2013
Annual Report

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
"Articles of Association"	the memorandum and articles of association of the Company
"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
"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 in June 2012

DEFINITIONS

"Latest Practicable Date"	4 April 2014
"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
"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 2013
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	shares of the Company in issue, all of which are listed on the Stock Exchange
"Shareholder(s)"	holder(s) of Shares
"Suzhou Dongwu"	Suzhou Dongwu Cement Co., Ltd. (蘇州東吳水泥有限公司), a wholly-owned subsidiary of the Company
"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

Non-executive Directors

Tseung Hok Ming
Yang Bin

Independent Non-executive Directors

Cao Guoqi
Cao Kuangyu
Lee Ho Yiu Thomas

Company Secretary

Sun Xin

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

Tel: (852) 2520 0978
Fax: (852) 2520 0696
Email: admin@dongwucement.com

FINANCIAL HIGHLIGHTS

Statement of comprehensive income *(expressed in RMB'000, unless otherwise stated)*

	2013	2012
Revenue	**359,007**	321,118
Operating profit	**28,659**	10,338
Profit before income tax	**25,216**	5,592
Profit for the year	**16,253**	1,038
Basic and diluted earnings per share (expressed in RMB per Share)	**0.032**	0.002

Statement of financial position *(expressed in RMB'000)*

	2013	2012
Non-current assets	**155,958**	173,216
Current assets	**277,201**	239,892
Total assets	**433,159**	413,108
Total equity	**329,191**	312,938
Non-current liabilities	**4,773**	3,720
Current liabilities	**99,195**	96,450
Total liabilities	**103,968**	100,170
Total equity and liabilities	**433,159**	413,108

Statement of cash flows *(expressed in RMB'000)*

	2013	2012
Net cash flows from operating activities	**20,026**	23,524
Net cash flows from investing activities	**(6,469)**	9,885
Net cash flows generated from/(used in) financing activities	**–**	23,737
Net increase in cash and cash equivalents	**13,557**	57,146

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note 1)	*(note 1)*	*(note 1)*
Revenue	**359,007**	321,118	464,045	354,950	291,622
Cost of sales	**314,428**	(298,995)	(341,923)	(305,619)	(268,592)
Gross profit	**44,579**	22,123	122,122	49,331	23,030
Operating profit	**28,659**	10,338	116,567	44,364	16,850
Profit before tax	**25,216**	5,592	109,378	39,909	14,834
Income tax expense	**8,963**	(4,554)	(22,434)	(8,123)	(3,034)
Profit for the year	**16,253**	1,038	86,944	31,786	11,800

Assets and liabilities

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note 1)	*(note 1)*	*(note 1)*
Total assets	**433,159**	413,108	407,126	465,447	438,530
Total liabilities	**103,968**	100,170	167,184	186,469	209,620
Total equity	**329,191**	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.

BUSINESS REVIEW

Confronting the adverse effects of growth slowdown in macro-economy, an increase in cement production in the region and a recessed real estate market in 2013, the Group proactively adjusted operating strategies, which included enhancing internal management, finding new income sources and curbing expenditure, controlling production costs and operation costs, maintaining consistent product quality, expanding sales channels, and continuing to defend the overall competitiveness of the Group in the market and in the industry. The production volume, sales, operating income and profit witnessed a significant increase for the year as compared with 2012.

During the Reporting Period, the Group 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 2013, the output for cement clinker amounted to 807,000 tonnes, and cement output amounted to 1,383,000 tonnes, among which, 604,000 tonnes were grade 32.5# cement and 779,000 tonnes were grade 42.5# cement. The production costs for grade 32.5 cement, grade 42.5 cement and cement clinker declined to some extent as compared to 2012. The supply of raw and auxiliary materials for the production, the equipment operation were basically at normal levels, 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, a recessed real estate market in the region and an increase in cement production in the region, the competition in the cement market became fiercer. Given the unfavorable situation, the Group timely adjusted the marketing strategies in respond to the market. Leveraging on the Group's advantages and capturing opportunities of energy conservation and emission reduction in relevant regions in the fourth quarter, the Group proactively expanded sales with product sales volume reaching 1,405,000 tonnes, among which, 611,000 tonnes were grade 32.5# cement and 782,000 tonnes were grade 42.5# cement, and the sales volume of cement clinker reaching 12,000 tonnes during the year. As a result, the income from principal business amounted to RMB359,077,000, achieving parallel growth both in sales volume and sales income.

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 markets of municipal engineering, transportation and construction in Suzhou City, which shapes a reputable brand image for DONGWU Cement. We will continue to consolidate the brand image of DONGWU Cement in the region to establish regional brand dominance, adding an edge in the brand of the Group.

The Group continues to promote technology innovation and technological reform, enhance production efficiency and reduce production cost and improve overall competitiveness of the Group in the market. 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, adding 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 2013, together with audited consolidated financial statements.

Financial Results

In 2013, the sales volume of the Group's cement products amounted to approximately 1,392.6 thousand tonnes, representing an increase of approximately 14.7% from 2012; the revenue amounted to approximately RMB359,007,000, representing an increase of approximately 11.8% from 2012; the gross profit margin amounted to approximately 12.4%, representing an increase of approximately 80.2% from 2012. Further details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2013, profit attributable to the Shareholders and the basic earnings per share were RMB16,253,000 and RMB0.032, respectively.

Dividends

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

Business Operation in 2013

Benefitting from the structural consolidation across the cement industry and the energy conservation and emission reduction in the second half of 2013, the sales volume, revenue and gross profit margin of the Group all exhibited a significant upward movement in 2013 as compared to previous year.

To effectively utilize the Company's capital, improve the return to Shareholders and extend to the downstream industries as well, the Board of the Group made a decision on 29 November 2013 to re-allocate some of the IPO proceeds to BT (build-transfer) infrastructure projects, such as roads, bridges and tunnels. On 9 January 2014, the Group entered into the Cooperation Agreement through Suzhou Dongwu, the wholly-owned subsidiary of the Company, with Hengtong Group Co. Ltd. (the "**Hengtong Group**"), to establish a joint venture company, namely, Suzhou Dongtong Construction and Development Company Limited (the "**Joint Venture**"), which is owned as to 50% and 50% by Suzhou Dongwu and Hengtong Group respectively. Involvement in the Joint Venture provides with the Company an opportunity to participate in the construction of infrastructure BT (build-transfer) projects, which could contribute to steady appreciation to the Company's external investment projects.

Future Prospect

In 2014, under the guidance of long-term development strategy, the Group will continue to enhance current manufacturing facility reform, proactively promote disposal of municipal sewage sludge, domestic waste and cement kiln unanimously, accelerate the transformation towards environment preservation-oriented cement manufacturing entity, and improve the comprehensive competitiveness and market position, to ensure the Group to become a leading cement manufacturing company within the region while focusing on local market.

