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Dongwu Cement International Limited
東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 695)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately HK\$589,461,000, representing an increase of approximately HK\$31,116,000 or 5.6% from approximately HK\$558,345,000 for the year ended 31 December 2020.
- The gross profit margin of cement segment decreased from approximately 21.9% for the year ended 31 December 2020 to approximately 18.9% for the Reporting Period.
- For the year ended 31 December 2021, profit attributable to equity holders of the Company decreased to approximately HK\$46,541,000 during the Reporting Period from approximately HK\$60,879,000 for the year ended 31 December 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Dongwu Cement International Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the relevant comparative figures for the corresponding period of 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Revenue	5	589,461	558,345
Cost of sales		(478,230)	(435,941)
Gross profit		111,231	122,404
Distribution expenses		(5,840)	(5,881)
Administrative expenses		(44,797)	(37,835)
Other income		2,241	10,919
Other gain – net		89	102
Operating income		62,924	89,709
Finance income		12,256	3,825
Finance expenses		(5,863)	(2,197)
Finance income - net		6,393	1,628
Share of results of associates		4,212	4,654
Profit before income tax expense	6	73,529	95,991
Income tax expense	8	(29,523)	(35,248)
Profit for the year from continuing operations		44,006	60,743
Discontinued operation			
Gain for the year from a discontinued operation, after tax		–	105
Profit for the year		44,006	60,848
Other comprehensive income for the year, net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation of financial statements from functional currency to presentation currency		19,042	33,628
Other comprehensive income, net of tax		19,042	33,628
Total comprehensive income for the year		63,048	94,476

		Year ended 31 December	
		2021	2020
<i>Note</i>		HK\$'000	HK\$'000
		(Re-presented)	
Profit/(loss) for the year attributable to:			
Owners of the Company			
	– From continuing operations	46,541	60,743
	– From discontinued operation	–	136
		<u>46,541</u>	<u>60,879</u>
Non-controlling interests			
	– From continuing operations	(2,535)	–
	– From discontinued operation	–	(31)
		<u>(2,535)</u>	<u>(31)</u>
		<u>44,006</u>	<u>60,848</u>
Total comprehensive income for the year attributable to:			
Owners of the Company			
	– From continuing operations	65,669	93,837
	– From discontinued operation	–	136
		<u>65,669</u>	<u>93,973</u>
Non-controlling interests			
	– From continuing operations	(2,621)	–
	– From discontinued operation	–	503
		<u>(2,621)</u>	<u>503</u>
		<u>63,048</u>	<u>94,476</u>
Earnings per share from continuing and discontinued operations			
	– Basic and diluted (HK\$ per share)	0.084	0.110
Earnings per share from continuing operations			
	– Basic and diluted (HK\$ per share)	0.084	0.110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>	As at 1 January 2020 <i>HK\$'000</i>
<i>Note</i>			(Re-presented)	(Re-presented)
ASSETS				
Non-current assets				
Property, plant and equipment		217,394	210,240	191,204
Goodwill	<i>10</i>	14,205	13,910	–
Intangible assets		8,273	8,907	456
Deposit paid for purchase of machineries		6,425	10,067	–
Investment in associates		44,597	40,841	34,132
Financial assets at fair value profit or loss		–	–	124,377
Total non-current assets		290,894	283,965	350,169
Current assets				
Inventories		67,868	35,806	31,553
Trade and other receivables	<i>11</i>	196,714	165,938	307,610
Short-term bank deposits		406,654	372,062	55,608
Pledged bank deposits		61,252	–	–
Cash and cash equivalents		90,292	111,637	92,521
		822,780	685,443	487,292
Assets of a discontinued operation classified as held for sale		–	–	71,524
Total current assets		822,780	685,443	558,816
Current liabilities				
Lease liabilities	<i>12</i>	524	3,480	71
Trade and other payables	<i>13</i>	244,111	194,503	182,088
Income tax payable		7,632	13,597	21,536
Borrowings	<i>14</i>	136,675	78,237	41,868
		388,942	289,817	245,563

		As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i> (Re-presented)	As at 1 January 2020 <i>HK\$'000</i> (Re-presented)
Liabilities of a discontinued operation classified as held for sale		—	—	38,046
Total current liabilities		<u>388,942</u>	<u>289,817</u>	<u>283,609</u>
Net current assets		<u>433,838</u>	<u>395,626</u>	<u>275,207</u>
Total assets less current liabilities		<u>724,732</u>	<u>679,591</u>	<u>625,376</u>
Non-current liabilities				
Lease liabilities	12	578	823	—
Deferred tax liabilities		<u>42,428</u>	<u>40,370</u>	<u>30,030</u>
Total non-current liabilities		<u>43,006</u>	<u>41,193</u>	<u>30,030</u>
Net assets		<u>681,726</u>	<u>638,398</u>	<u>595,346</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	15	5,520	5,520	5,520
Reserves		<u>680,996</u>	<u>635,047</u>	<u>581,125</u>
		<u>686,516</u>	<u>640,567</u>	<u>586,645</u>
Non-controlling interests		<u>(4,790)</u>	<u>(2,169)</u>	<u>8,701</u>
Total equity		<u>681,726</u>	<u>638,398</u>	<u>595,346</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Equity attributable to owners of the Company					Non- controlling interests	Total Equity
	Share capital	Other reserves	Translation reserve	Retained earnings	Total		
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000		
As at 1 January 2020 (Re-presented)	5,520	425,232	(47,706)	203,599	586,645	8,701	595,346
Profit/(loss) for the year	–	–	–	60,879	60,879	(31)	60,848
Exchange difference arising on translation of financial statements of foreign operations	–	–	33,094	–	33,094	534	33,628
Total comprehensive income	–	–	33,094	60,879	93,973	503	94,476
Disposal of subsidiaries	–	–	–	(31)	(31)	(9,204)	(9,235)
Acquisition of subsidiaries	–	–	–	–	–	(2,169)	(2,169)
Appropriations to statutory reserves	–	7,913	–	(7,913)	–	–	–
Dividends declared and paid in respect of the interim period	–	–	–	(40,020)	(40,020)	–	(40,020)
At 31 December 2020 and 1 January 2021 (Re-presented)	5,520	433,145	(14,612)	216,514	640,567	(2,169)	638,398
Profit/(loss) for the year	–	–	–	46,541	46,541	(2,535)	44,006
Exchange difference arising on translation of financial statements of foreign operations	–	–	19,128	–	19,128	(86)	19,042
Total comprehensive income	–	–	19,128	46,541	65,669	(2,621)	63,048
Appropriations to statutory reserves	–	6,876	–	(6,876)	–	–	–
Compensation from the shareholder for incomplete acquisition	–	20,300	–	–	20,300	–	20,300
Dividends declared and paid in respect of the interim period	–	–	–	(40,020)	(40,020)	–	(40,020)
At 31 December 2021	<u>5,520</u>	<u>460,321</u>	<u>4,516</u>	<u>216,159</u>	<u>686,516</u>	<u>(4,790)</u>	<u>681,726</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	Year ended 31 December	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Cash flows from operating activities			
Profit before income tax expense from continuing operations		73,529	95,991
Profit before income tax expense from a discontinued operation		–	105
		73,529	96,096
Adjustments for:			
Depreciation of property, plant and equipment	6	26,085	21,705
Depreciation of right-of-use assets	6	2,743	3,922
Amortisation on other intangibles assets	11	899	–
Provision for impairment on trade receivables, net	11	1,979	160
(Reversal of provision for)/provision for impairment on other receivables, net	11	(479)	229
(Reversal of provision for)/provision for impairment on loan receivables, net	11	(2,019)	736
Write-off interest derived from loan receivables		–	59
Write-off money lender licence		–	488
Exchange gain		(71)	(2,252)
Gain on disposal of property, plant and equipment		–	(102)
Gain on disposal of subsidiaries		(89)	(105)
Finance income		(12,256)	(3,825)
Finance expenses		5,863	2,197
Interest from perpetual bond		–	(2,974)
Share of results of associates		(4,212)	(4,654)
Interest income from loan receivables		–	(80)

