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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 2022**

**FINANCIAL HIGHLIGHTS**

- During the Reporting Period, the Group's revenue amounted to approximately HK\$372,338,000, representing a decrease of approximately HK\$217,123,000 or 36.8% from approximately HK\$589,461,000 for the year ended 31 December 2021.
- The gross profit margin of cement segment decrease from approximately 18.9% for the year ended 31 December 2021 to approximately 0.9% for the Reporting Period.
- For the year ended 31 December 2022, profit/(loss) attributable to equity holders of the Company decrease to approximately HK\$(40,468,000) during the Reporting Period from approximately HK\$46,541,000 for the year ended 31 December 2021.

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 2022 (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 2021.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>Notes</i>	<b>2022</b> <i>HKD'000</i>	2021 <i>HKD'000</i>
<b>Revenue</b>	5	<b>372,338</b>	589,461
Cost of sales		<u>(368,961)</u>	<u>(478,230)</u>
<b>Gross profit</b>		<b>3,377</b>	111,231
Distribution expenses		<b>(3,077)</b>	(5,840)
Administrative expenses		<b>(59,461)</b>	(44,797)
Other income		<b>2,810</b>	2,241
Other gain		<u>–</u>	<u>89</u>
<b>Operating (loss)/income</b>		<b>(56,351)</b>	62,924
Finance income		<b>8,840</b>	12,256
Finance expenses		<b>(6,701)</b>	(5,863)
Finance income – net		<b>2,139</b>	6,393
Share of results of associates		<b>2,392</b>	4,212
<b>(Loss)/profit before income tax expense</b>	6	<b>(51,820)</b>	73,529
Income tax credit/(expense)	8	<b>8,747</b>	(29,523)
<b>(Loss)/profit for the year</b>		<u><b>(43,073)</b></u>	<u>44,006</u>
<b>Other comprehensive income for the year, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u><b>(58,376)</b></u>	<u>19,042</u>
Other comprehensive income, net of tax		<u><b>(58,376)</b></u>	<u>19,042</u>
<b>Total comprehensive income for the year</b>		<u><u><b>(101,449)</b></u></u>	<u><u>63,048</u></u>

		<b>2022</b>	2021
	<i>Notes</i>	<b><i>HKD'000</i></b>	<i>HKD'000</i>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b>(40,468)</b>	46,541
Non-controlling interests		<b>(2,605)</b>	(2,535)
		<u><b>(43,073)</b></u>	<u>44,006</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(99,303)</b>	65,669
Non-controlling interests		<b>(2,146)</b>	(2,621)
		<u><b>(101,449)</b></u>	<u>63,048</u>
<b>(Loss)/earnings per share</b>			
– Basic and diluted (HKD per share)	7	<u><b>(0.073)</b></u>	<u>0.084</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	<b>2022</b> <i>HKD'000</i>	2021 <i>HKD'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>194,137</b>	217,394
Goodwill	<i>9</i>	<b>13,064</b>	14,205
Intangible assets		<b>6,767</b>	8,273
Deposit paid for purchase of machineries and intangible assets		<b>3,106</b>	6,425
Deposit paid for acquisition of property		<b>25,361</b>	–
Investments in associates		<b>43,339</b>	44,597
Deferred tax assets		<b>5,790</b>	–
Financial assets at fair value through profit or loss		<b>112,715</b>	–
		<hr/>	<hr/>
Total non-current assets		<b>404,279</b>	290,894
		<hr/> <hr/>	<hr/> <hr/>
<b>Current assets</b>			
Inventories		<b>44,028</b>	67,868
Trade and other receivables	<i>10</i>	<b>51,834</b>	196,714
Short-term bank deposits		<b>466,640</b>	406,654
Pledged bank deposits		<b>60,200</b>	61,252
Cash and bank balances		<b>7,662</b>	90,292
		<hr/>	<hr/>
Total current assets		<b>630,364</b>	822,780
		<hr/>	<hr/>
<b>Current liabilities</b>			
Lease liabilities	<i>11</i>	<b>1,032</b>	524
Trade and other payables	<i>12</i>	<b>223,619</b>	228,235
Contract liabilities	<i>13</i>	<b>15,175</b>	15,876
Income tax payables		–	7,632
Borrowings	<i>14</i>	<b>178,439</b>	136,675
		<hr/>	<hr/>

