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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 2024

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately HK\$223,604,000, representing a decrease of approximately HK\$83,659,000 or 27.2% from approximately HK\$307,263,000 for the year ended 31 December 2023.
- The Group's gross profit margin decreased from approximately -1.5% for the year ended 31 December 2023 to approximately -6.2% for the Reporting Period.
- For the Reporting Period, loss attributable to owners of the Company increased to approximately HK\$58,630,000 from approximately HK\$36,525,000 for the year ended 31 December 2023.

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 referred to as the “**Group**”) for the year ended 31 December 2024 (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 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Notes | 2024 HKD'000 | 2023 HKD'000 (Represented) |
|--|-------|-------------------------------|----------------------------------|
| Revenue | 5 | 223,604 | 307,263 |
| Cost of sales | | <u>(237,524)</u> | <u>(311,750)</u> |
| Gross loss | | (13,920) | (4,487) |
| Distribution expenses | | (2,916) | (2,714) |
| Administrative expenses | | (43,645) | (46,080) |
| Other income and other gain, net | | <u>8,809</u> | <u>13,942</u> |
| Operating loss | | (51,672) | (39,339) |
| Finance income | | 10,763 | 10,256 |
| Finance expenses | | (13,182) | (8,513) |
| Finance (expenses)/income – net | | (2,419) | 1,743 |
| Share of results of associates | | <u>(1,212)</u> | <u>678</u> |
| Loss before income tax | 6(a) | (55,303) | (36,918) |
| Income tax credit | 8 | <u>3,064</u> | <u>392</u> |
| Loss for the year from continuing operations | | <u>(52,239)</u> | <u>(36,526)</u> |
| Discontinued operation | | | |
| Loss for the year from a discontinued operation, after tax | 6(b) | <u>(16,814)</u> | <u>(4,652)</u> |
| Loss for the year | | <u>(69,053)</u> | <u>(41,178)</u> |
| Other comprehensive loss for the year | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of financial statements of foreign operations | | <u>(20,738)</u> | <u>(14,483)</u> |
| Total comprehensive loss for the year | | <u><u>(89,791)</u></u> | <u><u>(55,661)</u></u> |

| | | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> (Represented) |
|---|---|------------------------|---|
| Loss for the year attributable to: | | | |
| Owners of the Company | | | |
| – From continuing operations | | (43,309) | (33,501) |
| – From a discontinued operation | | (15,321) | (3,024) |
| | | <u>(58,630)</u> | <u>(36,525)</u> |
| Non-controlling interests | | | |
| – From continuing operations | | (8,930) | (3,025) |
| – From a discontinued operation | | (1,493) | (1,628) |
| | | <u>(10,423)</u> | <u>(4,653)</u> |
| | | <u>(69,053)</u> | <u>(41,178)</u> |
| Total comprehensive loss for the year attributable to: | | | |
| Owners of the Company | | | |
| – From continuing operations | | (60,227) | (49,334) |
| – From a discontinued operation | | (15,829) | (3,024) |
| | | <u>(76,056)</u> | <u>(52,358)</u> |
| Non-controlling interests | | | |
| – From continuing operations | | (12,559) | (1,858) |
| – From a discontinued operation | | (1,176) | (1,445) |
| | | <u>(13,735)</u> | <u>(3,303)</u> |
| | | <u>(89,791)</u> | <u>(55,661)</u> |
| Loss per share from continuing and discontinued operations attributable to owners of the Company | | | |
| – Basic and diluted (<i>HKD per share</i>) | 7 | <u>(0.106)</u> | <u>(0.066)</u> |
| Loss per share from continuing operations attributable to owners of the Company | | | |
| – Basic and diluted (<i>HKD per share</i>) | 7 | <u>(0.078)</u> | <u>(0.061)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

| | | 2024 | 2023 |
|--|-------|----------------|----------------|
| | Notes | HKD'000 | HKD'000 |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 222,022 | 220,625 |
| Goodwill | 9 | 47,183 | 61,589 |
| Intangible assets | | 12,845 | 22,046 |
| Deposits paid for purchases of machineries | 10 | 341 | 1,812 |
| Deposit paid for acquisition of property | 10 | – | 24,716 |
| Investments in associates | | 32,417 | 34,798 |
| Deferred tax assets | | 7,392 | 5,313 |
| Financial assets at fair value through profit or loss | | <u>108,027</u> | <u>–</u> |
| Total non-current assets | | <u>430,227</u> | <u>370,899</u> |
| Current assets | | | |
| Inventories | | 196,531 | 211,580 |
| Trade and other receivables | 10 | 55,119 | 61,158 |
| Short-term bank deposits | | 206,866 | 450,385 |
| Pledged bank deposits | | 15,932 | 37,785 |
| Cash and cash equivalents | | <u>135,495</u> | <u>21,895</u> |
| | | 609,943 | 782,803 |
| Assets classified as held for sale | 6(b) | <u>2,065</u> | <u>–</u> |
| Total current assets | | <u>612,008</u> | <u>782,803</u> |