	Year ended 31 December	
	2021	2020
<i>Note</i>	HK\$'000	HK\$'000
		(Re-presented)
Operating profit before working capital changes	91,972	111,600
Increase in inventories	(30,825)	(2,172)
(Increase)/decrease in trade and other receivables	(46,311)	73,113
Increase in trade and other payables	44,682	13,135
	<hr/>	<hr/>
Cash generated from operating activities	59,518	195,676
Income tax paid	(29,063)	(36,026)
Withholding tax paid	(5,431)	–
	<hr/>	<hr/>
Net cash generated from operating activities	25,024	159,650
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	12,256	3,825
Acquisition of subsidiaries, net of cash acquired	–	(38,497)
Disposal of subsidiaries, net of cash disposal	1	(28)
Purchases of property, plant and equipment	(32,382)	(23,372)
Purchase of intangible assets	(87)	–
Increase in investment in an associate	(3,327)	–
Proceeds from redemption of perpetual bond	–	136,210
Proceeds from disposal of property, plant and equipment	–	128
Dividends received from an associate	4,692	–
Repayment from third parties (loan receivables)	60,342	146,560
Loans to third parties (loan receivables)	(30,171)	(30,281)
Placement of short term deposits	(404,448)	(424,927)
Placement of pledged bank deposits	(60,315)	–
Release of short term deposits	378,139	109,012
Deposit paid for purchase of machineries	(6,425)	(10,160)
	<hr/>	<hr/>
Net cash used in investing activities	(81,725)	(131,530)
	<hr/>	<hr/>

	Year ended 31 December	
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Re-presented)
Cash flows from financing activities		
Interest paid	(3,919)	(2,197)
Cash dividend paid	(40,020)	(40,020)
Proceeds from borrowings	121,219	65,879
Repayments of borrowings	(45,430)	(31,772)
Repayment of principal portion of the lease liabilities	(2,260)	(3,317)
	<u> </u>	<u> </u>
Net cash generate from/(used in) financing activities	29,590	(11,427)
	<u> </u>	<u> </u>
Net (decrease)/ increase in cash and cash equivalents		
	(27,111)	16,693
Cash and cash equivalents at beginning of the year	111,637	92,521
Effect of exchange rate changes on cash and cash equivalents	5,766	2,423
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	90,292	111,637
	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The Company's shares have been listed on the Main Board of the Stock Exchange since 13 June 2012. The Company's registered office is at the office of Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. In the directors' opinion, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in British Virgin Islands (the "BVI").

The Company is an investing holding company. The Group is principally engaged in the production and sale of cement, research and development in biotechnology. The principal place of the Group's business is Fenu Economic Development Zone, Wujiang, Jiangsu Province, People's Republic of China (the "PRC").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2021

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2

None of these amendments to HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ⁴ Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 8 Amendments to HKAS 12	Definition of Accounting Estimates ⁴ Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37 Amendments to HKAS 1 and HKFRS Practice Statement 2	Onerous Contracts – Cost of Fulfilling a Contract ² Disclosure of Accounting Policies ⁴
Amendments to HKFRS 3 Amendments to HKFRS 10 and HKAS 28	Reference to the Conceptual Framework ³ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts ⁴
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the HKICPA retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The HKICPA added two examples (Examples 4-5) to the Guidance on implementing HKAS 8, which accompanies the Standard. The HKICPA has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

Following the amendments to HKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The HKICPA also adds an illustrative example to HKAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The HKICPA has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in HKFRS Practice Statement 2.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

In March 2021, the HKICPA amended HKFRS 16, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 9 April 2021.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

HKFRS 17 “Insurance Contracts”

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 “Insurance Contracts”. The standard outlines a ‘General Model’, which is modified for insurance contracts with direct participation features described as the ‘Variable Fee Approach’. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors do not anticipate that the application of this standard in the future will have an impact on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis, except for certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(d) Functional currency and changes in presentation currencies

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**”), and all values are rounded to the nearest thousand except when otherwise indicated.

The Company’s functional currency is Hong Kong Dollars (“**HKD**”) since majority of the activities of the Company are conducted in HKD. The majority of the Group’s operations are carried out in Renminbi (“**RMB**”).