	<i>Notes</i>	<b>2022</b> <b><i>HKD'000</i></b>	2021 <i>HKD'000</i>
Total current liabilities		<u>418,265</u>	<u>388,942</u>
<b>Net current assets</b>		<b><u>212,099</u></b>	<b><u>433,838</u></b>
<b>Total assets less current liabilities</b>		<b><u>616,378</u></b>	<b><u>724,732</u></b>
<b>Non-current liabilities</b>			
Lease liabilities	<i>11</i>	794	578
Deferred tax liabilities		<u>35,307</u>	<u>42,428</u>
Total non-current liabilities		<u>36,101</u>	<u>43,006</u>
<b>Net assets</b>		<b><u>580,277</u></b>	<b><u>681,726</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>15</i>	5,520	5,520
Reserves		<u>581,693</u>	<u>680,996</u>
		<u>587,213</u>	<u>686,516</u>
<b>Non-controlling interests</b>		<u>(6,936)</u>	<u>(4,790)</u>
<b>Total equity</b>		<b><u>580,277</u></b>	<b><u>681,726</u></b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Equity attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Other reserves	Translation reserve	Retained earnings	Total		
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
<b>As at 1 January 2021</b>	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
<b>Total comprehensive income</b>	–	–	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)
<b>At 31 December 2021 and 1 January 2022</b>	5,520	460,321	4,516	216,159	686,516	(4,790)	681,726
Loss for the year	–	–	–	(40,468)	(40,468)	(2,605)	(43,073)
Exchange difference arising on translation of financial statements of foreign operations	–	–	(58,835)	–	(58,835)	459	(58,376)
<b>Total comprehensive income</b>	–	–	(58,835)	(40,468)	(99,303)	(2,146)	(101,449)
<b>At 31 December 2022</b>	<u>5,520</u>	<u>460,321</u>	<u>(54,319)</u>	<u>175,691</u>	<u>587,213</u>	<u>(6,936)</u>	<u>580,277</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	<b>2022</b> <i>HKD'000</i>	2021 <i>HKD'000</i>
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax expense		<b>(51,820)</b>	73,529
Adjustments for:			
Depreciation of property, plant and equipment	<i>6</i>	<b>25,014</b>	26,085
Depreciation of right-of-use assets	<i>6</i>	<b>1,347</b>	2,743
Amortisation of intangible assets	<i>6</i>	<b>874</b>	899
(Reversal of provision for)/provision for impairment on trade receivables, net	<i>10</i>	<b>(3,016)</b>	1,979
Provision for/(reversal of provision for) impairment on other receivables, net	<i>10</i>	<b>31</b>	(479)
Reversal of provision for impairment on loan receivables, net	<i>10</i>	–	(2,019)
Exchange loss/(gain), net		<b>35</b>	(71)
Gain on disposal of subsidiaries		–	(89)
Finance income		<b>(8,840)</b>	(12,256)
Finance expenses		<b>6,701</b>	5,863
Share of results of associates		<b>(2,392)</b>	(4,212)
<hr/>			
Operating (loss)/profit before working capital changes		<b>(32,066)</b>	91,972
Decrease/(increase) in inventories		<b>18,927</b>	(30,825)
Decrease/(increase) in trade and other receivables		<b>135,943</b>	(46,311)
Increase in trade and other payables and contract liabilities		<b>9,930</b>	44,682
<hr/>			
<b>Cash generated from operating activities</b>		<b>132,734</b>	59,518
Income tax paid		<b>(8,259)</b>	(29,063)
Withholding tax paid		–	(5,431)
<hr/>			
Net cash generated from operating activities		<b>124,475</b>	25,024

<i>Notes</i>	<b>2022</b> <i>HKD'000</i>	2021 <i>HKD'000</i>
<b>Cash flows from investing activities</b>		
Interest received	<b>8,840</b>	12,256
Disposal of subsidiaries, net of cash disposed	–	1
Purchases of property, plant and equipment	<b>(12,825)</b>	(32,382)
Purchases of intangible assets	<b>(8)</b>	(87)
Increase in investment in an associate	–	(3,327)
Purchase of financial assets at fair value through profit or loss	<b>(116,020)</b>	–
Dividend received from an associate	–	4,692
Repayment from third parties (loan receivables)	–	60,342
Loans to third parties (loan receivables)	–	(30,171)
Placement of short-term deposits	<b>(480,325)</b>	(404,448)
Release of short-term deposits	<b>384,956</b>	378,139
Placement of pledged bank deposits	<b>(61,965)</b>	(60,315)
Release of pledged bank deposits	<b>57,983</b>	–
Deposit paid for purchase of machineries	<b>(3,197)</b>	(6,425)
Deposit paid for acquisition of property	<b>(26,105)</b>	–
	<hr/>	<hr/>
Net cash used in investing activities	<b>(248,666)</b>	(81,725)
<b>Cash flows from financing activities</b>		
Interest paid	<b>(5,965)</b>	(3,919)
Cash dividend paid	–	(40,020)
Proceeds from borrowings	<b>191,085</b>	121,219
Repayments of borrowings	<b>(138,064)</b>	(45,430)
Repayment of principal portion of the lease liabilities	<b>(655)</b>	(2,260)
	<hr/>	<hr/>
Net cash generate from financing activities	<b>46,401</b>	29,590
<b>Net decrease in cash and bank balances</b>		
Cash and bank balances at beginning of the year	<b>90,292</b>	111,637
Effect of exchange rate changes on cash and bank balances	<b>(4,840)</b>	5,766
	<hr/>	<hr/>
<b>Cash and bank balances at end of the year</b>	<b>7,662</b>	90,292
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# 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 sales of cement and the research and development in biotechnology. The principal place of the Group's business is Fenhu 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 2022

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 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

None of these amendments to HKFRSs has a material impact on the Group's results and financial position for the current or prior 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 consolidated 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. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
HK Interpretation 5 (2022)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> 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.