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.

In the new fiscal year, we will strive to move forward together, and believe that we will achieve better results in 2014. Thank you!

Chairman
Xie Yingxia

4 April 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

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

As a result of the elimination of laggard production capacity and enhancement of energy conservation and emission reduction measures in the eastern region where the Group is located, the supply-demand relationship in cement industry has improved and the cement price has rebounded in the second half year of 2013. The cement price has rebounded significantly during the last quarter of 2013. Based on the price in the provincial cities (Nanjing, Hangzhou and Shanghai) of the main sales zone (Jiangsu Province, Zhejiang Province and Shanghai) of the Group, the selling prices of our PO 42.5 cement as at December 2013 in above three regions were RMB370 per tonne, RMB440 per tonne and RMB450 per tonne respectively, representing an increase of 15.6%, 25.7% and 36.4% respectively as compared with the corresponding period last year. (Source: Digital Cement, whereas all cement prices shown are inclusive of value added tax at a rate of 17%.)

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

Business Review

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

Revenue

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

Other Income

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

Distribution Expenses

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

Administrative Expenses

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

Income Tax Expense

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

Net Profit Margin

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

Liquidity and Capital Resources

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

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

Cash Flow

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

Borrowings

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

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

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

As at 31 December 2013, the Group still had unutilized banking facilities of RMB50,000,000.

Debt to Equity Ratio

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

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

Capital Expenditure and Capital Commitments

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

As at 31 December 2013, the Group did not have any material capital commitments.

IPO Proceeds and Use of the IPO Proceeds

The Company received IPO net proceeds of approximately RMB57,390,000. As disclosed in the announcement of the Company published on 29 November 2013, the Group was cautious about the expansion in the cement industry, and no substantial progress was made in the proposed acquisition of a ready-mixed concrete station and the investment in entrepots. To effectively utilize its proceeds and improve the return to shareholders, the Company has allocated the unutilized proceeds originally earmarked for acquisition of a ready-mixed concrete station and strengthening sales network totaling RMB37,878,000 to BT (build-transfer) projects of roads, bridges, tunnels and other infrastructures. As of 31 December 2013, approximately RMB4,257,000 of the proceeds was utilized mainly for the upgrading of the Group's production equipment.

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

As of 31 December 2013, the unutilized IPO net proceeds were deposited in licensed banks in Hong Kong and China as short-term current savings in Hong Kong dollars or RMB.

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

Foreign Currency Risk

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

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

As of 31 December 2013, HK$68,200,000 of the IPO net proceeds had been exchanged into and deposited in Renminbi while the remaining balance of the IPO net proceeds were deposited in Hong Kong dollars. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical exchange rate levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of the Renminbi against foreign currencies upon the Company's exchange of its remaining balance of IPO net proceeds into Renminbi, may have a positive or negative impact on the Company's financial position. The management will closely monitor its foreign exchange exposure and will consider taking measures on hedging foreign currency exposure when necessary.

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

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

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

Dividend

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

Employees and Remuneration Policies

As at 31 December 2013, the Group has a total of 241 employees. The total remuneration of the Group's employees amounted to approximately RMB16,008,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

Future Prospects

In 2014, under the guidance of long-term development strategy, the Group will continue to enhance current manufacturing facility reform, accelerate the transformation towards environment preservation-oriented cement manufacturing entity, and improve the comprehensive competitiveness and market position, to ensure the Group rooted in local market, while becoming a lead cement manufacturing company within the region.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Xie Yingxia (謝鶯霞), aged 37, 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 Suzhou Dongwu 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 52, 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 Suzhou Dongwu, and is responsible for the management of the Company's daily operation, such as making production plan, raw materials procurement and sales etc. On 11 September 2013, Mr. Jin resigned as general manager of Suzhou Dongwu, but remained as chairman and legal representative of Suzhou Dongwu. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Tseung Hok Ming (蔣學明), aged 52, 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. Mr. Tseung has been a director of Orient Financial Holdings Limited since July 2002, a director of Far East International Investment Company Limited ("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, a director of Orient International Resources Group Limited since April 2010 and a director of Jiangsu Xinmin Textile Science & Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 002127) since 4 September 2013.

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 company principally engaged in 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 company principally engaged in 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 Suzhou Dongwu, whose main 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.

Mr. Yang Bin (楊斌), aged 40, is a non-executive Director of the Company. Mr. Yang graduated from Tsinghua University (清華大學) with a bachelor degree 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. Since joining the Group in March 2010, Mr. Yang has become a director of Suzhou Dongwu, 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 was re-designated from an executive Director to a non-executive Director of the Company with effect from 16 August 2013 due to his other business engagements which require more of his time and dedication. Mr. Yang served as the chairman of the board of Jiangsu Xinmin Textile Science & Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 002127) since 4 September 2013. Save as disclosed above, Mr. Yang did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Cao Guoqi (曹國琪), aged 51, 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限公司), a company listed on the Shanghai Stock Exchange (stock code: 600201). Mr. Cao serves as an executive director of Oriental City Group Holdings Limited, a company listed on the Stock Exchange (stock code: 8325) since 18 September 2013. 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 64, 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 director and 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 a managing director and 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 36, 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 served as an independent non-executive director of ABC Communications (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0030) from January 2011 to February 2013. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063) and Active Group Holdings Limited (stock code: 1096), respectively. 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 Growth Enterprise Market 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. Wu Junxian (吳俊賢), aged 33, was appointed as general manager of Suzhou Dongwu on 11 September 2013. Mr. Wu is responsible for daily operation and management. Mr. Wu joined our Group in March 2009, and has held various positions in Suzhou Dongwu 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. Hu Xiaowei (胡小偉), aged 38, 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.

Senior Management (Continued)

Mr. Han Fuliang (韓福亮), aged 45, 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 Group 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.

Ms. Sun Xin (孫馨), aged 30, has been the chief financial officer of the Company since 16 August 2013, and the company secretary since 4 March 2014. Ms. Sun joined the Group in August 2010 and was appointed as the joint company secretary of the Company on 28 May 2012. 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).

Company Secretary

Ms. Sun Xin (孫馨), aged 30, was appointed as the joint company secretary of the Company on 28 May 2012. For details of the biography of Ms. Sun Xin, please refer to paragraph headed "Senior Management" of this section. Ms. Sun was confirmed by the Stock Exchange that she had sufficient experience to fulfill the responsibility of company secretary and served as company secretary of the Company with effect from 21 March 2014.