Having considered that the Company’s shares are listed on the Stock Exchange and its stock is traded in HKD, the Company believes that the change of presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance. As such, the Company believes that it is more appropriate to adopt HKD as its presentation currency for the consolidated financial statements of the Group. Comparative figures have been restated to reflect the change in the Group’s presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

For the purpose of re-presentation of the consolidated financial statements of the Group from RMB to HKD, the assets and liabilities are translated into HKD at the closing rates as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective periods. Share capital, share premium and reserves are translated at the exchange rates at the date when the amount were determined (i.e. historical exchange rate).

4. SEGMENT INFORMATION

The chief operating decision-maker for application of HKFRS 8 is identified as the Board. The segments are managed separately as each business offers different products and services and requires different business strategies. In the current year, the Group re-organised its internal reporting structure which resulted in changes to the composition of its reportable segments. Prior year segment disclosures have been re-presented to conform with the current year's presentation. The Group's product and service lines identified as reportable operating segments are as follows:

Continuing reportable segment:

- Production and sale of cement
- Research and development in biotechnology

Discontinued reportable segment:

- Provision of sewage and sludge treatment operations and construction services

All of the revenue from external customers and most of the non-current assets of the Group are derived from activities located in the PRC. Accordingly, no geographical information is presented.

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

SEGMENT INFORMATION

Year ended 31 December 2021

	Production and sale of cement <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Total <i>HKD'000</i>
Time of revenue Recognition			
At a point in time	588,553	–	588,553
Transferred over time	908	–	908
Segment revenue	<u>589,461</u>	<u>–</u>	<u>589,461</u>
Segment results	<u>91,667</u>	<u>(7,265)</u>	84,402
Unallocated expenses			(10,873)
Income tax expense	<u>(29,523)</u>	–	<u>(29,523)</u>
Profit for the year			<u>44,006</u>
As at 31 December 2021			
Segment assets	<u>1,072,225</u>	<u>30,645</u>	1,102,870
Unallocated assets			<u>10,804</u>
Total assets			<u>1,113,674</u>
Segment liabilities	<u>372,459</u>	<u>448</u>	372,907
Unallocated liabilities			<u>59,041</u>
Total liabilities			<u>431,948</u>

Year ended 31 December 2020

	Continuing operations		Discontinued operation	Total <i>HKD'000</i> (Re-presented)
	Production and sale of cement <i>HKD'000</i> (Re-presented)	Research and development in biotechnology <i>HKD'000</i> (Re-presented)	Provision of sewage and sludge treatment operation and construction services <i>HKD'000</i> (Re-presented)	
Time of revenue Recognition				
At a point in time	556,397	–	–	556,397
Transferred over time	1,948	–	–	1,948
Segment revenue	<u>558,345</u>	<u>–</u>	<u>–</u>	<u>558,345</u>
Segment results	<u>105,810</u>	<u>–</u>	<u>105</u>	105,915
Unallocated expenses				(9,819)
Income tax expense	<u>(35,248)</u>	<u>–</u>	<u>–</u>	<u>(35,248)</u>
Profit for the year				<u>60,848</u>
As at 31 December 2020				
Segment assets	<u>912,366</u>	<u>39,485</u>	<u>–</u>	951,851
Unallocated assets				<u>17,557</u>
Total assets				<u>969,408</u>
Segment liabilities	<u>246,383</u>	<u>1,410</u>	<u>–</u>	247,793
Unallocated liabilities				<u>83,217</u>
Total liabilities				<u>331,010</u>

Other segment information

Year ended 31 December 2021

	Production and sale of cement <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Unallocated <i>HKD'000</i>	Total <i>HKD'000</i>
Depreciation of property, plant and equipment	25,379	1,651	1,798	28,828
Amortisation of intangible assets	–	899	–	899
(Reversal of provision for)/ provision for on trade and other receivables, net	1,979	(196)	(283)	1,500
Reversal of provision for loan receivables, net	(2,019)	–	–	(2,019)
Government grants	(1,125)	(970)	–	(2,095)
Finance expenses	4,146	14	1,703	5,863
Finance income	(12,221)	(34)	(1)	(12,256)
Share of results of associates	4,212	–	–	4,212
Addition to property, plant and equipment	32,096	286	1,459	33,841
Carrying amount of investment in associates	41,218	–	3,379	44,597

Year ended 31 December 2020

	Production and sale of cement <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Provision of sewage and sludge treatment operation and construction services <i>HKD'000</i>	Unallocated <i>HKD'000</i>	Total <i>HKD'000</i>
Depreciation of property, plant and equipment	22,196	–	–	3,431	25,627
Provision for on trade and other receivables, net	190	200	–	29	389
Provision for loan receivables, net	734	–	–	–	734
Government grants	213	–	–	268	481
Finance expenses	1,901	–	–	296	2,197
Finance income	(3,824)	–	–	(1)	(3,825)
Share of results of associates	4,212	–	–	–	4,654
Addition to property, plant and equipment	23,372	2,509	–	7,064	32,945
Carrying amount of investment in associates	<u>40,841</u>	<u>–</u>	<u>–</u>	<u>–</u>	40,841

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer within the scope of HKFRS 15. There were no inter-segment sales for both years. Revenue derived from the single largest external independent customers amounted to 14.12% of the Group's revenue for the year ended 31 December 2021 (2020: 4.2%).

Revenue from one customer of the Group's Production and sale of cement segment accounted to approximately HK\$83,234,000, which represent 10% or more of the Group's revenue (2020: nil of individual customer contributed 10% or more of the Group's revenue).

5. REVENUE

An analysis of revenue is as follows:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Sale of Ordinary Portland cement strength class 42.5	142,404	169,067
Sale of Composite Portland cement strength class 32.5R	446,149	387,330
Solid waste processing income	908	1,948
	<u>589,461</u>	<u>558,345</u>

6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Cost of inventories sold	478,230	435,941
Depreciation of property, plant and equipment	26,085	21,705
Depreciation of right-of-use assets	2,743	3,922
Amortisation of intangible assets	899	–
Provision for impairment on trade receivables, net (Reversal of provision for)/provision for impairment on other receivables, net	1,979 (479)	160 229
(Reversal of provision for)/provision for impairment on loan receivables, net	(2,019)	734
Write-off interest derived from loan receivables	–	59
Write-off on money lenders licence (<i>note</i>)	–	488
Short term lease expense	468	86
Employee expenses (including directors' remuneration)		
– wages and salaries	23,417	24,312
– pension scheme contribution	6,197	3,719
Auditors' remuneration		
– audit services	1,600	1,308
– non-audit services	169	170
	<u>169</u>	<u>170</u>

Note:

On 9 October 2020, the Company deregistered its subsidiary, Golden Stars Assets Management Limited (“Golden Stars”), which is principally engaged in provision of money lending and financial services, and written off the related money lenders license.

7. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK\$46,541,000 (2020: HK\$60,879,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2020: 552,000,000).

As there were no dilutive options and other dilutive potential ordinary shares in issue for the years ended 31 December 2021 and 2020, diluted earnings per share is the same as basic earnings per share.

From a discontinued operation

Basic and diluted earnings per share for the year from a discontinued operation is nil per share (2020: HK\$0.0002 per share), based on the profit for the year from a discontinued operation of nil (2020: HK\$137,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2020: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the year from a continuing operations is HK\$0.084 per share (2020: HK\$0.110 per share), based on the profit for the year from a continuing operations of HK\$46,541,000 (2020: HK\$60,743,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2020: 552,000,000).

8. INCOME TAX EXPENSE

Taxes on profits assessable in the PRC have been calculated at the applicable tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2021 and 2020.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2021 (2020: Nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil).

Income tax expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Current tax		
– Current year	22,906	26,676
– PRC withholding tax	5,431	–
	<u>28,337</u>	<u>26,676</u>
Deferred tax	1,186	8,572
Income tax expense	<u>29,523</u>	<u>35,248</u>

Income tax expense for the year can be reconciled to the Group's profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Profit before income tax expense		
– Continuing operations	73,529	95,991
– Discontinued operation	–	105
	<u>73,529</u>	<u>96,096</u>
Tax calculated at the PRC profits tax rate of 25% (2020: 25%)	18,382	24,024
Effect of different tax rates in other jurisdictions	912	826
Tax effect of expenses not deductible for tax purposes	1,828	224
Tax effect of tax loss not recognised	1,816	1,602
Tax effect of income not assessable for tax purposes	(32)	–
Accrual of withholding tax liability	<u>6,617</u>	<u>8,572</u>
Income tax expense	<u>29,523</u>	<u>35,248</u>

No deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely except for certain tax losses from PRC subsidiaries will be expired in the coming few years. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable will be available against which the deductible temporary differences can be utilised.

10. GOODWILL

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Gross carrying amount		
As at 1 January	13,910	–
Addition through business acquisition	–	13,910
Exchange difference	295	–
	<u>14,205</u>	<u>13,910</u>
As at 31 December	<u>14,205</u>	<u>13,910</u>
Accumulated impairment losses		
Net carrying amount as at 1 January and 31 December	<u>–</u>	<u>–</u>
As at 1 January	<u>13,910</u>	<u>–</u>
As at 31 December	<u>14,205</u>	<u>13,910</u>

Goodwill arose from a business combination during the year ended 31 December 2020 and it was solely allocated to the CGU, namely Orient Everhealth Biomedical Company Limited (“**Orient Everhealth**”) and Suzhou Everhealth Biomedical Company Limited (“**Suzhou Everhealth**”).

The Group performed its annual impairment test with a valuation performed by an independent qualified professional valuer. The Group considers the relationship between its market capitalisation and its book value, assumptions reflective of prevailing market condition. The carrying amount of goodwill relating to the CGU is approximately HK\$14,205,000 (2020: approximately HK\$13,910,000).

The recoverable amounts of the CGU of approximately HK\$51,440,000 as at 31 December 2021 has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.0% (2020: 2.6%), which does not exceed the long-term growth rate for the biotechnology industry in the PRC. Discount rate used of 19.41% (2020: 19.0%) is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience. As at 31 December 2021, the carrying amount of the CGU was approximately HK\$25,768,000. Accordingly, it was concluded that the recoverable amount exceeds the carrying amount by approximately HK\$25,672,000.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills receivables due from third parties	72,294	79,151
<i>Less: provision for impairment (note (iv))</i>	<u>(3,377)</u>	<u>(1,339)</u>
Trade and bills receivables, net (note (i))	<u>68,917</u>	<u>77,812</u>
Prepayments (note (ii))	130,129	24,332
Loans receivable (note (iii))	–	30,005
Consideration receivable	–	13,202
Other receivables	4,160	33,204
<i>Less: provision for impairment of other receivables (note (iv))</i>	(67)	(542)
<i>Less: provision for impairment of loans receivables (note (iv))</i>	<u>–</u>	<u>(2,008)</u>
Prepayments, deposits and other receivables	<u>134,222</u>	<u>98,193</u>
Total trade and other receivables	<u>203,139</u>	<u>176,005</u>
<i>Less: non-current portion</i>		
– Deposit paid for purchase of machineries	<u>(6,425)</u>	<u>(10,067)</u>
Current trade and other receivables	<u>196,714</u>	<u>165,938</u>

(i) Trade and bills receivables

Credit terms given to its customers in cement segment and sewage and sludge treatment segment generally range from 30 to 90 days (2020: 30 to 90 days). For major 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 HK\$1,000,000 and HK\$50,000,000 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.

Bills receivable represent bills received from customers for settlement of trade receivables. Bills receivables are normally due within 180 days.

The trade and bills receivable are inclusive of value-added tax. Ageing analysis of trade and bills receivables (net of provision) by invoice date and issuance date of bills are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	62,251	63,319
From 91 days to 180 days	4,002	9,676
From 181 days to 1 year	1,656	1,719
From 1 year to 2 years	804	2,775
Over 2 years	204	323
	<u>68,917</u>	<u>77,812</u>

Ageing analysis of the Group's trade and bills receivables that were past due but not impaired is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired (<i>note (a), (b)</i>)	66,253	68,681
1 to 90 days past due	–	4,376
91 to 180 days past due	–	1,657
181 to 1 year past due	1,656	2,775
More than 1 year past due	1,008	323
	<u>68,917</u>	<u>77,812</u>

Notes:

- (a) The balances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.
- (b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience adjusted to current and forward-looking factors to the debtors and economic environment, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) **Prepayments**

As at 31 December 2021, included in the Group's prepayments were amounts of HKD123,334,000, HKD4,312,000 and HKD2,113,000 (2020: HKD14,184,000, HKD10,067,000 and HKD Nil) paid to suppliers for raw material purchases, purchase of machineries and right of use of license respectively.

