Interim Report 2013

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

CONTENTS

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
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Company"	Dongwu Cement International Limited (東吳水泥國際有限公司)
"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
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
"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
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO"	the initial public offering of the Shares by the Company on 13 June 2012
"Latest Practicable Date"	2 September 2013

"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
"PRC" or "China"	The People's Republic of China, which for the purpose of this report only, 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 six months ended 30 June 2013
"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
"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 *(re-designated as non-executive Director on 16 August 2013)*

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

Auditor

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

Registered office

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

Principal place of business in PRC

Lili Town, Wujiang District, Suzhou 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
27th Floor, 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

Hong Kong legal advisor

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

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Company website

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MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

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

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

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

Business and Financial Review

Turnover

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

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

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

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

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

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

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

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit dipped substantially by approximately RMB5,965,000 or 59.3% to approximately RMB4,086,000 from approximately RMB10,051,000 over the corresponding period last year, while the gross profit margin decreased by approximately 3.6 percentage points to approximately 2.9% from approximately 6.5% for the corresponding period last year. The decrease was mainly due to a steep decline in the selling price of cement during the Reporting Period.

Other Income

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

Sales and Distribution Fees

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

General and Administrative Expenses

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

Tax

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

Details of the Group's income tax are set out in note 10 to the condensed consolidated financial statements of this report.

Net Profit Margin

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

Liquidity and Capital Resources

The Group planned to meet its working capital needs primarily through cash flow from operating activities, bank loans and the use of trade and other payables, as well as the proceeds of the Company from IPO.

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

Cash Flow

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

Borrowings

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

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

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

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

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

Debt to Equity Ratio

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

The debt to equity ratio is calculated by dividing the debt by the difference between total assets and total liabilities.

Capital Expenditure and Capital Commitments

As at 30 June 2013, the Group's capital expenditure presented a notable increase to approximately RMB1,230,000 from approximately RMB174,000 over the corresponding period last year. The increase was primarily due to the upgrading of machine and equipment.

As at 30 June 2013, the Group did not have any material capital commitments.

The Use of the IPO Proceeds

The Company raised net proceeds of approximately RMB57,390,000 from its IPO. As at 30 June 2013, approximately RMB4,257,000 from the proceeds had been applied in the manners set out in the Prospectus, mainly used for upgrading the Group's production facilities.

Use	Percentage	Net proceeds	Utilized amount	Unutilized amount
		RMB'000	*RMB'000*	*RMB'000*
Acquisition of a ready-mixed concrete station	39%	22,382	–	22,382
Strengthening sales network	27%	15,495	–	15,495
Upgrading production facilities	26%	14,922	4,257	10,665
Working capital	8%	4,591	–	4,591
Total	100%	57,390	4,257	53,133

As at 30 June 2013, the unutilized IPO net proceeds were deposited in licensed banks in Hong Kong and China as short-term current savings in Hong Kong dollars or RMB.

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

Pledge of Assets

As at 30 June 2013, the Group did not pledge any of its assets. Details relating to the pledge of assets by the Group during the Reporting Period are set out in note 16 to the condensed consolidated interim financial statements.

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISK

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and the remaining denominated in Hong Kong dollars. The debts denominated in foreign currencies were primarily due to the Group's payment of offshore intermediary fees. During the Reporting Period, the Hong Kong dollars of the Company deposited in the offshore banks recorded a foreign exchange loss of approximately RMB522,000 due to the weakness of Hong Kong dollars.

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As of 30 June 2013, HK$37,000,000 of the IPO net proceeds had been exchanged into deposits in Renminbi while the remaining balance was deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in mainland China and/or abroad, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the Renminbi against foreign currencies resulting from the Company's exchange of its remaining balance of IPO net proceeds into Renminbi, may have a positive or negative impact on the Company's financial position. The management will closely monitor the foreign exchange exposures of the Company and will consider taking measures on hedging foreign currency risks when necessary.

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In February 2013, Suzhou Dongwu Cement Co., Ltd, a subsidiary of the Company, made a capital contribution of RMB5,000,000 to GinkgoPharma with its internal financial resources, thereby holding a 10% equity interest in the company. GinkgoPharma is a company engaged to biological agents, pharmaceutical intermediary, pharmaceutical research and development and technical consulting, technical services and technology transfer.

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 252 employees. The total remuneration of our employees amounted to approximately RMB6,573,000 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 the second half of 2013, the Group will remain focused on the local market. In particular, the Group will explore new markets and expand its market share through bidding on high-quality projects as well as strive for reduced energy consumption, higher production efficiency and lower production cost through internal control measures, so as to enhance the Group's profitability.