Mr. Chan Chin Wang Keith, the former joint company secretary of the Company resigned as a joint company secretary from 4 March 2014.

DIRECTORS' REPORT

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 2013.

Results and Dividends

The Group's results for the year ended 31 December 2013 are set out in the Consolidated Statement of Comprehensive Income on page 44.

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

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 14 May 2014 to Friday, 16 May 2014 (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 Friday, 16 May 2014, 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 Tuesday, 13 May 2014.

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

As at 31 December 2013, the authorized share capital of the Company was HK$100,000,000, and the issued share capital of the Company was HK$5,120,000 divided into 512,000,000 Shares with a par value of HK$0.01 each. There was no change in the share capital of the Company during the Reporting Period.

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 RMB43,699,000 (31 December 2012: approximately RMB29,520,000) as at 31 December 2013.

DIRECTORS' REPORT

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 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.

Charge on the Assets and Contingent Liabilities

Details of the Group's charge on the assets and contingent liabilities are set out in the note 30 to consolidated financial statement in this report.

Subsidiaries, jointly controlled entities and associates

Details on the business performance of the Company's major subsidiaries, jointly controlled entities and associates respectively are set out in the note 9(b) to consolidated financial statement of this report.

Directors

The Directors of the Company during the year ended 31 December 2013 were as follows:

Chairman and Executive Director	Ms. Xie Yingxia
Chief Executive Officer and Executive Director	Mr. Jin Chungen
Non-executive Directors	Mr. Tseung Hok Ming
	Mr. Yang Bin (re-designated from an executive Director to a non-executive Director since 16 August 2013)
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.

DIRECTORS' REPORT

Changes in Directors and Senior Management

Mr. Yang Bin was re-designated from an executive Director to a non-executive Director of the Company with effect from 16 August 2013 due to his other business engagements which require more of his time and dedication, and entered into a new letter of appointment with the Company for a term commencing from 16 August 2013 until 27 May 2015, i.e. the end of the remaining term of employment under his previous service agreement with the Company as an executive director.

Mr. Zhu Qiwei has resigned as the chief financial officer of the Company with effect from 16 August 2013. Followed by Mr. Zhu's resignation, Ms. Sun Xin, the company secretary of the Company, was also appointed as the chief financial officer of the Company.

Mr. Jin Chungen resigned as general manager of Suzhou Dongwu with effect from 11 September 2013. Followed by Mr. Jin's resignation, Mr. Wu Junxian, former deputy general manager of Suzhou Dongwu was appointed as general manager of Suzhou Dongwu.

Save for the matters above, there was no changes in relation to other Directors and management during the Reporting Period.

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. Mr. Yang Bin was re-designated from an executive Director to a non-executive Director of the Company with effect from 16 August 2013, and entered into a new letter of appointment with the Company for a term commencing from 16 August 2013 until 27 May 2015, i.e. the end of the remaining term of employment under his previous service agreement with the Company as an executive director. Save for Mr. Yang Bin, other non-executive Directors and the independent non-executive Directors had signed letters of appointments 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.

In accordance with the Articles of Association, Ms. Xie Yingxia, Mr. Jin Chungen and Mr. Yang Bin will retire at the forthcoming annual general meeting and, being eligible, offer themselves 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 and Five Highest Paid Individuals of the Company

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 Group are set out in note 28 to the consolidated financial statement.

For the years 2012 and 2013, senior management of the Group comprises 5 and 4 individuals respectively.

The emoluments of senior management of the Group fell within the following bands:

	Number of individuals	
Emolument band	**Year ended 31 December**	
	2013	2012
Nil – HK$1,000,000	**4**	5
	4	5

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 during the Reporting Period, 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 2013, 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 related party 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 2013, the employee benefit scheme contributions made by the Group amounted to approximately RMB1,659,000. 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 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 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 2013, 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 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 and Underlying Shares

As at 31 December 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 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%
Joy Wealth Finance Limited	Beneficial owner *(note 3)*	Long position	65,500,000	12.79%
Pacific Plywood Holdings Limited	Interest of controlled corporation *(note 3)*	Long position	65,500,000	12.79%
Allied Summit Inc.	Interest of controlled corporation *(note 3)*	Long position	65,500,000	12.79%
Su WeiBiao	Interest of controlled corporation *(note 3)*	Long position	65,500,000	12.79%

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.*

3. *Mr. Su WeiBiao owns 80% interests in Allied Summit Inc., which in turn owns 58.27% interests in Pacific Plywood Holdings Limited. As Pacific Plywood Holdings Limited owns 100% interests in Joy Wealth Finance Limited, each of Mr. Su WeiBiao, Allied Summit Inc. and Pacific Plywood Holdings Limited is deemed to be interested in the Shares of the Company held by Joy Wealth Finance Limited by virtue of part XV of the SFO.*

Save as the disclosed above, as at 31 December 2013, 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 cessation 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 (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), 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 2013.

Repurchase, Sale or Redemption of Listed Securities

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

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 year ended 31 December 2013 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	37.9
Five largest customers in aggregate	30.43	Five largest suppliers in aggregate	54.3

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.

DIRECTORS' REPORT

Auditors

The consolidated financial statements of the Company for the years ended 31 December 2012 and 31 December 2013 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' approval.

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

As mentioned in the Joint Venture Announcement of the Company, Suzhou Dongwu and Hengtong Group entered into the Cooperation Agreement, pursuant to which the parties agreed to establish the Joint Venture. As at the Latest Practicable Date, the Company has made capital contribution amounting of approximately RMB50,000,000 in aggregate pursuant to the Cooperation Agreement. The Joint Venture was incorporated on 15 January 2014. For further details on the Cooperation Agreement, please refer to the Joint Venture Announcement.

Save for the above mentioned, the Group had no major events after the Reporting Period subsequent to 31 December 2013.

CORPORATE GOVERNANCE REPORT

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.

During the Reporting Period and up to the Latest Practicable Date, the Company has complied with the provisions of Code, saved as the deviations (with reasons for deviation) disclosed below herein in this report.

Code Provision A.1.1

Code Provision A.1.1 stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held two regular meetings at which all the Directors were present. The Board considers that during the Reporting Period, the Group had no significant matters which required the meeting and discussion of all Directors through formal meetings. Notwithstanding, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner. The Board also holds provisional meetings to review, discuss and decide specific matters related to the development and strategy of the Group from time to time according to the development of the Group. During the Reporting Period, the Board held two provisional meetings, to consider and pass (among others) matters on change in use of IPO proceeds and formation of Joint Venture.

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, all Directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2013 and up to the Latest Practicable Date.