(iii) **Loan receivables**

As at 31 December 2020, the Group's loan receivables represent unsecured loan receivables of HKD30,005,000 (approximately RMB25,000,000) from one independent third party with interest at a fixed rate of 6% per annum repayable in December 2020. During the year, the unsecured loans were fully repaid in October 2021.

(iv) **Movements of the provision for impairment of trade and other receivables are as follows:**

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Trade receivables:		
Beginning of year	1,339	2,035
Provision for the year	2,907	877
Balance recovered for the year	(928)	(717)
Write off	–	(988)
Exchange differences	59	132
	<u>3,377</u>	<u>1,339</u>
End of year	<u><u>3,377</u></u>	<u><u>1,339</u></u>
	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Other receivables:		
Beginning of year	542	297
(Reversal of)/Provision for the year	(479)	229
Exchange differences	4	16
	<u>67</u>	<u>542</u>
End of year	<u><u>67</u></u>	<u><u>542</u></u>

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Loan receivables:		
Beginning of year	2,008	1,206
Provision for the year	–	2,026
Balance recovered for the year	(2,019)	(1,292)
Exchange differences	11	68
	<hr/>	<hr/>
End of year	–	2,008
	<hr/> <hr/>	<hr/> <hr/>

The origination and release of provision for impairment of trade receivables, other receivables and loan receivables have been included in administrative expenses in the profit or loss. Amounts charged to impairment account are generally written off, when there is no expectation of recovering additional cash. The Group recognised impairment loss on collective and individual assessment in accordance with the accounting policy.

12. LEASE LIABILITIES

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Leasehold land and buildings		
At 1 January	4,303	71
Addition	1,459	7,064
Addition through business acquisition	–	491
Disposal of subsidiaries	(2,402)	–
Interest expenses	100	296
Lease payments	(2,360)	(3,626)
Exchange differences	2	7
	<hr/>	<hr/>
At 31 December	1,102	4,303
	<hr/> <hr/>	<hr/> <hr/>

Future lease payments are due as follows:

	Minimum lease payments 31 December 2021 <i>HKD'000</i>	Interest 31 December 2021 <i>HKD'000</i>	Present value 31 December 2021 <i>HKD'000</i>
Not later than one year	540	16	524
After one year but within two years	583	5	578
	<u>1,123</u>	<u>21</u>	<u>1,102</u>
	Minimum lease payments 31 December 2020 <i>HKD'000</i> (Re-presented)	Interest 31 December 2020 <i>HKD'000</i> (Re-presented)	Present value 31 December 2020 <i>HKD'000</i> (Re-presented)
Not later than one year	4,087	607	3,480
After one year but within two years	824	1	823
	<u>4,911</u>	<u>608</u>	<u>4,303</u>

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Trade payables	103,209	75,937
Bill payables	61,252	40,513
Contract liabilities (<i>note (b)</i>)	15,876	11,700
Salary and bonus payables	5,376	5,352
VAT payables (<i>note (a)</i>)	2,677	6,139
Amounts due to related parties	43,636	44,907
Other payables	12,115	9,955
	<u>244,111</u>	<u>194,503</u>

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2020: 30 to 90 days).

As at 31 December 2021, bank deposit of HK\$61,252,000 (2020: HK\$25,390,000) are pledged as security for bill payables.

Ageing analysis of trade payables by invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Within 30 days	41,616	41,184
From 31 days to 90 days	54,207	28,972
From 91 days to 180 days	3,181	1,726
From 181 days to 1 year	2,308	1,319
From 1 year to 2 year	281	1,325
Over 2 years	1,616	1,411
	<u>103,209</u>	<u>75,937</u>

Notes:

- (a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2020: 13%). 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.

(b)

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advance from customers arising from:		
– Sales of cement products	<u>15,876</u>	<u>11,700</u>

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sales of cement products

The Group required receipt in advance from some customers before delivery of cement products.

Movements in advance from customers

	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
		(Re-presented)
Balance as at 1 January	11,700	18,766
– Revenue recognised for the balances included in the contract liabilities at the beginning of the year	(11,765)	(20,103)
– Increase for the cash received for the balances where revenue is not yet recognised during the year	15,633	11,808
– Exchange adjustments	<u>308</u>	<u>1,229</u>
	<u>15,876</u>	<u>11,700</u>

14. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Bank borrowings (<i>note (a)</i>)	121,335	43,687
Other loan (<i>note (b), (c)</i>)	<u>15,340</u>	<u>34,550</u>
Total borrowings	<u><u>136,675</u></u>	<u><u>78,237</u></u>
Carrying amount of borrowings repayable:		
On demand or within one year	<u><u>136,675</u></u>	<u><u>78,237</u></u>

Notes:

- (a) As at 31 December 2021, bank borrowings of approximately HKD121,335,000 (2020: HKD43,687,000) with fixed interest rates ranged from 4.95% to 5.66% (2020: 4.95% to 5.66%) per annum was secured by corporate guarantees from the Company.
- (b) As at 31 December 2021, the Group's other loans represented (i) an other loan of HKD10,700,000 (2020: HKD10,700,000) with a fixed interest rate of 9% per annum from one third party; (ii) an other loan of HKD890,000 (31 December 2020: RMB Nil) with a fixed interest rate of 13% per annum from another third party (iii) an interest-free loan of HKD3,600,000 (2020: HKD3,600,000) from a company under control of Mr. Tseung. (iv) As at 31 December 2020, an unsecured interest-free loan of approximately HKD18,600,000 was secured by personal guarantees from Mr. Tseung. During the year, the loan was disposed together with disposal of subsidiaries.
- (c) As at 31 December 2021, unsecured interest-free loan of HKD150,000 (2020: HKD1,650,000) provided by Mr. Tseung.

15. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each as at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
<i>Issued:</i>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>552,000,000</u>	<u>5,520</u>

16. DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2021 of HKD0.0725 per share (tax exclusive), which amounted for HKD40,020,000 (30 June 2020: HKD40,020,000) was proposed and approved by the Board at the Board meeting on 25 August 2021. The interim dividend was paid on 15 October 2021. No final dividends were declared by the Board for the year ended 31 December 2021.

17. RELATED PARTY TRANSACTIONS

(a) 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:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Basic salaries and benefits in kind	<u>3,062</u>	<u>5,082</u>

There are eleven, nil and nil (2020: four, nil and one) key management personnel of the Group with remuneration fell within the band of nil to HKD1,000,000, the band of HKD1,000,000 to HKD1,500,000, and the band of HKD1,500,000 to HKD2,000,000 in 2021 respectively.

On 1 November 2018, Mr. Tseung (as the lender) entered into an interest-free loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD 1,500,000 to a subsidiary of the Company and subject to the lender's overriding right of repayment on demand. As at 31 December 2021, borrowing of approximately HKD 150,000 (2020: HKD1,650,000) was due to Mr. Tseung.

Other payables included amounts due to companies under the control of Mr. Tseung, of HKD43,636,000 (2020: HKD44,907,000). The balances are unsecured, interest-free and repayable on demand.

Acquisition of 100% equity interests in Orient Everhealth by the Group in December 2020 for a cash consideration of HKD39,006,000 (equivalent to RMB32,500,000) was a related party transaction as the vendor was controlled by Mr. Tseung.

Other than the above disclosed, there are no material transactions among the Group and its related parties for the year ended 31 December 2021 (2020: Nil).

(b) Significant related party transactions

Summary of the significant related party transactions carried out by the Group during the year are follows:

	<i>Note</i>	2021 <i>HKD'000</i>	2020 <i>HKD'000</i> (Re-presented)
Revenue received from			
– an associate	<i>(i)</i>	<u>908</u>	<u>1,948</u>

Note:

- (i) Revenue received in respect of solid waste processing income were mutually agreed by both parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

We made a good start for the 14th Five-Year Plan in 2021. China's economy maintained stable recovery and attained additional achievements in high-quality development under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping at its core. In particular, local authorities and government departments across the country implemented the decisions and plans of the Party Central Committee and the State Council prudently, and carried out COVID-19 prevention and control and pursue economic and social development in a more coordinated way. The gross domestic product for the year amounted to RMB114,367.0 billion in China, representing a growth of 8.1% over the corresponding period of last year in terms of constant price (2020: 2.3%). Generally speaking, the major macro-economic data stays in a reasonable range in 2021, however, several indicators related to cement consumptions showed obvious decline, and investments in fixed assets, real estate and infrastructures decreased significantly. According to the National Bureau of Statistics (NBS), the fixed asset investment in China (excluding rural households) in 2021 reached RMB54,454.7 billion, representing a year-on-year growth of 4.9%. The domestic real estate development and investment reached RMB14,760.2 billion, representing a year-on-year growth of 4.4% (Source: NBS). The cement demand in 2021 showed a trend of decreasing. According to the NBS, the accumulated domestic cement output in 2021 amounted to 2.363 billion tonnes, representing a year-on-year decrease of 1.2%, while the accumulated domestic clinker output was 1.579 billion tonnes, increased by 3.88% year on year. In terms of regions, among the six major regions of the country, the production in east China and the central and southern regions recorded a slight growth of 2.9% and 0.3% respectively, while those of all the others declined significant, especially in the northeast and southwest China, the decline in cement production reached the largest of 8.6% and 8.5% respectively. 18 out of 31 provinces recorded year-on-year decline in cement production, particularly Yunnan, Guizhou and Tibet, recording a double-digit drop. It can be seen that the market demand is still obviously differentiated in different regions. According to the statistics of Digital Cement of China Cement Association, the domestic PO42.5 cement price index in 2021 was RMB486 per tonne, representing an increase of RMB47 per tonne or 10.7% year-on-year as compared with RMB439 per tonne in 2020. (Source: Digital Cement).

From the regional perspective, the east China region in which the Group locates recorded the average annual price of RMB526 per tonne in 2021, an increase of 8.7% compared to 2020. The price is slightly lower than that of the central and southern China region. The central and southern China recorded an average annual price of RMB533 per tonne in 2021, an increase of 9.2% over 2020. The northeast China region enjoyed the largest price growth, recording an average annual price of RMB476 per tonne in 2021, up by 38.9% compared with 2020. The northwest China region bore the smallest increase, namely 5.5% (Source: Digital Cement).

The Group's overall performance of 2021 benefited from the stable demand in the fourth quarter and the price rebound in the cement industry. At the same time, the Group's sales volume was affected by the dual-way energy control policies and the suspended and restricted production resulted from regional power shortfall in "Golden September and Silver October" for sales of cement, which weakened the sales rebound. As of 31 December 2021, the Group recorded revenue of approximately HK\$588,553,000 from the sales of cement products, representing an increase of approximately HK\$32,156,000 or 5.8% compared with that of approximately HK\$556,397,000 for the year ended 31 December 2020.

Money Lending and Financial Services Segment

As set out in 2020 annual report, given that the Group is expanding into the fields of new energy, environmental protection and biomedicine, the Group will close the money lending and financial services segment. Since its establishment, the money lending and financial service segment business has not yet started to operate.

Biomedical Segment

According to an industry report issued by a global consulting institution in 2020, the oncology medicine market in the PRC has grown rapidly in recent years and is expectedly to keep growing in the future. The total sales of oncology medicines in the PRC increased from approximately RMB110.2 billion in 2015 to approximately RMB182.7 billion in 2019. One of the key growth drivers is the large and increasing patient base in the PRC. The large cancer patient base in the PRC keeps growing due to changes in people's lifestyle and diet as well as the growing aging population, which not only generates substantial market demand for cancer treatments but also provides a favourable clinical trial environment for the rapid development of new therapeutics. The number of cancer cases in the PRC has been increasing steadily in the past five years, from approximately 4 million cases in 2015 to approximately 4.4 million cases in 2019.