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

OTHER INFORMATION

Share Capital

As at 30 June 2013, 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.

Interests and Short Position of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2013, 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
Tseung Hok Ming[1]	Interest of controlled corporation	Long position	297,500,000	58.11%
Jin Chungen[2]	Interest of controlled corporation	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 30 June 2013, so far as is known to the Directors, no Directors or chief executive of the Company or their respective associates who 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 30 June 2013, 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 of the Company

As at 30 June 2013, 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
Goldview[1]	Beneficial owner	Long position	297,500,000	58.11%
Concord[2]	Beneficial owner	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 30 June 2013, so far as is known to the Directors, no other persons who 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 ("Share Option Scheme") on 28 May 2012. Please refer to the Prospectus for details of such share option scheme.

The Company did not grant any share options under the Share Option Scheme during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

Material Litigation and Arbitration

Save as the 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code as its own code on corporate governance.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors and receiving their respective confirmations, the Company believed that all Directors had complied with the requirements as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

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

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

Hong Kong, 15 August 2013

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	9	**140,762**	154,579
Cost of sales	11	**(136,676)**	(144,528)
Gross profit		**4,086**	10,051
Distribution costs	11	**(1,110)**	(915)
Administrative expenses	11	**(7,404)**	(16,994)
Other income		**3,342**	3,569
Other (losses)/gains - net		**(383)**	163
Operating loss		**(1,469)**	(4,126)
Finance income		**689**	636
Finance costs	16	**(2,278)**	(4,324)
Financial costs – net		**(1,589)**	(3,688)
Share of post-tax loss of an associate	8	**(248)**	–
Loss before income tax		**(3,306)**	(7,814)
Income tax expense	10	**368**	337
		(2,938)	(7,477)
Loss attributable to equity holders of the Company		**(2,938)**	(7,477)
Total comprehensive loss for the period		**(2,938)**	(7,477)
Total comprehensive loss attributable to the equity holders of the Company		**(2,938)**	(7,477)
Loss per share for loss attributable to equity holders of the Company for the period (expressed in RMB per share)			
– Basic and diluted loss per share	15	**(0.006)**	(0.017)

The notes on pages 23 to 36 are an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	**144,558**	155,496
Land use rights	12	**17,518**	17,720
Investment in an associate	8	**4,752**	–
		166,828	173,216
Current assets			
Inventories		**32,133**	27,671
Trade and other receivables	13	**135,548**	113,673
Cash and cash equivalents		**78,724**	98,548
		246,405	239,892
Total assets		**413,233**	413,108
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	**4,174**	4,174
Other reserves		**279,244**	279,244
Retained earnings		**26,582**	29,520
Total equity		**310,000**	312,938
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	**3,352**	3,720
Current liabilities			
Trade and other payables	18	**49,602**	46,037
Current income tax payable		**279**	413
Borrowings	16	**50,000**	50,000
		99,881	96,450
Total liabilities		**103,233**	100,170
Total equity and liabilities		**413,233**	413,108
Net current assets		**146,524**	143,442
Total assets less current liabilities		**313,352**	316,658

The notes on pages 23 to 36 are an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

The notes on pages 23 to 36 are an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

The notes on pages 23 to 36 are an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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").

As at 30 June 2013, the Company has direct or indirect interests in the subsidiaries as set out below:

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's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 13 June 2012.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information was approved by the Board of Directors (the "Board") for issue on 15 August 2013.

2 BASIS OF PREPARATION *(CONTINUED)*

The condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information for the six months ended 30 June 2013 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "Financial Information"). The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Financial Information has been prepared under the historical cost convention, except that certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements, except for the adoption of the following new standards and interpretations as of 1 January 2013 and the policies stated in 3.1 and 3.2 below:

HKAS 16	'Property, Plant and Equipment'
HKAS 19 (Revised)	'Employee benefits'
HKAS 27 (Revised 2011)	'Separate financial statements'
HKAS 28 (Revised 2011)	'Associates and joint ventures'
HKAS 34 (Revised 2012)	'Interim Financial Reporting and segment information for total assets and liabilities'
HKFRS 1	'First-time Adoption of Hong Kong Financial Reporting Standards'
HKFRS 7 (Amendment)	'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'
HKFRS 10	'Consolidated financial statements'
HKFRS 11	'Joint arrangements'
HKFRS 12	'Disclosure of interest in other entities'
HKFRS 13	'Fair value measurements'

The adoption of the above new standards and interpretations has no significant impact to the Group's results of operations and financial position.