**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 the 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 and 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**"). The consolidated financial statements are presented in HKD as the shareholders and potential investors of the Company can have more accurate picture of the Group's financial performance.

#### **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. The Group's product and service lines identified as reportable operating segments are as follows:

Reportable segment:

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

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.

**Year ended 31 December 2022**

	<b>Production and sale of cement <i>HKD'000</i></b>	<b>Research and development in biotechnology <i>HKD'000</i></b>	<b>Total <i>HKD'000</i></b>
<b>Time of revenue Recognition</b>			
At a point in time	371,737	–	371,737
Transferred over time	<u>601</u>	<u>–</u>	<u>601</u>
Segment revenue	<u><u>372,338</u></u>	<u><u>–</u></u>	<u><u>372,338</u></u>
Segment results	<u><u>(36,782)</u></u>	<u><u>(7,461)</u></u>	<u><u>(44,243)</u></u>
Unallocated expenses			(7,577)
Income tax credit	<u>8,747</u>	<u>–</u>	<u>8,747</u>
Loss for the year			<u><u>(43,073)</u></u>
<b>As at 31 December 2022</b>			
Segment assets	<u><u>867,291</u></u>	<u><u>25,159</u></u>	<u><u>1,005,105</u></u>
Deposit paid for acquisition of property			25,361
Financial assets at fair value through profit or loss			112,715
Unallocated assets			<u>4,117</u>
Total assets			<u><u>1,034,643</u></u>
Segment liabilities	<u><u>385,779</u></u>	<u><u>2,795</u></u>	<u><u>388,574</u></u>
Unallocated liabilities			<u>65,792</u>
Total liabilities			<u><u>454,366</u></u>

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>
<b>Time of revenue Recognition</b>			
At a point in time	588,553	–	588,553
Transferred over time	<u>908</u>	<u>–</u>	<u>908</u>
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>–</u>	<u>(29,523)</u>
Profit for the year			<u>44,006</u>
<b>As at 31 December 2021</b>			
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>

## Other segment information

### Year ended 31 December 2022

	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	25,121	754	486	26,361
Amortisation of intangible assets	–	874	–	874
(Reversal of provision for)/provision for impairment on trade and other receivables, net	(2,992)	6	1	(2,985)
Government grants	(2,548)	(166)	–	(2,714)
Finance expenses	5,671	52	978	6,701
Finance income	(8,837)	(2)	(1)	(8,840)
Share of results of associates	2,392	–	–	2,392
Additions to property, plant and equipment	18,443	1,882	–	20,325
Carrying amount of investment in associates	<u>40,231</u>	<u>–</u>	<u>3,108</u>	<u>43,339</u>

### 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
(Provision for impairment on trade and other receivables, net/reversal of provision for)	1,979	(196)	(283)	1,500
Reversal of provision for impairment on 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
Additions to property, plant and equipment	32,096	286	1,459	33,841
Carrying amount of investment in associates	<u>41,218</u>	<u>–</u>	<u>3,379</u>	<u>44,597</u>

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 from the Group's Production and sale of cement segment amounted to approximately HKD47,062,000 (2021: HKD83,234,000), which represent 12.64% of the Group's revenue for the year ended 31 December 2022 (2021: 14.12%).

## 5. REVENUE

An analysis of revenue is as follows:

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Sale of Composite Portland cement strength class 32.5R	80,964	142,404
Sale of Ordinary Portland cement strength class 42.5	290,773	446,149
Solid waste processing income	601	908
	<u>372,338</u>	<u>589,461</u>

## 6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Cost of inventories sold	368,961	478,230
Depreciation of property, plant and equipment	25,014	26,085
Depreciation of right-of-use assets	1,347	2,743
Amortisation of intangible assets	874	899
(Reversal of provision for)/provision for impairment on trade receivables, net	(3,016)	1,979
Provision for/(reversal of provision for) impairment on other receivables, net	31	(479)
Reversal of provision for impairment on loan receivables, net	–	(2,019)
Short term lease expense	275	468
Employee expenses (including directors' remuneration)		
– wages and salaries	21,126	23,417
– pension scheme contribution	7,351	6,197
Auditors' remuneration		
– audit services	1,369	1,600
– non-audit services	162	169
	<u>1,369</u>	<u>1,600</u>
	<u>162</u>	<u>169</u>

## 7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company of HKD 40,468,000 (2021: profit attributable to owners of the Company of HKD 46,541,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2021: 552,000,000).

As there were no dilutive options and other dilutive potential ordinary shares in issue for the years ended 31 December 2022 and 2021, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

## 8. INCOME TAX CREDIT/(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 2022 and 2021.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2022 (2021: 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 (2021: Nil).