In addition, according to an industrial report issued by a global consulting institution in 2020, it is expected that the market size and market share of medicines for autoimmune diseases in the PRC will constantly increase in next 10 years. Such increase is attributable to a number of factors, including the development and improvement of diagnostic methods of autoimmune diseases in the PRC, favorable government plans and policies as well as the continuous enhancement of the public's capability to afford the treatment of autoimmune diseases and the awareness on such diseases.

The PRC government has enacted encouragement policies to support and promote the research and development of bio-pharmaceuticals. For instance, in October 2017, the PRC government issued the Opinions on Deepening the Reform of the Review and Approval System to Encourage the Innovation of Drugs and Medical Devices. In July 2018, the National Medical Products Administration issued the Announcement of the National Medical Products Administration on Adjusting the Review and Approval Procedures for Drug Clinical Trials, stating that for investigational new drug applications in the PRC, clinic trials can be proceeded as set out in the proposals submitted as long as no objections or enquires are received within a certain period of time. The research and development of bio-pharmaceuticals shall be facilitated through the reform on clinical trials management, the acceleration of review and approval and other measures.

The Group is committed to exploring new business opportunities and intends to acquire quality businesses and assets with good prospects for the Group's future development. The desire to diversify the Group's business is intended to enable the Group to achieve greater returns in the long term. Against this background, the Group has acquired the entire issued share capital of Orient Everhealth Biomedical Company Limited ("**Orient Everhealth**") during the Reporting Period. Orient Everhealth holds 65% issued share capital in Suzhou Everhealth Biomedical Company Limited ("**Suzhou Everhealth**"), which is principally engaged in the research and development of innovative medicines and therapy for cancers and autoimmune diseases, and their commercialisation. The above acquisition was completed on 31 December 2020 and Orient Everhealth has become a wholly-owned subsidiary of the Company. For details of the acquisition, please refer to the announcement dated 6 November 2020 and the circular dated 15 December 2020 of the Company. The acquisition provides the Group with an opportunity to expand into comprehensive healthcare and biopharmaceutical sectors, which would diversify the Group's business and enhance shareholders' value.

At present, Suzhou Everhealth has completed pre-clinical development of PD-ligand 1 (PD-L1) inhibitory antibody drugs, and obtained related in vitro and in vivo anti-tumor experimental data; its T cell immunoglobulin domain and mucin domain-3 (TIM-3) monoclonal antibody project has successively made progress in antibody preparation, antibody humanization, construction of cell lines with high expression stability, and in vitro and in vivo tumor research, along with a patent layout. Meanwhile, 2021 has seen three new research and development projects: 1. the development of drugs for oncolytic herpes simplex virus (HSV); 2. the design of a new chimeric antigen receptor (CAR) 3. the research and development project of antibody-drug conjugate (ADC).

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

During the Reporting Period, the Group's revenue arisen from the cement segment amounted to approximately HK\$589,461,000, representing an increase of approximately HK\$31,116,000 or 5.6% from approximately HK\$558,345,000 in the corresponding period in 2020. The increase was mainly benefited from the rise in cement price.

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

	2021			2020		
	Sales Volume <i>Thousand tonnes</i>	Average Selling Price <i>HK\$/ tonne</i>	Revenue <i>HK\$'000</i>	Sales Volume <i>Thousand tonnes</i>	Average Selling Price <i>HK\$/ tonne</i>	Revenue <i>HK\$'000</i>
PO 32.5R Cement	338	421	142,404	439	385	169,067
PC 42.5 Cement	<u>909</u>	<u>491</u>	<u>446,149</u>	<u>851</u>	<u>455</u>	<u>387,330</u>

Categorized by product type, the sales volume of cement products in 2021 amounted to approximately 1,247 thousand tonnes, representing a decrease of approximately 3.3% from 2020, while the sales income of cement products was approximately HK\$588,553,000, representing an increase of approximately HK\$32,156,000 or approximately 5.8% from approximately HK\$ 556,397,000 in 2020.

The rental income from cement kilns in 2021 amounted to approximately HK\$908,000, representing a decrease of approximately HK\$1,040,000 or 53% from approximately HK\$1,948,000 in 2020.

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

	2021		2020	
	Revenue <i>HK\$'000</i>	% of total turnover	Revenue <i>HK\$'000</i>	% of total turnover
Jiangsu Province	496,215	84.31%	449,525	80.79%
Wujiang District	492,583	83.69%	388,928	69.90%
Suzhou (excluding Wujiang District)	3,632	0.62%	60,597	10.89%
Zhejiang Province	90,480	15.37%	98,433	17.69%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	31,027	5.27%	53,483	9.61%
Jiaxing	59,453	10.10%	44,950	8.08%
Shanghai	1,858	0.32%	8,439	1.52%
Total	<u>588,553</u>	<u>100.00%</u>	<u>556,397</u>	<u>100.00%</u>

During the Reporting Period, due to the rise in cement price, the sales income of the Group increased as compared to the corresponding period of last year. The sales in most of the regions recorded different extents of the increase as compared to the corresponding period of last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit, all generated from cement segment amounted to approximately HK\$111,231,000, representing a decrease of approximately HK\$11,173,000 or approximately 9% as compared to approximately HK\$122,404,000 in 2020, while the gross profit margin amounted to approximately 18.9% in 2021, representing a decrease of approximately 3% as compared to approximately 21.9% in 2020. The decrease was mainly due to the increase of market coal price which increase the production cost of cement, resulting in a decrease in gross profit margin.

Other Income and Other Gain

The Group's other income and other gain amounted to approximately HK\$2,330,000 during the Reporting Period, representing a decrease of approximately HK\$8,691,000 or approximately 78.9% compared to approximately HK\$11,021,000 in 2020, which is mainly due to (1) the interest of approximately HK\$2,948,000 generated from the subscription of high-yield bonds last year while there was no such subscription this year; (2) the decrease in VAT refund of approximately HK\$5,051,000 as no longer meeting the refund standard due to the change in the production standard of cement industry.