| | | 2024 | 2023 |
|--|-------|-----------------------|-----------------------|
| | Notes | HKD'000 | HKD'000 |
| Current liabilities | | | |
| Trade and other payables | 11 | 123,688 | 178,210 |
| Contract liabilities | 12 | 11,109 | 17,206 |
| Lease liabilities | | 382 | 83 |
| Borrowings | 13 | 171,604 | 141,806 |
| Income tax payables | | – | 5 |
| Dividend payable | | 75,072 | – |
| | | <u>381,855</u> | <u>337,310</u> |
| Liabilities associated with assets classified as held for sale | 6(b) | <u>1,498</u> | <u>–</u> |
| Total current liabilities | | <u>383,353</u> | <u>337,310</u> |
| Net current assets | | <u>228,655</u> | <u>445,493</u> |
| Total assets less current liabilities | | <u>658,882</u> | <u>816,392</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 463 | – |
| Borrowings | 13 | 128,151 | 120,835 |
| Deferred income | | 20,232 | 23,278 |
| Deferred tax liabilities | | 33,191 | 35,540 |
| Total non-current liabilities | | <u>182,037</u> | <u>179,653</u> |
| Net assets | | <u><u>476,845</u></u> | <u><u>636,739</u></u> |
| EQUITY | | | |
| Share capital | 14 | 5,520 | 5,520 |
| Reserves | | <u>381,795</u> | <u>529,335</u> |
| Total equity attributable to owners of the Company | | <u>387,315</u> | <u>534,855</u> |
| Non-controlling interests | | <u>89,530</u> | <u>101,884</u> |
| Total equity | | <u><u>476,845</u></u> | <u><u>636,739</u></u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Equity attributable to owners of the Company | | | | | Non- | |
|--|--|-------------------|------------------------|----------------------|----------------|--------------------------|-----------------|
| | Share capital | Other reserves | Translation reserve | Retained earnings | Total | controlling interests | Total equity |
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 |
| At 1 January 2023 | 5,520 | 460,321 | (54,319) | 175,691 | 587,213 | (6,936) | 580,277 |
| Loss for the year | – | – | – | (36,525) | (36,525) | (4,653) | (41,178) |
| Exchange difference arising on translation of financial statements of foreign operations | – | – | (15,833) | – | (15,833) | 1,350 | (14,483) |
| Total comprehensive loss for the year | – | – | (15,833) | (36,525) | (52,358) | (3,303) | (55,661) |
| Appropriation to statutory reserve | – | 22 | – | (22) | – | – | – |
| Additions through business combination | – | – | – | – | – | 112,123 | 112,123 |
| At 31 December 2023 and 1 January 2024 | 5,520 | 460,343 | (70,152) | 139,144 | 534,855 | 101,884 | 636,739 |
| Loss for the year | – | – | – | (58,630) | (58,630) | (10,423) | (69,053) |
| Exchange difference arising on translation of financial statements of foreign operations | – | – | (17,426) | – | (17,426) | (3,312) | (20,738) |
| Total comprehensive loss for the year | – | – | (17,426) | (58,630) | (76,056) | (13,735) | (89,791) |
| Disposal of partial equity interest in a subsidiary (<i>Note</i>) | – | 3,588 | – | – | 3,588 | 1,381 | 4,969 |
| Appropriation to statutory reserve | – | 5 | – | (5) | – | – | – |
| Special dividend declared (<i>Note 15</i>) | – | – | – | (75,072) | (75,072) | – | (75,072) |
| At 31 December 2024 | 5,520 | 463,936 | (87,578) | 5,437 | 387,315 | 89,530 | 476,845 |