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

	<b>2022</b> <b>HKD'000</b>	2021 HKD'000
Current tax		
– Current year	–	22,906
– Under provision in respect of prior years	<b>1,035</b>	–
– PRC withholding tax	–	5,431
	<b>1,035</b>	28,337
Deferred tax	<b>(9,782)</b>	1,186
Income tax (credit)/expense	<b>(8,747)</b>	29,523



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

	<b>2022</b>	2021
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
(Loss)/profit before income tax expense	<u>(51,820)</u>	<u>73,529</u>
Tax calculated at the PRC profits tax rate of 25% (2021: 25%)	<b>(12,955)</b>	18,382
Effect of different tax rates in other jurisdictions	<b>644</b>	912
Tax effect of expenses not deductible for tax purposes	<b>5,240</b>	1,828
Tax effect of tax loss not recognised	<b>1,865</b>	1,816
Tax effect of income not assessable for tax purposes	<b>(754)</b>	(32)
Under provision in respect of prior years	<b>1,035</b>	–
Accrual of withholding tax liability	<u>(3,822)</u>	<u>6,617</u>
Income tax (credit)/expense	<u><b>(8,747)</b></u>	<u>29,523</u>

## 9. GOODWILL

	<b>2022</b>	2021
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Gross carrying amount		
As at 1 January	<b>14,205</b>	13,910
Exchange difference	<u>(1,141)</u>	<u>295</u>
As at 31 December	<u><b>13,064</b></u>	<u>14,205</u>
Accumulated impairment losses		
As at 1 January and 31 December	–	–
Impairment	–	–
Exchange difference	<u>–</u>	<u>–</u>
	–	–
<b>Net carrying amount</b>		
As at 1 January	<u><b>14,205</b></u>	<u>13,910</u>
As at 31 December	<u><b>13,064</b></u>	<u>14,205</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 and its 65% equity owned subsidiary, Suzhou Everhealth in the research and development in biotechnology segment.

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\$13,064,000 (2021: HK\$14,205,000).

The recoverable amount of the CGU, in which the goodwill, property, plant and equipment, certain non-refundable deposits, and the intangible assets in note 19 have been included that generate cash flows together in the respective CGU for the purpose of impairment assessment, of approximately HK\$45,311,000 as at 31 December 2022 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% (2021: 2.0%), which does not exceed the long-term growth rate for the biotechnology industry in the PRC. Discount rate used of 21.76% (2021: 19.41%) 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 2022, the carrying amount of the CGU was approximately HK\$23,953,000. Accordingly, it was concluded that the recoverable amount exceeds the carrying amount by approximately HK\$21,358,000.

#### 10. TRADE AND OTHER RECEIVABLES

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Trade and bills receivables from third parties	43,385	72,294
Less: Provision for impairment ( <i>note (iii)</i> )	<u>(176)</u>	<u>(3,377)</u>
<b>Trade and bills receivables, net (<i>note (i)</i>)</b>	<u>43,209</u>	<u>68,917</u>
Prepayments and deposits ( <i>note (ii)</i> )	33,083	130,129
Other receivables	4,100	4,160
Less: Provision for impairment on other receivables ( <i>note (iii)</i> )	<u>(91)</u>	<u>(67)</u>
<b>Prepayments, deposits and other receivables</b>	<u>37,092</u>	<u>134,222</u>
<b>Total trade and other receivables</b>	<u>80,301</u>	<u>203,139</u>
Less: Non-current portion		
Deposits paid for purchase of machineries and intangible assets ( <i>Note (ii)</i> )	(3,106)	(6,425)
Deposit paid for acquisition of property ( <i>Note (ii)</i> )	<u>(25,361)</u>	<u>–</u>
<b>Current trade and other receivables</b>	<u>51,834</u>	<u>196,714</u>

(i) **Trade and bills receivables**

Credit terms given to its customers generally range from 30 to 90 days (2021: 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 RMB1,000,000 and RMB50,000,000 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:

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Within 90 days	38,692	62,251
From 91 days to 180 days	4,117	4,002
From 181 days to 1 year	258	1,656
From 1 year to 2 years	142	804
Over 2 years	—	204
	<u>43,209</u>	<u>68,917</u>

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Neither past due nor impaired ( <i>note (a), (b)</i> )	40,157	66,253
1 to 90 days past due	2,652	—
91 to 180 days past due	—	—
181 to 1 year past due	400	1,656
More than 1 year past due	—	1,008
	<u>43,209</u>	<u>68,917</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 these balances are not considered in default 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 and deposits**

As at 31 December 2022, included in the Group's prepayments and deposits were mainly represented by the prepayments and deposits amounted to HKD4,311,000, HKD1,163,000, HKD1,943,000 and HKD25,361,000 (31 December 2021: HKD123,334,000, HKD4,312,000, HKD2,113,000 and Nil) paid to the suppliers for raw material purchases, purchase of machineries, purchase of right of use of licence and property respectively.