Board of Directors

Duties and Divisions

The Board acts for the interest of all Shareholders and is responsible for the general meeting. The Board is mainly responsible for executing the resolutions of the general meeting, overseeing and supervising all material matters of the Company, including developing and approving the overall strategy for management and operation, operation plan and investment proposals, 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. In respect of overseeing specific aspects in the Company's affairs, the Company has established 3 committees of the Board, i.e. the audit committee, remuneration committee and nomination committee. The Board has delegated various authorities to each of the committee of the Board, particulars of which are set out in the terms of reference for each committee.

The Board makes decisions on matters with specific responsibilities, and the management is authorized to execute and manage the daily affairs of the Company.

During the Reporting Period and up to the Latest Practicable Date, the Board had, among other 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 2013, monitored the significant operational management and assessed the internal control and financial matters of the Group.

Board Composition

The Board currently comprises 7 Directors, including two executive Directors, two non-executive Directors 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 year ended 31 December 2013, the Board held four meetings in accordance to the operational and business development of the Group, including two regular meetings and two provisional meetings. The attendance of each Director is detailed as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Executive Directors		
Ms. Xie Yingxia	4/4	100%
Mr. Jin Chungen	4/4	100%
Non-executive Directors		
Mr. Tseung Hok Ming	4/4	100%
Mr. Yang Bin	4/4	100%
Independent Non-executive Directors		
Mr. Cao Guoqi	4/4	100%
Mr. Cao Kuangyu	4/4	100%
Mr. Lee Ho Yiu Thomas	4/4	100%

During the Reporting Period, the Company held each regular meeting with prior notices of fourteen days, to ensure that all Directors have the opportunity to propose matters to be discussed into the agenda. The Company held provisional meetings with reasonable notice, to enable all Directors to attend in their conveniences.

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; 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 Directors

During the Reporting Period, 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 considered that all independent non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules.

Time Commitment of the Directors

Besides attending formal meetings to learn more about business, the Directors of the Company could attend affairs of the Company through other channels, including debriefing to the Company's management, reviewing the operating information provided regularly by the Company and paying on-site visits to the Company's business, in order to gain a full understanding to the Company's business and perform their duties effectively. Having been through serious review, the Board is of the opinion that the Directors of the Company had dedicated sufficient time and efforts to perform their duties during the Reporting Period.

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 other 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.

Directors' Insurance

The Company has always emphasized the importance of risk prevention of our Directors liabilities and continued to purchase liability insurance for all the Directors.

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 professional 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 audit 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.

For the year ended 31 December 2013, the audit committee held two meetings to discuss with the management the accounting standards and practices adopted by the Group, and to approve the results and financial statements of the Company for the year ended 31 December 2012 as well as the interim results and financial statements of the Company for the six months ended 30 June 2013.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	Attendance rate
Mr. Lee Ho Yiu Thomas *(Chairman)*	2/2	100%
Mr. Cao Guoqi	2/2	100%
Mr. Cao Kuangyu	2/2	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 of executive Directors and senior management and determining their remuneration packages and making recommendations on the remuneration of non-executive Directors.

For the year ended 31 December 2013, the remuneration committee held one meeting to consider and review the employee's salary and benefit, as well as the remuneration policies and structure of Directors and senior management of the Company.

The attendance of the meeting is as follows:

	Attended meetings/ convened meetings	Attendance rate
Mr. Cao Guoqi *(Chairman)*	1/1	100%
Mr. Lee Ho Yiu Thomas	1/1	100%
Mr. Cao Kuangyu	1/1	100%

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, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge) of the Board; making recommendations on any proposed changes to the Director and senior management to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members; making recommendations to the Board on appointment or re-appointment of the Directors; in identifying suitable individuals, considering individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board; reviewing the board diversity policy, as appropriate; and assessing the independence of the independent non-executive Directors.

For the year ended 31 December 2013, the nomination committee held two meetings to consider and review the structure and composition of the Board, assess the independence of independent non-executive Directors, nominate the Directors retired in rotation and review the board diversity policy.

The attendance of the meeting is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Mr. Cao Guoqi *(Chairman)*	2/2	100%
Mr. Lee Ho Yiu Thomas	2/2	100%
Mr. Cao Kuangyu	2/2	100%

Board Diversity Policy

According to the latest amendments to the Listing Rules on board diversity, the Board formulated and adopted the board diversity policy ("Board Diversity Policy"). The objective of formulating the Board Diversity Policy is to keep an appropriate balance in diversity of skills, experience and opinions of the Board members of the Company, to enhance the decision making of the Board and corporate governance level, so as to achieve the strategies of the Company and sustainable development. The nomination committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors of the Company. The nomination committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the nomination committee will consider the benefits of all aspects of diversity, including without limitation, differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. The nomination committee reviewed the board composition pursuant to the above policy and the requirement of the Listing Rules and was of the opinion that the board members of the Company comply with the board diversity as required by the Listing Rules in respect of age, educational background and professional experience. For details on the composition of the board of directors of the Company, please refer to section headed "Biographical Details of Directors and Senior Management".

Company Secretary

Ms. Sun Xin was appointed as a joint company secretary of the Company on 28 May 2012, and has been the company secretary since 21 March 2014. Details of the profiles of Ms. Sun Xin 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, Ms. Sun Xin took no less than 15 hours of relevant professional training for the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the article 58 of the Articles of Association, 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 Articles of Association, 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.

General Meeting

During the Reporting Period, the Company convened an annual general meeting on 16 May 2013 to approve (among others) the audited consolidated financial statements of the Group for the year ended 31 December 2012, reports from Directors and auditors and re-elect Directors retired in rotation. Except Mr. Cao Kuangyu failed to attend the annual general meeting held on 16 May 2013 due to business, all other directors of the Company have attended the annual general meeting. The attendance of each Director is detailed as follows:

	Attended general meetings/convened meetings	Attendance rate
Executive Directors		
Ms. Xie Yingxia	1/1	100%
Mr. Jin Chungen	1/1	100%
Non-executive Director		
Mr. Tseung Hok Ming	1/1	100%
Mr. Yang Bin	1/1	100%
Independent Non-executive Directors		
Mr. Cao Guoqi *(chairman of remuneration committee and nomination committee)*	1/1	100%
Mr. Cao Kuangyu	0/1	0%
Mr. Lee Ho Yiu Thomas *(chairman of audit committee)*	1/1	100%

Nomination of Director

According to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, provided that a Notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting is given, stating his intention to propose such person for election and also a Notice signed by the person to be proposed is given, stating his willingness to be elected, both of which shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting for such election) the period for lodging of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting for such election and end no later than seven (7) days prior to the date of such general meeting.

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 Reporting Period, 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, legal compliance control, and risk management functions.