Note: On 8 April 2024, the Group has entered into a share transfer agreement to dispose 3.7% effective equity interest of a subsidiary, namely Ganzhou Chengzheng Motor Co., Limited to its minority shareholder, at a cash consideration of approximately RMB4,591,000 (equivalent to approximately HK\$4,969,000). The management regard such disposal does not result in loss of control of the subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Notes | 2024 HKD'000 | 2023 HKD'000 |
|--|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Loss before income tax | | | |
| – Continuing operations | | (55,303) | (36,918) |
| – Discontinued operation | | (16,814) | (4,652) |
| | | (72,117) | (41,570) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 23,704 | 23,049 |
| Depreciation of right-of-use assets | | 967 | 1,399 |
| Amortisation of intangible assets | | 3,745 | 1,199 |
| Provision for impairment losses on goodwill | 9 | 12,547 | – |
| Provision for impairment losses on intangible assets | 6(b) | 2,732 | – |
| Provision for impairment on trade receivables, net | 10 | 38 | 160 |
| (Reversal of provision for)/provision for impairment on other receivables, net | 10 | (24) | 89 |
| Gain on lease modification | | – | (141) |
| Government grants | | (3,834) | (2,442) |
| (Gain)/loss on disposal of property, plant and equipment | | (129) | 420 |
| Foreign exchange loss, net | | 120 | 267 |
| Change in fair value of financial assets at fair value through profit or loss | | (1,981) | (5,762) |
| Finance income | | (10,763) | (10,256) |
| Finance expenses | | 13,182 | 8,556 |
| Share of results of associates | | 1,212 | (678) |
| Operating loss before working capital changes | | (30,601) | (25,710) |
| Decrease in inventories | | 7,957 | 889 |
| Decrease in trade and other receivables | | 4,184 | 9,955 |
| Decrease in trade and other payables | | (48,621) | (100,949) |
| (Decrease)/increase in contract liabilities | | (5,620) | 2,407 |
| Increase in deferred income | | 1,540 | 1,127 |
| Cash used in operating activities | | (71,161) | (112,281) |
| Income tax paid | | (404) | (14) |
| Net cash used in operating activities | | (71,565) | (112,295) |

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|---|------------------------|------------------------|
| Cash flows from investing activities | | |
| Acquisition of subsidiaries, net of cash acquired | – | (20,919) |
| Purchases of property, plant and equipment | (6,994) | (14,072) |
| Proceeds from disposal of property, plant and equipment | 266 | 478 |
| Deposits paid for purchases of machineries | – | (1,461) |
| Additions to intangible assets | – | (244) |
| Deposit refunded for cancellation on purchase of intangible assets | – | 1,901 |
| Purchase of financial assets at fair value through profit or loss | (108,254) | – |
| Proceeds from redemption of investment in financial assets at fair value through profit or loss | – | 116,063 |
| Placement of short-term bank deposits | (189,445) | (452,233) |
| Release of short-term bank deposits | 422,191 | 456,645 |
| Placement of pledged bank deposits | (110,714) | (37,940) |
| Release of pledged bank deposits | 131,823 | 58,911 |
| Interests received | 10,632 | 10,256 |
| Dividend received from an associate | – | 8,148 |
| | <hr/> | <hr/> |
| Net cash generated from investing activities | 149,505 | 125,533 |
| Cash flows from financing activities | | |
| Proceeds from disposal of partial equity interest in a subsidiary | 4,969 | – |
| Proceeds from borrowings | 230,554 | 247,319 |
| Repayments of borrowings | (183,870) | (239,605) |
| Repayments of principal portion of lease liabilities | (391) | (707) |
| Interests paid | (12,714) | (7,790) |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) financing activities | 38,548 | (783) |

| | <i>Note</i> | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|--|-------------|--------------------------------------|------------------------|
| Net increase in cash and cash equivalents | | 116,488 | 12,455 |
| Cash and cash equivalents at the beginning of the year | | 21,895 | 7,662 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | <u>(2,858)</u> | <u>1,778</u> |
| Cash and cash equivalents at the end of the year | | <u>135,525</u> | <u>21,895</u> |
| Represented by: | | | |
| Cash and cash equivalents | | 135,495 | 21,895 |
| Cash and cash equivalents classified as held for sale | <i>6(b)</i> | <u>30</u> | <u>—</u> |
| | | <u>135,525</u> | <u>21,895</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

1. GENERAL INFORMATION

Dongwu Cement International Limited (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 of Hong Kong Limited (the “**Stock Exchange**”) since 13 June 2012. The Company’s registered office is located at the office of Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. In the opinion of the Company’s directors, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in the British Virgin Islands (the “**BVI**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the production and sales of cement, the production and sales of magnetic materials and other application products, and the trading business.