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

	<b>2022</b> <i>HKD'000</i>	2021 <i>HKD'000</i>
Trade receivables:		
Beginning of year	3,377	1,339
Provision for the year	39	2,907
Balance recovered for the year	(3,055)	(928)
Exchange differences	(185)	59
	<u>176</u>	<u>3,377</u>
End of year	<u><u>176</u></u>	<u><u>3,377</u></u>
	<b>2022</b> <i>HKD'000</i>	2021 <i>HKD'000</i>
Other receivables:		
Beginning of year	67	542
Provision for/(Reversal of provision for) the year	31	(479)
Exchange differences	(7)	4
	<u>91</u>	<u>67</u>
End of year	<u><u>91</u></u>	<u><u>67</u></u>

	<b>2022</b>	2021
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Loan receivables:		
Beginning of year	–	2,008
Balance recovered for the year	–	(2,019)
Exchange differences	–	11
	<u>–</u>	<u>11</u>
End of year	<u>–</u>	<u>–</u>

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 realistic prospect of recovering additional cash. The Group recognised impairment loss on collective and individual assessment in accordance with the accounting policy.

#### 11. LEASE LIABILITIES

	<b>2022</b>	2021
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
<b>Leasehold land and buildings</b>		
At 1 January	<b>1,102</b>	4,303
Addition	<b>1,418</b>	1,459
Disposal of subsidiaries	–	(2,402)
Interest expenses	<b>67</b>	100
Lease payments	<b>(722)</b>	(2,360)
Exchange differences	<b>(39)</b>	2
	<u><b>(39)</b></u>	<u>2</u>
At 31 December	<u><b>1,826</b></u>	<u>1,102</u>

Future lease payments are due as follows:

	Minimum lease payments 31 December 2022 <i>HKD'000</i>	Interest 31 December 2022 <i>HKD'000</i>	Present value 31 December 2022 <i>HKD'000</i>
Not later than one year	1,085	53	1,032
After one year but within two years	668	20	648
After two years but within five years	146	-	146
	<u>1,899</u>	<u>73</u>	<u>1,826</u>

	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>

## 12. TRADE AND OTHER PAYABLES

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Trade payables	73,300	103,209
Bill payables	85,420	61,252
Salary and bonus payables	4,834	5,346
VAT payables ( <i>note (a)</i> )	1,577	2,677
Amounts due to related parties	44,136	43,636
Other payables	14,352	12,115
	<u>223,619</u>	<u>228,235</u>

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2021: 30 to 90 days).

As at 31 December 2022, bank deposit of HKD60,200,000 (2021: HKD61,252,000) are pledged as security for bill payables.

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

	<b>2022</b>	2021
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Within 30 days	<b>12,841</b>	41,616
From 31 to 90 days	<b>36,264</b>	54,207
From 91 days to 180 days	<b>15,566</b>	3,181
From 181 days to 1 year	<b>6,216</b>	2,308
From 1 year to 2 years	<b>1,020</b>	281
Over 2 years	<b>1,393</b>	1,616
	<b><u>73,300</u></b>	<u>103,209</u>

*Notes:*

- (a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2021: 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.

### 13. CONTRACT LIABILITIES

	<b>2022</b>	2021
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Advance from customers arising from:		
– Sales of cement products	<b><u>15,175</u></b>	<u>15,876</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***

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Balance as at 1 January	15,876	11,700
– Revenue recognised for the balances included in the contract liabilities at the beginning of the year	(15,029)	(11,765)
– Increase for the cash received for the balances where revenue is not yet recognised during the year	15,620	15,633
– Exchange differences	(1,292)	308
	<u>15,175</u>	<u>15,876</u>

### **14. BORROWINGS**

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Bank borrowings ( <i>note (a)</i> )	100,317	121,335
Other loan, unsecured ( <i>note (b), (c), (d), (e), (f)</i> )	<u>78,122</u>	<u>15,340</u>
Total borrowings	<u>178,439</u>	<u>136,675</u>
Carrying amount of borrowings repayable:		
On demand or within one year	<u>178,439</u>	<u>136,675</u>

#### *Notes:*

- (a) As at 31 December 2022, bank borrowings of approximately HKD100,317,000 (2021: HKD121,335,000) with fixed interest rates ranged from 4.40% to 5.30% (2021: 4.95% to 5.66%) per annum was secured by corporate guarantees from the Company.
- (b) As at 31 December 2022, the Group's other loans included an other loan of HKD10,700,000 (2021: HKD10,700,000) with a fixed interest rate of 9% per annum from one third party.
- (c) As at 31 December 2022, the Group's other loans included an other loan of HKD890,000 (2021: HKD890,000) with a fixed interest rate of 13% per annum from another third party.



- (d) As at 31 December 2022, the Group's other loans included an interest-free loan of HKD3,600,000 (2021: HKD3,600,000) from a company under control of Mr. Tseung.
- (e) As at 31 December 2022, the Group's other loans included an interest-free loan of HKD62,782,000 (2021: Nil) from Dongtong Environment and Technology, an associate of the Group.
- (f) As at 31 December 2022, unsecured interest-free loan of HKD150,000 (2021: HKD150,000) provided by Mr. Tseung.