For the year ended 31 December 2013, 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. The Audit Committee will constantly review and assess the effectiveness of the internal control system of the Group, and report the results to the Board. The Board would conduct review and assessment of the internal control system of the Group at least once a year, so as to ensure that it is free from any major supervisory deficiency.

Directors' 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 2013, 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 2013, the remuneration payable by the Company to PricewaterhouseCoopers is set out below:

Services rendered by the auditor	**Remuneration** *(RMB'000)*
Annual audit service	1,250
Non-audit services, if any	–
Total	1,250

Amendments to the Articles of Association

The Company adopted the existing Articles of Association on 28 May 2012, which became effective on the Listing Date. Subsequently and up to the date of this report, there is no significant change to the Articles of Association.

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.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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 42 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2013, 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, 21 March 2014

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**134,034**	155,496
Land use rights	8	**17,316**	17,720
Investment accounted for using the equity method	9(b)	**4,608**	–
		155,958	173,216
Current assets			
Inventories	10	**26,350**	27,671
Trade and other receivables	11	**138,746**	113,673
Cash and cash equivalents	13	**112,105**	98,548
		277,201	239,892
Total assets		**433,159**	413,108
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**4,174**	4,174
Other reserves	15	**281,317**	279,244
Retained earnings		**43,700**	29,520
Total equity		**329,191**	312,938
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**4,773**	3,720
Current liabilities			
Trade and other payables	17	**46,723**	46,037
Current income tax payable		**2,472**	413
Borrowings	18	**50,000**	50,000
		99,195	96,450
Total liabilities		**103,968**	100,170
Total equity and liabilities		**433,159**	413,108
Net current assets		**178,006**	143,442
Total assets less current liabilities		**333,964**	316,658

The notes on pages 47 to 92 are an integral part of these consolidated financial statements.

The financial statements on page 42 to 46 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf.

Xie Yingxia
Director

Jion Chungen
Director

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2013** ***RMB'000***	 2012 *RMB'000*
ASSETS			
Non-current assets			
Investment in a subsidiary	*9(a)*	**208,245**	208,245
Current assets			
Amount due from subsidiaries	*9(a)*	**54,790**	30,220
Other receivables	*11*	**136**	250
Cash and cash equivalents	*13*	**2,388**	30,341
		57,314	60,811
Total assets		**265,559**	269,056
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**4,174**	4,174
Other reserves	*15*	**275,714**	275,714
Accumulated losses	*27*	**(14,635)**	(11,147)
Total equity		**265,253**	268,741
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	*9(a)*	**306**	315
Total equity and liabilities		**265,559**	269,056
Net current assets		**57,008**	60,496
Total assets less current liabilities		**265,253**	268,741

The notes on pages 47 to 92 are an integral part of these consolidated financial statements.

The financial statements on page 42 to 46 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf.

Xie Yingxia
Director

Jin Chungen
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*6*	**359,007**	321,118
Cost of sales	*21*	**(314,428)**	(298,995)
Gross profit		**44,579**	22,123
Distribution expenses	*21*	**(1,902)**	(1,452)
Administrative expenses	*21*	**(20,885)**	(23,073)
Other income	*19*	**7,226**	12,438
Other (losses)/gains – net	*20*	**(359)**	302
Operating profit		**28,659**	10,338
Finance income		**1,495**	1,677
Finance expenses		**(4,546)**	(6,423)
Finance expenses – net	*23*	**(3,051)**	(4,746)
Share of loss of investment accounted for using the equity method		**(392)**	–
Profit before income tax		**25,216**	5,592
Income tax expense	*24*	**(8,963)**	(4,554)
Profit for the year		**16,253**	1,038
Profit attributable to equity holders of the Company		**16,253**	1,038
Total comprehensive income for the year		**16,253**	1,038
Total comprehensive income attributable to equity holders of the Company		**16,253**	1,038
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB per share)			
– Basic and diluted earnings per share	*25*	**0.032**	0.002

The notes on pages 47 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012		–	210,193	29,749	239,942
Comprehensive income					
Profit for the year		–	–	1,038	1,038
Transactions with owners					
Capitalization issue		3,465	(3,465)	–	–
Issuance of ordinary shares		709	77,306	–	78,015
Share issuance cost		–	(6,057)	–	(6,057)
Transfer to statutory reserves	*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
Comprehensive income					
Profit for the year		**–**	**–**	**16,253**	**16,253**
Transactions with owners					
Transfer to statutory reserves	*15(a)*	**–**	**2,073**	**(2,073)**	**–**
Balance at 31 December 2013		**4,174**	**281,317**	**43,700**	**329,191**

The notes on pages 47 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*29*	**30,318**	32,811
Interest paid		**(4,441)**	(6,095)
Income tax paid		**(5,851)**	(3,192)
Net cash generated from operating activities		**20,026**	23,524
Cash flows from investing activities			
Interest received		**1,495**	1,281
Proceeds from disposal of available-for-sale financial assets		**–**	13,696
Purchase of property, plant and equipment	*7*	**(2,972)**	(5,205)
Proceeds from disposal of property, plant and equipment	*20(a)*	**8**	280
Payment for acquisition of an associate	*9(b)*	**(5,000)**	–
Purchase of land use rights	*8*	**–**	(167)
Net cash (used in)/generated from investing activities		**(6,469)**	9,885
Cash flows from financing activities			
Proceeds from bank borrowings		**50,000**	56,700
Proceeds from issuance of shares		**–**	78,015
Payment of issuance cost		**–**	(18,900)
Repayment of bank borrowings		**(50,000)**	(79,770)
Repayments of other borrowings		**–**	(17,308)
Decrease in restricted deposit in relation to financing activities		**–**	5,000
Net cash generated from financing activities		**–**	23,737
Net increase in cash and cash equivalents		**13,557**	57,146
Cash and cash equivalents at beginning of the year	*13*	**98,548**	41,402
Cash and cash equivalents at end of the year	*13*	**112,105**	98,548

The notes on pages 47 to 92 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Dongwu Cement International Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cement. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, the People's Republic of China (the "PRC").

As at 31 December 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$1	–	100%
蘇州東吳水泥有限公司 (「東吳水泥」)* (Suzhou Cement Co., Ltd.*, "Dongwu Cement")	PRC 5 June 2003	Production and sales of cement, a limited liability company	USD29,000,000**	–	100%

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

** The paid-in capital of Dongwu Cement was increased from USD25,000,000 to USD29,000,000 in December 2013. The increased capital was fully injected by Dongwu HK, which has been verified by a firm of certified public accountants.

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*

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

These consolidated financial statements are approved by the Board of Directors (the "Board") for issue on 21 March 2014.