The Group’s principal place of business is located at Fenhu Economic Development Zone, Wujiang District, Suzhou City, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of amendments and interpretations to HKFRSs - first effective on 1 January 2024

The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) issued the following amendments and interpretations to HKFRSs that are relevant to the Group’s accounting policies and business operations adopted for the first time prepared and presented on the Group’s consolidated financial statements for the annual period beginning on or after 1 January 2024:

| | |
|--------------------------------------|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

None of these amendments and interpretations to HKFRSs has a material impact on the Group’s results and financial position for the current or prior periods.

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

The following new or revised HKFRSs, potentially relevant to the Group's accounting policies and business operations, 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 dates when they become effective and they are not expected to have any material impact on the Group's accounting policies, financial results and financial position which will be prepared and presented in the Group's consolidated financial statements except for those stated below:

| | |
|---|--|
| Annual Improvements to HKFRS Accounting Standards – Volume 11 | Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ² |
| Amendments to HKAS 21 | Lack of Exchangeability ¹ |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Hong Kong Interpretation 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³ |
| HKFRS 18 | Presentation and Disclosure in Financial Statements ³ |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures ³ |

¹ Effective for the annual periods beginning on or after 1 January 2025

² Effective for the annual periods beginning on or after 1 January 2026

³ Effective for the annual periods beginning on or after 1 January 2027

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in the annual periods beginning on or after a date to be determined

HKFRS 18 Presentation and Disclosure in Financial Statements (“HKFRS 18”)

HKFRS 18 was issued by the HKICPA in July 2024 which supersedes HKAS 1 Presentation of Financial Statements and will result in major consequential amendments to HKFRSs including HKAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though HKFRS 18 will not have any effect on the recognition and measurement of items presented in the consolidated financial statements, it is expected to have a significant impact on the presentation and disclosures of certain items. These changes include categorisation and aggregation in the consolidated statement of profit or loss, aggregation or disaggregation and labelling of financial information, and disclosure of management-defined performance measures.

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**”) issued by the HKICPA 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 (the “**Listing Rules**”).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, at the end of the reporting period.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

(c) Use of critical accounting judgements and estimates

The preparation of consolidated financial statements in conformity with HKFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Functional and presentation currencies

The financial statements of individual group entities are prepared by using the respective currencies of the primary economic environment where they operate (the “**functional currency**”).

The Company’s functional currency is Hong Kong dollar (“**HKD**”) since most of the operating and financing activities are denominated and settled in HKD, whereas the rest of the group entities are in Renminbi (“**RMB**”). The consolidated financial statements are presented in HKD since the Company’s shareholders and potential investors may have a better understanding of the Group’s financial results and financial performance, and are rounded to the nearest thousand, unless otherwise stated.

4. SEGMENT REPORTING

The chief operating decision-maker for application of HKFRS 8 Operating Segments 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 products and services lines identified as reportable operating segments are as follows:

Continuing reportable segments:

- Production and sales of cement;
- Production and sales of magnetic materials and other application products; and
- Trading business

Discontinued reportable segment:

- Research and development in biotechnology

Except the revenue derived from external customers of trading business, all other revenue derived 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 services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments as follows:

| | Continuing operations | | | Discontinued operation | |
|---|---|---|------------------------------------|---|-------------------------|
| | Production and sales of magnetic materials and other application products | | | Research and development in biotechnology | Total |
| | Production and sales of cement <i>HKD'000</i> | Production and sales of magnetic materials and other application products <i>HKD'000</i> | Trading business <i>HKD'000</i> | Research and development in biotechnology <i>HKD'000</i> | Total <i>HKD'000</i> |
| For the year ended | | | | | |
| 31 December 2024: | | | | | |
| Time of revenue recognition: | | | | | |
| At a point in time | 184,712 | 31,728 | 58 | – | 216,498 |
| Transferred over time | 70 | 7,036 | – | – | 7,106 |
| Segment revenue | <u>184,782</u> | <u>38,764</u> | <u>58</u> | <u>–</u> | <u>223,604</u> |
| Segment results | <u>(19,054)</u> | <u>(26,594)</u> | <u>(916)</u> | <u>(16,814)</u> | <u>(63,378)</u> |
| Unallocated expenses | | | | | (8,739) |
| Income tax credit/(charge) | <u>3,581</u> | <u>(517)</u> | <u>–</u> | <u>–</u> | <u>3,064</u> |
| Loss for the year | | | | | <u>(69,053)</u> |
| As at 31 December 2024: | | | | | |
| Segment assets | <u>592,497</u> | <u>324,639</u> | <u>178</u> | <u>2,065</u> | <u>919,379</u> |
| Financial assets at fair value through profit or loss (“FVTPL”) | | | | | 108,027 |
| Unallocated assets | | | | | <u>14,829</u> |
| Total assets | | | | | <u>1,042,235</u> |
| Segment liabilities | <u>202,706</u> | <u>262,273</u> | <u>85</u> | <u>1,498</u> | <u>466,562</u> |
| Dividend payable | | | | | 75,072 |
| Unallocated liabilities | | | | | <u>23,756</u> |
| Total liabilities | | | | | <u>565,390</u> |