## 15. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares</b> <i>HKD'000</i>
<i>Authorised:</i>		
Ordinary shares of HKD0.01 each as at		
1 January 2021, 31 December 2021,		
1 January 2022 and 31 December 2022	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued:</i>		
As at 1 January 2021, 31 December 2021,		
1 January 2022 and 31 December 2022	<u>552,000,000</u>	<u>5,520</u>

## 16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022 (2021: 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 was proposed and paid).

No final dividends were declared by the Board for the year ended 31 December 2022 (2021: Nil).

## 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:

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Basic salaries and benefits in kind	<u>3,296</u>	<u>3,062</u>

There are twelve (2021: eleven) key management personnel of the Group with remuneration fell within the band of nil to HKD1,000,000 in 2022.

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 2022, borrowing of approximately HKD 150,000 (2021: HKD 150,000) was due to Mr. Tseung.

Borrowing of approximately HKD 62,782,000 (2021: Nil) was due to Dongtong Environment and Technology, an associate of the Group.

Other payables included amounts due to companies under the control of Mr. Tseung, of HKD44,136,000 (2021: HKD43,636,000). The balances are unsecured, interest-free and repayable on demand.

Other than the above disclosed, there are no material transactions among the Group and its related parties for the year ended 31 December 2022 (2021: 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>	<b>2022</b> <b><i>HKD'000</i></b>	2021 <i>HKD'000</i>
Revenue received from			
– an associate	<i>(i)</i>	<b><u>601</u></b>	<b><u>908</u></b>

*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*

In 2022, cement demand suffered an unprecedented sharp decrease due to factors such as severe measures taken for pandemic prevention and control, declining real estate market, and intensifying downward pressure on the economy. As affected by the sluggish cement demand, the national cement market price trended downward throughout the year. While the coal prices kept rising all the year, which resulted in a serious decline in industry profits under the pressure of both hiking costs and falling cement volumes and prices.

The gross domestic product for the year amounted to RMB121,020.7 billion in China, representing a growth of 3% over the corresponding period of last year in terms of constant price (2021: 8.1%). Generally speaking, the major macro-economic data stayed in a reasonable range in 2022, however, several indicators related to cement consumptions showed obvious decline; 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) from January to December 2022 reached RMB57,213.8 billion, representing a year-on-year growth of 5.1%. Among them, the private fixed asset investment reached RMB31,014.5 billion, representing a growth of 0.9% over the corresponding period of last year, and the fixed asset investment (excluding rural households) increased by 0.49% in December over the corresponding period of last year. In 2022, the real estate development investment in China reached RMB13,289.5 billion, representing a decrease of 10.0% over the corresponding period of last year. The area under construction by real estate developers was 9,049.99 million square meters, representing a decrease of 7.2% over the corresponding period of last year. Among them, the residential construction area was 6,396.96 million square meters, representing a decrease of 7.3%. The area of new property construction was 1,205.87 million square meters, representing a decrease of 39.4%. (Source: NBS). In 2022, the overall demand for cement was characterized by “sluggish demand throughout the year, with the peak season not booming and the off-season getting weaker”. In 2022, the demand for cement contracted rapidly in the face of the severe situation of epidemic prevention and control, the continued bottoming out of the real estate market, and the increasing downward pressure on the economy. According to the NBS, the cement production in China in 2022 was 2.12 billion tons, representing a decrease of 10.8% over the corresponding period of last year. The cement production was at the lowest since 2012, and

showed the steepest decline since 1969, with the year-on-year decline reaching a two-digit level for the first time. In terms of regions, the year-on-year growth rate of cement production in the six major regions of the country all declined significantly. Among them, the decline in cement production in the northeast and southwest China was the most significant of nearly 20%, while the cement production in the south-central China, east China and northwest China declined relatively less, nearly or less than 10%.

In 2022, the national cement market price encountered radical adjustment after a drastic drop. According to the monitoring data of Digital Cement, the average cement market price for the whole year was RMB466 per tonne (selling price, same hereinafter), representing a decrease of 4.2%. Although the decline was seemingly mild, given the significant increase of the cost of cement production due to the dramatic rise of coal prices, actual cement price dropped to the level of 2017 relative to the economic benefits of the industry. (Source: Digital Cement).

From the regional perspective, the south-central China recorded the largest price decline, down by 13.6% year-on-year. The eastern China in which the Group locates recorded an average annual price of RMB473 per tonne in 2022, a decrease of 10% compared to 2021, ranking second in terms of decrease rate. The northern China enjoyed the highest annual price, with an average annual price of RMB503 per tonne in 2022. The northeast China bore the second-highest price, with an average annual price of RMB489 per tonne in 2022. The northwest China still recorded the lowest price of RMB406 per tonne, representing a decrease of 3.6% (Source: Digital Cement). In 2022, due to the stringent COVID-19 prevention and control measures, the Group suspended production for several times. Meanwhile, the Group was impacted by the slumping real estate market, the increasing downward pressure on the economy, the surging cost of raw materials, and the drastic drop of cement price. As of 31 December 2022, the Group recorded revenue of approximately HK\$371,737,000 from the sales of cement products, representing a decrease of approximately HK\$216,816,000 or 36.8% compared with that of approximately HK\$588,553,000 for the year ended 31 December 2021.

