum lease payments under non-cancellable operating contracts are as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Not later than 1 year	–	150

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The following companies are related parties of the Group that had balances and/or transactions with the Group for the year ended 31 December 2012:

Company name	**Relationship with the Group**
Suzhou Tailong Real Estate Development Company Limited ("Suzhou Tailong")	Controlled by the same ultimate individual shareholders
Orient Holdings Group Limited ("Orient Holdings")	Controlled by the same ultimate individual shareholders
Far East International	Controlled by the same ultimate individual shareholders
Shanghai Orient Control Investment Management Company Limited ("Shanghai Orient Control")	Controlled by the same ultimate individual shareholders
Orient Huaxia Venture Investment Company Limited ("Orient Huaxia")	Controlled by the same ultimate individual shareholders
Orient Hengxin Capital Holdings Limited ("Orient Hengxin")	Controlled by the same ultimate individual shareholders
Orient Hengye Holdings Company Limited ("Orient Hengye")	Controlled by the same ultimate individual shareholders
Wujiang Orient Import and Export Co., Ltd. ("Wujiang Orient")	Controlled by the same ultimate individual shareholders
Mr. Jin Chungen	Director of the Company

31. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

For the year ended 31 December 2012, the following transactions were carried out:

	Year ended 31 December 2012 RMB'000	2011 RMB'000
(i) Sales of goods – Suzhou Tailong	–	239
(ii) Guarantee provided by related parties for the Group's borrowings		
– Controlling Shareholder	–	28,000
– Mr. Jin Chungen	–	15,000
– Suzhou Tailong	–	28,000
– Wujiang Orient	–	15,000
Less: jointly guaranteed by the above related parties	–	(43,000)
	–	43,000
(iii) Funding transactions with related parties		
(a) Advances to related parties		
– Suzhou Tailong	–	26,002
– Shanghai Orient Control	–	44,530
– Orient Hengxin	–	5,000
	–	75,532
(b) Repayments from related parties		
– Orient Hengxin	–	5,666
– Suzhou Tailong	–	49,002
– Orient Holdings	–	75,000
– Shanghai Orient Control	–	45,550
– Orient Huaxia	–	2,000
	–	177,218
(c) Repayment to a related party – Far East International	–	12,220
(d) Expenses paid by a related party on behalf of the Group – Far East International	**5,951**	2,896
(e) Settlement of expenses paid by a related party on behalf of the Group – Far East International	**8,847**	–
(f) Paid on behalf of a related party – Far East International	**5,052**	–
(g) Receipt for the amount paid on behalf of a related party – Far East International	**5,052**	–
(iv) Disposal of available-for-sale financial assets – Orient Hengxin	–	22,096
(v) Key management compensation		
Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employees service is shown below:		
Basic salaries and benefit in kind	**1,008**	384

31. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

(i) Trade receivables

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
– Suzhou Tailong	**–**	2,450

The maximum outstanding balance for the year ended 31 December 2012 was as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Maximum outstanding balance due from:		
– Suzhou Tailong	**2,450**	3,304

(ii) Amount due from a related party resulting from disposal of available-for-sale financial assets

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
– Orient Hengxin	**–**	13,696

The maximum outstanding balances for the year ended 31 December 2012 were as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Maximum outstanding balance due from:		
– Orient Holdings	**–**	75,000
– Suzhou Tailong	**–**	43,000
– Shanghai Orient Control	**–**	40,000
– Orient Huaxia	**–**	2,000
– Orient Hengxin	**13,696**	22,096
– Far East International	**5,052**	–

31. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) *Balances with related parties* (Continued)

(iii) Other payables

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Far East International	–	2,896

Other payables to the related party mainly represents cash received from the related party for short-term fund needs.

Balances with related parties were unsecured, interest-free and repayable on demand.

32. EVENTS AFTER THE BALANCE SHEET DATE

(a) *Acquisition of an associate*

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

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

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