| | Continued operations | | | Discontinued operation | |
|--|--|---|------------------|---|------------------|
| | Production and sales of magnetic materials | Production and other application products | Trading business | Research and development in biotechnology | Total |
| | <i>HKD'000</i> | <i>HKD'000</i> | <i>HKD'000</i> | <i>HKD'000</i> | <i>HKD'000</i> |
| For the year ended | | | | | |
| 31 December 2023: | | | | | |
| Time of revenue recognition: | | | | | |
| At a point in time | 265,908 | 6,003 | 30,311 | – | 302,222 |
| Transferred over time | 221 | 4,820 | – | – | 5,041 |
| Segment revenue | <u>266,129</u> | <u>10,823</u> | <u>30,311</u> | <u>–</u> | <u>307,263</u> |
| Segment results | <u>(16,076)</u> | <u>(8,755)</u> | <u>(579)</u> | <u>(4,652)</u> | <u>(30,062)</u> |
| Unallocated expenses | | | | | (11,508) |
| Income tax credit | <u>331</u> | <u>61</u> | <u>–</u> | <u>–</u> | <u>392</u> |
| Loss for the year | | | | | <u>(41,178)</u> |
| As at 31 December 2023: | | | | | |
| Segment assets | <u>781,077</u> | <u>316,162</u> | <u>239</u> | <u>19,092</u> | <u>1,116,570</u> |
| Deposit paid for acquisition of property | | | | | 24,716 |
| Unallocated assets | | | | | <u>12,416</u> |
| Total assets | | | | | <u>1,153,702</u> |
| Segment liabilities | <u>258,192</u> | <u>233,522</u> | <u>–</u> | <u>1,917</u> | <u>493,631</u> |
| Unallocated liabilities | | | | | <u>23,332</u> |
| Total liabilities | | | | | <u>516,963</u> |

Other segment information

| | Continued operations | | Discontinued operation | | |
|---|--------------------------------|--|---|---------------------------|----------|
| | | Production and sales of magnetic materials | | | |
| | Production and sales of cement | and other application products | Research and development in biotechnology | Unallocated and corporate | Total |
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 |
| For the year ended | | | | | |
| 31 December 2024: | | | | | |
| Depreciation of property, plant and equipment and right-of-use assets | 21,433 | 2,710 | 38 | 490 | 24,671 |
| Amortisation of intangible assets | – | 2,931 | 814 | – | 3,745 |
| Additions to property, plant and equipment | 25,432 | 6,460 | – | 2,071 | 33,963 |
| Provision for impairment losses on goodwill | – | – | 12,547 | – | 12,547 |
| Provision for impairment losses on intangible assets | – | – | 2,732 | – | 2,732 |
| (Reversal of provision for)/ provision for impairment on trade and other receivables, net | (247) | 261 | – | – | 14 |
| Change in fair value of financial assets at FVTPL | – | – | – | (1,981) | (1,981) |
| Finance income | (10,747) | (8) | – | (8) | (10,763) |
| Finance expenses | 4,361 | 7,829 | – | 992 | 13,182 |
| Government grants | (105) | (3,700) | (29) | – | (3,834) |
| Share of results of associates | (1,281) | – | – | 69 | (1,212) |
| Carrying amount of investments in associates | 29,172 | – | – | 3,245 | 32,417 |