## **Biomedical Segment**

During the Reporting Period, the research and development (“**R&D**”) process of the Group’s biomedical segment was also slowed down due to the epidemic and its R&D projects were carried out in three areas, i.e. CAR-T cells, antibody-drug conjugates (ADCs), and oncolytic viruses. The clinical trials for ROR1 CAR-T cell therapy had already been initiated at the Wuhan Union Hospital of China to evaluate the safety and preliminary efficacy of the drug in the treatment of ROR1 positive advanced ovarian cancer. The ADC drug is in the preliminary R&D stage; the gene structure of the oncolytic virus and design of the target gene work has been completed.

## ***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 arised from the cement segment amounted to approximately HK\$372,338,000, representing an decrease of approximately HK\$217,123,000 or 36.8% from approximately HK\$589,461,000 in the corresponding period in 2021. The decrease was mainly due to falling cement volumes and prices resulting from the impacts of measures taken for pandemic prevention and control and the depressed cement market.

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

	2022			2021		
	Average			Average		
Sales	Selling	Turnover	Sales	Selling	Revenue	
Volume	Price		Volume	Price		
<i>Thousand</i>	<i>HK\$/ tonne</i>	<i>HK\$'000</i>	<i>Thousand</i>	<i>HK\$/ tonne</i>	<i>HK\$'000</i>	
PO 32.5 Cement	236	343	80,964	338	421	142,404
PC 42.5 Cement	746	390	290,773	909	491	446,149

Categorized by product type, the sales volume of cement products in 2022 amounted to approximately 982 thousand tonnes, representing a decrease of approximately 21.3% from 2021, while the sales income of cement products was approximately HK\$371,737,000, representing a decrease of approximately 36.8% from 2021.

The rental income from cement kilns in 2022 amounted to approximately HK\$601,000, representing a decrease of approximately HK\$307,000 or 34% from approximately HK\$908,000 in 2021.

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

	2022		2021	
		%		%
	Revenue	of total	Revenue	of total
	<i>HK\$'000</i>	revenue	<i>HK\$'000</i>	revenue
<b>Jiangsu Province</b>	<b>312,612</b>	<b>84.09%</b>	496,215	84.31%
Wujiang District	312,042	83.94%	492,583	83.69%
Suzhou (excluding Wujiang District)	570	0.15%	3,632	0.62%
<b>Zhejiang Province</b>	<b>56,954</b>	<b>15.32%</b>	90,480	15.37%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	30,559	8.22%	31,027	5.27%
Jiaxing	26,395	7.10%	59,453	10.10%
<b>Shanghai</b>	<b>2,171</b>	<b>0.58%</b>	1,858	0.32%
<b>Total</b>	<b><u>371,737</u></b>	<b><u>100.00%</u></b>	<b><u>588,553</u></b>	<b><u>100.00%</u></b>

During the Reporting Period, due to factors such as severe measures taken for pandemic prevention and control, declining real estate market, and intensifying downward pressure on the economy, the sales income and volume of cement products of the Group decreased significantly as compared to the corresponding period of last year. The sales in substantially all regions recorded different extents of the decrease 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\$3,377,000, representing a decrease of approximately HK\$107,854,000 or approximately 96.96% as compared to approximately HK\$111,231,000 in 2021, while the gross profit margin amounted to approximately 0.9% in 2022, representing a decrease of approximately 18% as compared to approximately 18.9% in 2021. The decrease was mainly due to the pressure of both hiking costs and falling cement volumes and prices during the Reporting Period, 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\$2,810,000 during the Reporting Period, representing an increase of approximately HK\$480,000 or approximately 20.6% compared to approximately HK\$2,330,000 in 2021, which is mainly due to the increase in government grants received.

### ***Sales and Distribution Expenses***

The Group's sales and distribution expenses, all generated from cement segment, amounted to approximately HK\$3,077,000 during the Reporting Period, representing a decrease of approximately HK\$2,763,000 or approximately 47.3% as compared to approximately HK\$5,840,000 in 2021. The decrease was mainly due to the decrease in sales volume in 2022. Sales and distribution expenses in 2022 accounted for approximately 0.8% of the consolidated turnover of the cement segment, which remained about flat as compared to approximately 1.0% in 2021.

### ***General and Administrative Expenses***

The Group's general and administrative expenses amounted to approximately HK\$59,461,000 during the Reporting Period, representing an increase of approximately HK\$14,664,000 or approximately 32.7% as compared to approximately HK\$44,797,000 in 2021. The increase in the general and administrative expenses was primarily due to the increase in costs as a result of the pandemic.