Sales and Distribution Expenses

The Group's sales and distribution expenses, all generated from cement segment, amounted to approximately HK\$5,840,000 during the Reporting Period, representing a decrease of approximately HK\$41,000 or approximately 1% as compared to approximately HK\$5,881,000 in 2020. Sales and distribution expenses in 2021 accounted for approximately 1.0% of the consolidated revenue of the cement segment, which remained about flat as compared to approximately 1.1% in 2020.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately HK\$44,797,000 during the Reporting Period, representing an increase of approximately HK\$6,962,000 or approximately 18.4% as compared to approximately HK\$37,835,000 in 2020. The increase in the general and administrative expenses was primarily due to the increase from consolidation of administrative expenses of Biomedical segment during the Reporting Period.

Tax

The Group's income tax expense amounted to approximately HK\$29,523,000 during the Reporting Period, representing a decrease from approximately HK\$35,348,000 of income tax expense in 2020, which was primarily due to a decrease in the results of the cement segment in 2021.

Details of the Group's income tax are set out in note 8 to the consolidated financial statements of this announcement.

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 18.9%, representing a decrease as compared to approximately 21.9% in 2020. The decrease was mainly attributable to (i) the increase in the production cost of cement due to the rising coal price; (2) the decrease in other income and other gain of approximately HK\$8,691,000 as mentioned in the above section headed "Other Income and Other Gain"; and (3) the research and development costs and administrative expenses of approximately HK\$7,265,000 incurred by the new biomedical segment of the Group's business this year, resulting in a decrease from a net profit of approximately HK\$60,848,000 in 2020 to a net profit of approximately HK\$44,006,000 in 2021.

Liquidity and Capital Resources

The Group planned to meet its working capital requirements primarily through cash flow from operating activities, borrowings and utilising trade and other payables, proceeds from initial public offering, and part of the proceeds from the placement of new shares.

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Cash and cash equivalents	90,292	111,637
Borrowings	136,675	78,237
Debt to equity ratio	20.05%	12.26%
Debt to asset ratio	151.4%	70.08%

Cash Flow

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK\$90,292,000, representing a decrease of approximately 19.1% from approximately HK\$111,637,000 as at 31 December 2020, which was primarily due to the increase in receivables during the Reporting Period.

Borrowings

	31 December 2021 <i>HK\$'000</i>	31 December 2020 HK\$'000
Current:		
Borrowings		
– Cement segment	121,335	43,687
– Unallocated	15,340	34,550
	<hr/>	<hr/>
Borrowings	<u>136,675</u>	<u>78,237</u>

As at 31 December 2021, the Group's bank borrowings amounted to approximately HK\$121,335,000, representing an increase of approximately 177.7% from approximately HK\$43,687,000 as at 31 December 2020, which was mainly due to the increase in the bank loans of the Group.

As at 31 December 2021 and 31 December 2020, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits. As at 31 December 2021, borrowings of approximately HK\$14,300,000 was secured by corporate guarantees from the Company (2020: HK\$13,262,000).

As at 31 December 2021, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 31 December 2021, the Group's debt to equity ratio was 20.05%, which increased as compared with 12.09% as at 31 December 2020.

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

Capital Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately HK\$32,382,000 in 2021, all of which were generated from the cement segment. It represented an increase of approximately 38.5% from approximately HK\$23,372,000 in 2020, which was mainly due to the increase in technical transformation costs.

As at 31 December 2021, the Group had capital commitments of approximately HK\$3,940,000 (2020: HK\$7,342,000).

Pledge of Assets

As at 31 December 2021, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2021, 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. During the Reporting Period, the Group was not materially affected in operating business and working capital due to fluctuations in foreign exchange rates.

During the Reporting Period, the Group did not expose to any significant currency exchange risks, nor did the Group implement any hedging measures for such risks.

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 development and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. The management will closely monitor its foreign exchange exposure and will consider taking appropriate 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 material acquisitions or disposals of its subsidiaries or associated companies.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 234 employees. The total remuneration of our employees amounted to approximately HK\$29,614,000 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 2022, the Group will continue to effectively reduce costs by improving internal management, and upgrade the existing facilities of the Company to increase production efficiency and reduce maintenance costs. Through the refined customer services, the Group will expand its market share and improve the product profitability. Besides, the Group will continuously develop and improve its R&D team building to promote the development of various product pipelines, and keep exploring other innovation pipelines. Meanwhile, the Group will continue to actively explore the investment opportunities in the emerging industries, especially in the field of new energy and bio-pharmaceutical. Furthermore, the Group will try capital operation to enhance its operational efficiency, thereby enhancing its comprehensive competitiveness.

EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2021, included in trade and other receivables, there were two non-refundable prepayment paid to suppliers for raw material purchases, amounted to HKD115,000,000 in aggregate. In March 2022, the suppliers were not able to perform their obligations in an event of unforeseeable force majeure. After the negotiation, the suppliers had made the repayment of HKD61,000,000 (equivalent to RMB50,000,000) and HKD54,000,000 (equivalent to RMB44,000,000) on 29 March 2022 and 24 March 2022 respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the Reporting Period and as of the date of this announcement, the Company has complied with Listing Rules, saved as deviations below.

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, all the Directors had been presented at such meetings. The Board considers that during the Reporting Period, the Group had no other significant matters which required to convene formal Board meetings for discussion. Nevertheless, 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 as and when required. During the Reporting Period, the Board held two provisional meetings in aggregate to consider and approve, inter alia, the change of the presentation currency for the consolidated financial statements and the registered office of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its 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 during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in accordance with the requirements of the Listing Rules with written terms of reference.

The Audit Committee has reviewed the Group’s annual financial statements for the year ended 31 December 2021 and has discussed the financial statements issues with the management of the Company. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

As at the date of this announcement, so far as the Board is aware, the information set out herein is the same as those to be set out in the Company’s annual report for 2021.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement, from pages 2 to 36, have been agreed by the Company’s external auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by BDO Limited on this annual results announcement.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2021 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2021 annual report will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Dongwu Cement International Limited
Liu Dong
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises Mr. Liu Dong and Mr. Wu Junxian as executive Directors; Mr. Tseung Hok Ming, Ms. Xie Yingxia and Mr. Chen Xuanlin as non-executive Directors; and Mr. Cao Kuangyu, Ms. Yu Xiaoying and Mr. Suo Suo as independent non-executive Directors