| | Continued operations | | Discontinued operation | | |
|---|--------------------------------|--|---|---------------------------|----------|
| | | Production and sales of magnetic materials | | | |
| | Production and sales of cement | and other application products | Research and development in biotechnology | Unallocated and corporate | Total |
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 | HKD'000 |
| For the year ended | | | | | |
| 31 December 2023: | | | | | |
| Depreciation of property, plant and equipment and right-of-use assets | 22,604 | 775 | 399 | 670 | 24,448 |
| Amortisation of intangible assets | – | 372 | 827 | – | 1,199 |
| Additions to property, plant and equipment | 4,235 | 3,139 | 27 | 7,809 | 15,210 |
| Additions to intangible assets | – | 244 | – | – | 244 |
| (Reversal of provision for)/ provision for impairment on trade and other receivables, net | 149 | 112 | (9) | (3) | 249 |
| Change in fair value of financial assets at FVTPL | – | – | – | (5,762) | (5,762) |
| Finance income | (10,187) | (64) | (1) | (4) | (10,256) |
| Finance expenses | 4,366 | 3,178 | 43 | 969 | 8,556 |
| Government grants | (141) | (2,201) | (100) | – | (2,442) |
| Share of results of associates | 415 | – | – | 263 | 678 |
| Carrying amount of investments in associates | 31,507 | – | – | 3,291 | 34,798 |

Segment revenue reported above represents revenue generated from external customers. Except the revenue attributable to trading business, the remaining revenue attributable to the remaining segments are within the scope of HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”) (2023: all revenue are within the scope of HKFRS 15). There was no inter-segment sales for both years.

Revenue derived from the single largest external independent customers from the Group’s production and sales of cement segment amounted to approximately HKD40,507,000 (2023: HKD35,705,000), which represent 18.12% of the Group’s revenue for the year ended 31 December 2024 (2023: 11.62%).

5. REVENUE

The principal activities of the Group are production and sales of cement, production and sales of magnetic materials and other application products, and trading business. The following is the disaggregation of revenue from contracts with customers by major products and services lines recognised during the year:

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Revenue from contracts with customers within the scope of HKFRS 15: | | |
| Sales of goods | | |
| Sales of Composite Portland cement strength class 32.5R | 8,036 | 63,128 |
| Sales of Ordinary Portland cement strength class 42.5 | 123,179 | 202,780 |
| Sales of Composite Portland cement strength class 42.5 | 53,497 | — |
| Sales of motor machines and parts | 20,924 | 3,201 |
| Sales of rare earth materials | 10,804 | 2,802 |
| Sales of metals | — | 30,311 |
| | <u>216,440</u> | <u>302,222</u> |
| Provisions of processing services income | | |
| Solid waste processing services income | 70 | 221 |
| Metal processing services income | 7,036 | 4,820 |
| | <u>7,106</u> | <u>5,041</u> |
| Revenue from other sources not within the scope of HKFRS 15: | | |
| Commodity metals trading income | 58 | — |
| | <u>223,604</u> | <u>307,263</u> |

The following table provides information about trade receivables and contract liabilities arising from contracts with customers:

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|----------------------------------|--------------------------------------|------------------------|
| Trade and bills receivables, net | 24,850 | 30,851 |
| Contract liabilities | <u>(11,109)</u> | <u>(17,206)</u> |

The contract liabilities mainly relate to the advance consideration received from customers. Approximately HKD17,206,000 (2023: HKD15,175,000) of the contract liabilities as of 1 January 2024 (2023: 1 January 2023) had been recognised as revenue due to the performance obligations was satisfied during the year.

In addition, the Group has applied the practical expedient under HKFRS 15 to account for its sales agreements in terms of sales of cement, motor machines and parts and rare earth materials, and provisions of solid waste and metal processing services, therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales agreements that had an original expected duration of one year or less for both current and prior years.

6. LOSS BEFORE INCOME TAX

(a) Loss before income tax is arrived at after charging/(crediting):

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> (Represented) |
|---|------------------------|---|
| Continuing operations: | | |
| Costs of inventories recognised as expenses | 234,841 | 303,357 |
| Depreciation of property, plant and equipment | 23,666 | 22,879 |
| Depreciation of right-of-use assets | 967 | 1,170 |
| Amortisation of intangible assets | 2,931 | 372 |
| Provision for impairment on trade receivables, net | 38 | 160 |
| (Reversal of provision for)/provision for impairment on other receivables, net | (24) | 98 |
| Short-term leases expenses | 60 | 248 |
| Employee costs (including directors' emoluments): | | |
| – Salaries, wages and other benefits | 26,883 | 24,038 |
| – Contributions to defined contribution retirement plans | 5,628 | 6,632 |
| Auditor's remuneration: | | |
| – Audit services | 1,385 | 1,412 |
| – Non-audit services | 152 | 151 |
| | <u>152</u> | <u>151</u> |