## ***Tax***

The Group's income tax credit amounted to approximately HK\$8,747,000 during the Reporting Period, representing a significant decrease from approximately HK\$29,523,000 of income tax expense in 2021, which was primarily due to the loss before tax incurred during the Reporting Period.

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 -11.6%, representing a decrease as compared to approximately 7.5% in 2021. The decrease was mainly attributable to the (1) domestically, COVID-19 cases scattered across the country caused a drop in domestic cement demand. As such, the cement prices continued to decline from a high level and showed a downward trend; and (2) coal prices stayed at a high level, combined with the rising oil prices and higher logistic costs, leading to a significant increase in cement costs as compared with the same period of last year. Cement costs remain high throughout the industry.

## ***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.

	<b>31 December 2022 HK\$'000</b>	31 December 2021 HK\$'000
Cash and cash equivalents	<b>7,662</b>	90,292
Borrowings	<b>178,439</b>	136,675
Debt to equity ratio	<b>78.3%</b>	63.4%
Debt to asset ratio	<b>43.9%</b>	38.8%

## ***Cash Flow***

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately HK\$7,662,000, representing a decrease of approximately 91.5% from approximately HK\$90,292,000 as at 31 December 2021, which was primarily due to the increase in short-term bank deposits during the Reporting Period.

## ***Borrowings***

	<b>31 December 2022 <i>HK\$'000</i></b>	31 December 2021 <i>HK\$'000</i>
Current:		
Borrowings		
– Cement segment	<b>163,099</b>	121,335
– Unallocated	<b>15,340</b>	15,340
	<hr/>	<hr/>
Borrowings	<b><u>178,439</u></b>	<b><u>136,675</u></b>

As at 31 December 2022, the Group's bank borrowings amounted to approximately HK\$100,317,000, representing a decrease of approximately 17.3% from approximately HK\$121,355,000 as at 31 December 2021, which was mainly due to repayment of bank loans during the Reporting Period.

As at 31 December 2022 and 31 December 2021, 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 2022, the Group had no unutilised bank financing facilities.

### ***Debt to Equity Ratio***

As at 31 December 2022, the Group's debt to equity ratio was 78.3%.

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\$18,907,000 in 2022, all of which were generated from the cement segment. It represented a notable decrease from approximately HK\$32,382,000 in 2021, which was mainly due to the decrease in technical transformation costs.

As at 31 December 2022, the Group had capital commitments of approximately HK\$1,154,000 (2021: HK\$3,940,000).

### ***Pledge of Assets***

As at 31 December 2022, the Group did not pledge any assets during the Reporting Period.

### ***Contingent Liabilities***

As at 31 December 2022, 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 2022.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group had a total of 218 employees. The total remuneration of our employees amounted to approximately HK\$28,477,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

## **FUTURE PROSPECTS**

In 2023, the Group will continue to effectively reduce costs by improving internal management, upgrade existing facilities of the Company to increase production efficiency, and reduce maintenance costs. Through refined customer services, the Group will expand its market share and improve its product profitability. Moreover, the Group will continuously develop and improve its R&D team to promote the development of various product pipelines, and keep exploring other innovative pipelines. Meanwhile, the Group will continue to actively explore the investment opportunities in the emerging industries, especially in the field of new energy resources. Furthermore, the Group will attempt capital operation to enhance its operational efficiency, thereby enhancing its competitiveness comprehensively. On 24 February 2023 (after trading hours), the Company entered into a framework agreement with Ganzhou Chengzheng Rare Earth New Materials Company Limited (贛州誠正稀土新材料股份有限公司) (“**Chengzheng Rare Earth**”) in relation to the future development of the rare earth and rare-earth permanent magnet business. Rare-earth permanent magnet materials have been widely used in the emerging and fast-growing new energy resources and energy-saving industries in China, such as new energy vehicles, energy-saving industrial generators, and wind power generation. The Company believes that with the current market trend of using clean energy and favorable policies for such, the market demand for rare earth resources, rare-earth permanent magnet materials, and rare-earth permanent magnet motors in the PRC will increase significantly. The Target Group has technology and well-established experience in the fields of rare earth exploration and mining, production of rare-earth permanent magnet materials, and rare-earth permanent magnet motors, which will enable the Company to be more effective and efficient in the rare earth and rare-earth permanent magnet business. The transactions contemplated under the Framework Agreement, if implemented, are in the interests of the Company and its shareholders as a whole. For further information regarding the above, please refer to the Company’s announcement dated 24 February 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

The Company has no other material event after the Reporting Period required to be disclosed as at the date of this announcement.

## **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 C.5.1 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 four provisional meetings in aggregate to consider and approve, inter alia, the issuance of voluntary announcement of profit warning and the entering into of the trust agreement.

## **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 2022 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 2022.

## **REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT**

The figures in this annual results announcement, from pages 2 to 27, 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 2022. 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 2022 is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.dongwucement.com](http://www.dongwucement.com). The 2022 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, 24 March 2023

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