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

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

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 2013 and which have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	'Financial instruments: Presentation – Offsetting financial assets and financial liabilities'	1 January 2014
HKAS 36	'Impairment of assets'	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	'Investment entities'	1 January 2014
IFRIC 21	'Levies'	1 January 2014
HKFRS 9 (Amendment)	'Financial instruments'	1 January 2015
HKFRS 7 & HKFRS 9	'Mandatory effective date & transition disclosures'	1 January 2015

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 a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount 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 *Associate*

An associate is an entity 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.

2. Summary of significant accounting policies *(Continued)*

2.3 Associate *(Continued)*

The Group's share of post-acquisition profit or loss is recognized in the statement of comprehensive income, 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 loss of investments accounted for using equity method' in the statement of comprehensive income.

2.4 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 that makes strategic decisions.

2.5 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.

2. Summary of significant accounting policies *(Continued)*

2.6 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 2.8).

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.

2.7 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)*

2.8 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.

2.9 Financial assets

2.9.1 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 2.11 and 2.12).

2.9.2 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)*

2.9 Financial assets (Continued)

2.9.3 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.

2.10 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.

2.11 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 allowance for impairment.

2. Summary of significant accounting policies *(Continued)*

2.12 *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.

2.13 *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.

2.14 *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.

2.15 *Borrowings and borrowing cost*

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.

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. Summary of significant accounting policies *(Continued)*

2.16 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's subsidiaries and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, 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, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, 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 substantively enacted by the balance sheet 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 only 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

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)*

2.17 Employee benefits

The Group's 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.

2.18 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)*

2.19 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)".

2.20 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)*

2.20 *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.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.21 *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 consolidated statement of 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 comprehensive income on a straight-line basis over the expected lives of the related assets.

2.22 *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.

2.23 *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, fly ash, 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 2013 and 2012, the Group's borrowings were all denominated in RMB.

3. Financial risk management *(Continued)*

3.1 Financial risk factors (Continued)

(a) Market risk *(Continued)*

(iii) Cash flow and fair value interest rate risk (Continued)

At 31 December 2013, if interest rates on borrowings had been 70 basis points (2012: 60 basis point) higher/lower with all other variables held constant, post-tax profit for the year would have been RMB262,000 (2012: RMB450,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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 2013, 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	
	2013	2012
	RMB'000	*RMB'000*
Balance of trade receivables from top five customers	**51,050**	48,601
Balance of trade receivables *(Note 11)*	**99,959**	60,851
Percentage	**51.07%**	79.87%

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 2013 and 2012, there was no financial guarantee provided by the Group.

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 2013	
Borrowings (including interest payment)*	52,413
Trade and other payables**	35,202
	87,615
At 31 December 2012	
Borrowings (including interest payment)*	52,183
Trade and other payables**	41,351
	93,534

* 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 2013 is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total borrowings *(Note 18)*	**50,000**	50,000
Total equity	**329,191**	312,938
Debt-to-equity ratio	**15.19%**	15.98%

3.3 Fair value estimation

None of the Group's assets are subsequently measured at fair value at 31 December 2013 and 2012.

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.

(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.

4. Critical accounting estimates and judgments *(Continued)*

(b) Useful lives of machinery (Continued)

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 2013 would be RMB2,714,000 (2012: RMB1,884,000) higher or RMB2,221,000 (2012: RMB1,542,000) 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 2013 (2012: 100%).

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the year ended 31 December 2013 (2012: 10%).

6. Revenue

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

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

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue from the top five customers	**109,239**	89,896
Total revenue	**359,007**	321,118
Percentage	**30.43%**	27.99%

7. Property, plant and equipment – Group

	Properties and plant RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
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
Disposals *(Note 20(a))*	–	–	(91)	–	–	(91)
Depreciation *(Note 21)*	(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
Year ended 31 December 2013						
Opening net book amount	**86,946**	**64,513**	**739**	**620**	**2,678**	**155,496**
Additions	**367**	**1,696**	**658**	**251**	**–**	**2,972**
Disposals *(Note 20(a))*	**–**	**–**	**(5)**	**–**	**–**	**(5)**
Transfers	**2,678**	**–**	**–**	**–**	**(2,678)**	**–**
Depreciation *(Note 21)*	**(6,810)**	**(17,289)**	**(160)**	**(170)**	**–**	**(24,429)**
Closing net book amount	**83,181**	**48,920**	**1,232**	**701**	**–**	**134,034**
At 31 December 2013						
Cost	**142,708**	**184,498**	**2,188**	**8,982**	**–**	**338,376**
Accumulated depreciation	**(59,527)**	**(135,578)**	**(956)**	**(8,281)**	**–**	**(204,342)**
Net book amount	**83,181**	**48,920**	**1,232**	**701**	**–**	**134,034**

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	
	2013	2012
	RMB'000	*RMB'000*
Cost of sales	**22,584**	22,326
Administrative expenses	**1,845**	1,448
	24,429	23,774

(b) As at 31 December 2013 and 2012, no property, plant and equipment 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	
	2013	2012
	RMB'000	*RMB'000*
Beginning of year	**17,720**	17,957
Additions	**–**	167
Amortization *(Note 21)*	**(404)**	(404)
End of year	**17,316**	17,720

Amortization of land use rights is included in administrative expenses in the consolidated statement of comprehensive income. As at 31 December 2013 and 2012, no land use right was pledged for borrowing for the Group.

9(a). Investment in and amount due from and due to subsidiary – Company

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Investment in Dongwu Investment *(Note (i))*	**315**	315
Deemed investment *(Note 15(c))*	**207,930**	207,930
	208,245	208,245
Amount due from Dongwu HK *(Note (ii))*	**54,778**	30,220
Amount due from Dongwu Investment *(Note (iii))*	**12**	–
	54,790	30,220
Amount due to Dongwu Investment *(Note (iv))*	**306**	315

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

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

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

(iv) The amount due 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.

9(b). Investments accounted for using the equity method

The Group has interest in an individually immaterial associate – 銀杏樹藥業(蘇州)有限公司 (GinkgoPharma Co. Ltd., "GinkgoPharma", English translation for reference only) that is accounted for using the equity method.

	2013
	RMB'000
Carrying amount of the associate	4,608
Amount of the reporting entity's share of:	
Share of loss	(392)
Other comprehensive income	–
Total comprehensive loss	(392)

The Group acquired 10% of the share capital of GinkgoPharma 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.

10. Inventories – Group

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	**20,320**	15,868
Work-in-progress	**3,201**	4,947
Finished goods	**2,829**	6,856
	26,350	27,671

The cost of inventories recognized as an expense and included in "cost of sales" amounted to approximately RMB314,428,000 for the year ended 31 December 2013 (2012: RMB298,995,000). No inventory write-down was made for the years ended 31 December 2013 and 2012.