(b) Discontinued operation

On 22 May 2024, the Board resolved to dispose the business operations of Orient Everhealth Biomedical Company Limited and its 65% equity owned subsidiary, Suzhou Everhealth Biomedical Company (together, the “**Everhealth Group**”), which was principally engaged in the research and development in biotechnology in the PRC. As of 31 December 2024, the Group had actively located potential buyer and the related assets and liabilities of the Everhealth Group were expected to be disposed within twelve months and therefore classified as held for sale presented separately in the consolidated statement of financial position.

For the purpose of presenting this discontinued operation, the comparative information of consolidated statement of profit or loss and other comprehensive income and the related notes have been represented as if the operations deemed as discontinued during the year had been discontinued at the beginning of the comparative year of 2023.

The amounts of results, cashflows and net assets of the Everhealth Group are disclosed as follows:

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Revenue | – | – |
| Other income and other gain, net | 136 | 39 |
| Administrative expenses | (1,671) | (4,648) |
| Finance expenses | – | (43) |
| Provision for impairment losses on goodwill | (12,547) | – |
| Provision for impairment losses on intangible assets | (2,732) | – |
| | <u> </u> | <u> </u> |
| Loss for the year from a discontinued operation | <u>(16,814)</u> | <u>(4,652)</u> |
| Loss for the year attributable to: | | |
| – Owners of the Company | (15,321) | (3,024) |
| – Non-controlling interests | (1,493) | (1,628) |
| | <u> </u> | <u> </u> |
| | <u>(16,814)</u> | <u>(4,652)</u> |
| Total comprehensive loss attributable to: | | |
| – Owners of the Company | (15,829) | (3,024) |
| – Non-controlling interests | (1,176) | (1,445) |
| | <u> </u> | <u> </u> |
| | <u>(17,005)</u> | <u>(4,469)</u> |
| | 2024 | 2023 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Net cash used in operating activities | (162) | (308) |
| Net cash generated from investing activities | 34 | 579 |
| Net cash used in financing activities | – | (238) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 92 | 19 |
| | <u> </u> | <u> </u> |
| Total cash (outflows)/inflows | <u>(36)</u> | <u>52</u> |

As of 31 December 2024, the carrying amounts of the assets and liabilities of the Everhealth Group are disclosed as follows:

| | 2024 |
|--|-----------------------|
| | <i>HKD'000</i> |
| Property, plant and equipment | 14 |
| Intangible assets | 2,015 |
| Prepayment | 6 |
| Cash and cash equivalents | 30 |
| | <hr/> |
| Total assets classified as held for sale | 2,065 |
| | <hr/> |
| Accruals and other payables | (1,498) |
| | <hr/> |
| Total liabilities associated with assets classified as held for sale | (1,498) |
| | <hr/> |
| Total net assets classified as held for sale | 567 |
| | <hr/> <hr/> |

7. LOSS PER SHARE

From continuing and discontinued operations

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company of approximately HKD58,630,000 (2023: HKD36,525,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2023: 552,000,000).

As there were no dilutive operations and other dilutive potential ordinary shares in issue for the years ended 31 December 2023 and 2024, diluted loss per share is the same as the basic loss per share.

From discontinued operation

Basic and diluted loss per share for the year from a discontinued operation was approximately HKD0.028 (2023: HKD0.005), based on the loss for the year from a discontinued operation attributable to owners of the Company of approximately HKD15,321,000 (2023: HKD3,024,000) divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2023: 552,000,000).

From continuing operation

Basic and diluted loss per share for the year from continuing operations was approximately HKD0.078 (2023: HKD0.061), based on the loss for the year from continuing operations attributable to owners of the Company of approximately HKD43,309,000 (2023: HKD33,501,000) divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2023: 552,000,000).

8. INCOME TAX CREDIT

The amount of taxation included in the consolidated statement of profit or loss and other comprehensive income represents:

| | 2024 HKD'000 | 2023 HKD'000 (Represented) |
|-------------------------------------|-----------------------|----------------------------------|
| Continuing operations: | | |
| Current tax | | |
| – Provision for the year | 25 | 19 |
| – Under provision in the prior year | 374 | – |
| | <u>399</u> | <u>19</u> |
| Deferred tax | <u>(3,463)</u> | <u>(411)</u> |
| | <u><u>(3,064)</u></u> | <u><u>(392)</u></u> |

The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated taxable profits arising in Hong Kong for both current and prior years. No provision for Hong Kong Profits Tax was recognised as the Group had no estimated taxable profits arising in Hong Kong for both current and prior years.