3.1 Associate

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Associate *(CONTINUED)*

The group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of post-tax loss of an associate' in the income statement.

3.2 Current income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.3 Other new HKAS, amendments and interpretations

The HKICPA has issued the following new HKAS, amendments and interpretations which are related to the Group's operation but not yet effective for the accounting period beginning 1 January 2013 and which have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	'Financial instruments'	1 January 2015

The Group has commenced an assessment of the impact of the above amendment to the standards and interpretation but is not yet in a position to state whether the above amendment to standards and interpretation would have a significant impact to the Group's results of operations and financial position.

4 ESTIMATES

The preparation of Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT

5.1 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 Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 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.

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

None of the Group's assets are subsequently measured at fair value at 30 June 2013 (30 June 2012: None).

6 SEASONALITY OF OPERATIONS

There is no obvious seasonality of operations noted for the Group for the six months ended 30 June 2013 and 2012.

7 SEGMENT INFORMATION

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

The Group is principally engaged in the production and sales of cement and 100% of its sales are derived in the PRC for the Period (30 June 2012: 100%).

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

8 INVESTMENT IN AN ASSOCIATE

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

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

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

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

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

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

9 REVENUE

The Company is an investment holding company. Its subsidiary in PRC is principally engaged in the manufacture and sales of cement. Revenue is analyzed as follows:

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

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current income tax	**–**	(874)
Deferred tax on origination and reversal of temporary differences (Note 17)	**368**	1,211
	368	337

Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands, 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 period (30 June 2012: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the Period (30 June 2012: Nil).

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

10 INCOME TAX EXPENSE *(CONTINUED)*

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

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate of Dongwu Cement used for the six months ended 30 June 2013 is 11% (the estimated tax rate for the six months ended 30 June 2012 was 4%). The lower estimated average annual tax rate for the months ended 30 June 2012 was mainly due to the listing expenses being changed to this period.

11 EXPENSE BY NATURE

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

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

12 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2013		
Net book value		
Opening amount as at 1 January 2013	**155,496**	**17,720**
Additions	**1,230**	**–**
Depreciation and amortization	**(12,168)**	**(202)**
Closing amount as at 30 June 2013	**144,558**	**17,518**
Six months ended 30 June 2012		
Net book value		
Opening amount as at 1 January 2012	174,156	17,957
Additions	7	167
Depreciation and amortization	(12,096)	(202)
Closing amount as at 30 June 2012	162,067	17,922

13 TRADE AND OTHER RECEIVABLES

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

13 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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

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

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

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

14 SHARE CAPITAL

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

15 LOSS PER SHARE

Basic loss per share for the six months ended 30 June 2012 is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the Period. In determining the number of ordinary shares in issue for the six months ended 30 June 2012, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 and the subsequent sub-division of shares on 28 May 2012, and the 424,990,000 shares issued and allotted through capitalization of the share premium account of the Company upon listing on 13 June 2012, had been regarded as if these shares were in issue since beginning of the comparative period.

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

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

16 BORROWINGS

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

Movements in borrowings are analyzed as follows:

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

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

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

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

The Group's borrowings are denominated in RMB.

17 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Opening balance at 1 January	**3,720**	2,697
Credited to profit or loss (Note 10)	**(368)**	(1,211)
Closing balance at 30 June	**3,352**	1,486

18 TRADE AND OTHER PAYABLES

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

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

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

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

18 TRADE AND OTHER PAYABLES *(CONTINUED)*

The aging analysis of the trade payables are as follows:

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

19 COMMITMENTS

As at 30 June 2013, the Group has no significant capital and operating lease commitments (31 December 2012: None).

20 RELATED-PARTY TRANSACTIONS

The following companies are related parties of the Group that had significant balances and/or transactions with the Group during the Period:

Company name	**Relationship with the Group**
Far East International Investment Company Limited ("Far East International")	Controlled by the same ultimate individual shareholders
Orient Hengxin Capital Holdings Limited ("Orient Hengxin")	Controlled by the same ultimate individual shareholders

20 RELATED-PARTY TRANSACTIONS *(CONTINUED)*

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
(a) Repayments from related parties		
– Orient Hengxin	**–**	13,696
(b) Repayment to a related party		
– Far East International	**–**	8,847
(c) Expenses paid by a related party on behalf of the Group		
– Far East International	**–**	5,951

The repayments to and from related parties were settled in accordance with the agreed amount with related parties and all the expenses paid by a related party on behalf of the Group were all settled during the six months ended 30 June 2012.