11. Trade and other receivables

Group

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

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

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

11. Trade and other receivables *(Continued)*

Group *(Continued)*

The aging of trade receivables of third parties is determined from the date when the corresponding revenue was recognized. As at 31 December 2013, the aging analyses of trade receivables due from third parties are as follows:

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

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

The aging analyses of impaired trade receivables are as follows:

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

11. Trade and other receivables *(Continued)*

Group *(Continued)*

As at 31 December 2013, trade receivables of RMB32,640,000 (2012: RMB17,705,000) were past due but not impaired. These related to a number of customers for whom there was no history of credit default. The aging analysis of these trade receivables is as follows:

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

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Below 1 year	**826**	1,157
From 1 year to 2 years	**270**	–
	1,096	1,157

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

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

11. Trade and other receivables *(Continued)*

Group *(Continued)*

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Beginning of year	**3,502**	6,071
Provision for the year *(Note 21)*	**3,297**	–
Release of provision upon collection for the year *(Note 21)*	**(43)**	(2,569)
End of year	**6,756**	3,502

The origination and release of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statement of comprehensive income (Note 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.

Company

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Other receivables	**136**	250

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

12. Financial instruments by category

Group

(a) **31 December 2013**

	Loans and receivables
	RMB'000
Financial assets:	
Trade and other receivables excluding prepayments	**130,413**
Cash and cash equivalents	**112,105**
Total	**242,518**

	Other financial liabilities at amortized cost
	RMB'000
Financial liabilities:	
Borrowings	**50,000**
Trade and other payables excluding non-financial liabilities	**35,202**
Total	**85,202**

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

12. Financial instruments by category *(Continued)*

Company

31 December 2013

	Loans and receivables *RMB'000*
Financial assets:	
Amount due from subsidiaries	**54,790**
Other receivables	**136**
Cash and cash equivalents	**2,388**
Total	**57,314**

	Other financial liabilities at amortized cost *RMB'000*
Financial liabilities:	
Amount due to a subsidiary	**306**

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

	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 and other 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	
	2013	2012
	RMB'000	*RMB'000*
Cash at bank and in hand	**112,105**	98,548

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

	As at 31 December	
	2013	2012
RMB	**108,801**	68,015
HKD	**3,298**	30,526
USD	**6**	7
	112,105	98,548

Company

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cash at bank and in hand	**2,388**	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	Equivalent nominal value of ordinary shares
			HK$'000	HK$'000
Authorized:				
Ordinary shares of HK$0.01 each as at 1 January 2012, 31 December 2012 and 31 December 2013		10,000,000,000	100,000	81,520
Issued:				
Ordinary shares of HK$0.01 each as at 1 January 2012, 31 December 2012 and 31 December 2013		512,000,000	5,120	4,174

15. Other reserves

Group

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

15. Other reserves *(Continued)*

Company

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

(a) Statutory reserve

The Company's subsidiary in the PRC is required to appropriate 10% of its profit after income tax calculated in accordance with the PRC accounting standards and systems to the statutory reserve until the balance reaches 50% of its registered capital, where further transfers will be at its directors' discretion. The statutory reserve fund can be used to offset prior years' losses, if any and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of share capital for the PRC subsidiary. For the year ended 31 December 2013, the Company's subsidiary in the PRC has appropriated RMB2,073,000 (2012: RMB1,267,000) to statutory reserve.

(b) Merge reserve

The Company was incorporated on 29 November 2011 and the Group's reorganization was completed prior to 31 December 2011. The merger reserve in the consolidated statement of financial position as at 31 December 2013 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

On 26 December 2011, Dongwu Cement (Hong Kong) Limited ("Dongwu HK") acquired the entire equity interest in Dongwu Cement from Far East International Investment Company Limited ("Far East International"), at a consideration of US$33,000,000 (equivalent to RMB207,930,000). The consideration payable to Far East International was regarded as a deemed distribution to equity holders of the Company. The consideration payable was novated to Goldview Development Limited ("Goldview") and Concord Ocean Limited ("Concord") in proportion to their then respective shareholdings in the Company and subsequently Goldview and Concord gave written confirmations in relation to their unconditional and irrevocable waiver as to the Company's repayment obligation of US$33,000,000 (equivalent to RMB207,930,000). As such, the waived payable was regarded as deemed contribution from shareholders.

16. Deferred income tax liabilities – Group

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Deferred tax assets:		
– deferred tax asset to be recovered after 12 months	**(1,689)**	(876)
Deferred tax liabilities:		
– deferred tax liability to be settled after 12 months	**6,462**	4,596
Deferred tax liabilities, net	**4,773**	3,720

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Beginning of year	**3,720**	2,697
Charged to profit or loss *(Note 24)*	**1,053**	1,023
End of year	**4,773**	3,720

16. Deferred income tax liabilities – Group *(Continued)*

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	**Withholding tax for attributable profit relating to equity holder** *(Note (a))* *RMB'000*
At 1 January 2012	3,456
Charged to profit or loss	1,140
At 31 December 2012	4,596
Charged to profit or loss *(Note 24)*	1,866
At 31 December 2013	6,462

Deferred tax assets	**Provisions** *RMB'000*
At 1 January 2012	(759)
Credited to profit or loss	(117)
At 31 December 2012	(876)
Credited to profit or loss	(813)
At 31 December 2013	**(1,689)**

(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	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**32,779**	38,334
Advances from customers	**2,370**	1,135
Salary payables	**2,969**	1,091
Other tax payables *(Note (a))*	**6,182**	2,460
Other payables	**2,423**	3,017
	46,723	46,037

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

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

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

Aging analysis of trade and bills payables is as follows:

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

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

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

18. Borrowings – Group

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

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

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

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

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

	6 months or less
	RMB'000
– 31 December 2013	**50,000**
– 31 December 2012	50,000

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

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

19. Other income

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

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

20. Other (losses)/gains – net

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Compensation for employee accidents	**(370)**	–
Gain on disposal of property, plant and equipment *(Note (a))*	**3**	189
Others	**8**	113
	(359)	302

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Proceeds from disposal of property, plant and equipment	**8**	280
Net book amount of property, plant and equipment *(Note 7)*	**(5)**	(91)
	3	189

21. Expenses by nature

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**15,522**	(3,510)
Raw materials and consumables used	**204,993**	210,259
Utilities and energy costs	**50,819**	51,639
Depreciation and amortization expenses *(Note 7, 8)*	**24,833**	24,178
Employee benefit expenses *(Note 22)*	**16,008**	12,477
Transportation expenses	**3,306**	2,721
Office expenditure	**1,381**	525
Taxes and levies	**2,159**	1,990
Entertainment expenses	**709**	708
Pollution discharge expenses	**552**	552
Vehicle expenses	**533**	616
Repair and maintenance expenses	**8,187**	6,608
Consultancy, legal and professional fees	**2,140**	1,750
Net provision/(Write back) for impairment of trade receivables *(Note 11)*	**3,254**	(2,569)
Travelling expenses	**214**	336
Auditors' remuneration – audit services	**1,250**	1,248
Operating lease payments	**–**	400
Listing expenses	**–**	12,844
Other expenses	**1,355**	748
Total cost of sales, distribution costs and administrative expenses	**337,215**	323,520

22. Employee benefit expenses

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Wages, salaries and bonuses		10,713
Welfare benefits	**954**	747
Pension costs – defined contribution plans *(Note(a))*	**1,659**	1,017
	16,008	12,477

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 2013, the Group made monthly contributions to the retirement schemes at rates of 20% (2012: 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	
	2013	2012
	RMB'000	*RMB'000*
Interest expense:		
– Borrowings wholly repayable within 5 years	**3,856**	6,345
– Others	**690**	78
Finance costs	**4,546**	6,423
Finance income – interest income on bank deposits	**(1,495)**	(1,677)
Net finance costs	**3,051**	4,746

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	
	2013	2012
	RMB'000	*RMB'000*
Current tax on profit for the year	**7,910**	3,531
Deferred tax on origination and reversal of temporary differences *(Note 16)*	**1,053**	1,023
Income tax expense	**8,963**	4,554

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 2013 (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 for the year ended 31 December 2013 and 2012.

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

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

Hence, the applicable income tax rate for the year ended 31 December 2013 was 25% (2012: 25%).

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**25,216**	5,592
Tax calculated at domestic tax rates applicable to profit in PRC	**6,304**	1,398
Tax effects of:		
– Associate's results reported net of tax	**98**	–
– Expenses not deductible for tax purposes	**59**	70
– Tax losses for which no deferred income tax asset was recognized	**877**	2,031
– Withholding tax on attributable profit *(Note 16)*	**1,866**	1,140
– Income not subject to tax	**(241)**	(85)
Tax charge	**8,963**	4,554

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 year ended 31 December 2012, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company on 29 November 2011 and the subsequent sub-division of shares on 28 May 2012, and the 424,990,000 shares issued and allotted through capitalization of the share premium account of the Company upon listing on 13 June 2012, had been regarded as if these shares were in issue since beginning of the year.

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

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2013 and 2012, diluted earnings per share is the same as basic earnings per share.

26. Dividends

No dividends were declared by the Board of the Company for the years ended 31 December 2013 and 2012.

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 RMB 3,488,000 (2012: RMB11,147,000).

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 bonuses and other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2013			
Executive directors			
Ms. Xie Yingxia (謝鶯霞女士)	**191**	**–**	**191**
Mr. Jin Chungen (金春根先生)#	**191**	**–**	**191**
Non-executive director			
Mr. Tseung Hok Ming (蔣學明先生)	**191**	**–**	**191**
Mr. Yang Bin (楊斌先生) *(Note (i))*	**191**	**–**	**191**
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	**144**	**–**	**144**
Cao Kuangyu (曹貺予)	**144**	**–**	**144**
Cao Guoqi (曹國琪)	**144**	**–**	**144**
	1,196	**–**	**1,196**
For the year ended 31 December 2012			
Executive directors			
Ms. Xie Yingxia (謝鶯霞女士)	108	–	108
Mr. Jin Chungen (金春根先生)#	108	–	108
Mr. Yang Bin (楊斌先生)	108	–	108
Non-executive director			
Mr. Tseung Hok Ming (蔣學明先生)	108	–	108
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	81	–	81
Cao Kuangyu (曹貺予)	81	–	81
Cao Guoqi (曹國琪)	81	–	81
	675	–	675

Notes:

(i) Mr. Yang Bin was reappointed as non-executive director since 16 August 2013.

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 2013 included four of the directors of the Company (2012: four).

The emoluments paid and payable to the remaining one (2012: one) individual for the year ended 31 December 2013 are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Basic salaries	**161**	108
Discretionary bonuses and other benefits	**–**	–
Employer's contribution to pension scheme	**–**	–
	161	108

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2013	2012
Emolument band		
Nil – HK$1,000,000	**1**	1

29. Cash generated from operations

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**16,253**	1,038
Adjustments for:		
– Income tax expense *(Note 24)*	**8,963**	4,554
– Depreciation *(Note 7)*	**24,429**	23,774
– Amortization *(Note 8)*	**404**	404
– Provision/(Release of provision) for impairment for trade receivables *(Note 11)*	**3,254**	(2,569)
– Gain disposal of property, plant and equipment *(Note 20)*	**(3)**	(189)
– Listing expenses	**–**	12,844
– Interest income *(Note 23)*	**(1,495)**	(1,677)
– Finance costs *(Note 23)*	**4,546**	6,423
– Share of loss from investments accounted for using equity method *(Note 9(b))*	**392**	–
Changes in working capital		
– Inventories	**1,321**	(5,318)
– Trade and other receivables	**(28,327)**	21,856
– Trade and other payables	**581**	(28,329)
Cash generated from operations	**30,318**	32,811

30. Commitments – Group

As at 31 December 2013 and 2012, the Group has no significant capital and operating lease commitments.

31. Related party transactions

(a) The following companies are related parties of the Group that had balances and/or transactions with the Group for the years ended 31 December 2013 and 2012:

Company name	**Relationship with the Group**
Far East International	Controlled by the same ultimate individual shareholders

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
(i) Funding transactions with related parties		
(a) Expenses paid by a related party on behalf of the Group		
– Far East International	–	5,951
(b) Settlement of expenses paid by a related party on behalf of the Group		
– Far East International	–	8,847
(c) Paid on behalf of a related party		
– Far East International	–	5,052
(d) Receipt for the amount paid on behalf of a related party		
– Far East International	–	5,052

(ii) 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:

	2013	2012
Basic salaries and benefit in kind	**1,898**	1,008

32. Events after the balance sheet date

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

Pursuant to the registration and approval by the relevant company registration authorities in the PRC, the scope of business of Dongtong covers primarily highways, urban roads, bridges, tunnels, foundation works, sewage treatment works and drainage works; and also covers the construction and management of industrial and civil buildings and landscaping projects; engineering technical consultation, project supervision, project bidding agency, property management, sales of building materials and domestic trade. Dongtong will mainly participate in the construction of infrastructure under the "build and transfer" arrangements in the coming years.