Except for certain subsidiaries incorporated in the PRC that have been certified as a High and New Technology Enterprise (“HNTe”) by the Ministry of Science and Technology provided their Enterprise Income Tax at a reduced tax rate of 15% (2023: 15%), the remaining subsidiaries incorporated in the PRC provided their Enterprise Income Tax at 25% (2023: 25%) of the estimated taxable profits arising in the PRC for both current and prior years.

The provision for other foreign taxation is calculated at the respective statutory tax rates of the estimated taxable profits arising in those tax jurisdictions, including the Cayman Islands, the BVI and Lao People's Democratic Republic ("Laos") for both current and prior years. No provision for those foreign taxation was recognised as the Group had no estimated taxable profits arising in those tax jurisdictions for both current and prior years.

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

| | 2024 HKD'000 | 2023 <i>HKD'000</i> (Represented) |
|--|-------------------------------|---|
| Continuing operations: | | |
| Loss before income tax | <u>(55,303)</u> | <u>(36,918)</u> |
| Tax credit calculated at the PRC Enterprise Income Tax rate of 25% (2023: 25%) | (13,826) | (9,230) |
| Tax effect of expenses not deductible for tax purposes | 4,552 | 2,376 |
| Tax effect of revenue not taxable for tax purposes | (193) | – |
| Tax effect of unused tax losses not recognised | 4,526 | 5,542 |
| Tax effect of share of results of associates | 303 | (170) |
| Tax effect of provision of withholding tax | (1,647) | (662) |
| Effect of different tax rates of subsidiaries operating in other tax jurisdictions | 733 | 1,053 |
| Effect of concessionary tax rate of subsidiaries certified as HNTE | 2,114 | 699 |
| Under provision in the prior year | <u>374</u> | <u>–</u> |
| Income tax credit | <u><u>(3,064)</u></u> | <u><u>(392)</u></u> |

9. GOODWILL

| | 2024 HKD'000 | 2023 HKD'000 |
|--|----------------------|----------------------|
| Costs: | | |
| At 1 January | 61,589 | 13,064 |
| Additions through business combination | – | 48,359 |
| Classified as held for sale | (12,295) | – |
| Exchange differences | (2,111) | 166 |
| | <u>47,183</u> | <u>61,589</u> |
| At 31 December | <u>47,183</u> | <u>61,589</u> |
| Accumulated impairment losses: | | |
| At 1 January | – | – |
| Impairment losses recognised during the year | (12,547) | – |
| Classified as held for sale | 12,295 | – |
| Exchange differences | 252 | – |
| | <u>–</u> | <u>–</u> |
| At 31 December | <u>–</u> | <u>–</u> |
| Net carrying amount: | | |
| At 1 January | <u>61,589</u> | <u>13,064</u> |
| At 31 December | <u><u>47,183</u></u> | <u><u>61,589</u></u> |

Impairment testing of cash generating units (“CGUs”) containing goodwill

For the purpose of impairment testing, the carrying amount of goodwill is allocated to the respective CGUs based on the nature of business and geographical locations as follows:

| | 2024 HKD'000 | 2023 HKD'000 |
|---------------------------|----------------------|----------------------|
| Everhealth CGU (Note (a)) | – | 12,732 |
| Chengzheng CGU (Note (b)) | <u>47,183</u> | <u>48,857</u> |
| | <u><u>47,183</u></u> | <u><u>61,589</u></u> |

Note (a):

Goodwill arose from a business combination during the year ended 31 December 2020 and it was solely allocated to the CGU, namely the Everhealth Group.

During the year, goodwill attributable to the Everhealth Group was classified as assets held for sale.

Note (b):

Goodwill arose from a business combination during the year ended 31 December 2023 and it was solely allocated to the CGU, namely Ganzhou Chengzheng Rare Earth New Material Co., Limited and its subsidiaries, in the production and sales of magnetic materials and other application products 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 and assumptions are reflective of the prevailing market condition.

The recoverable amount of the CGU, in which the goodwill, property, plant and equipment including right-of-use assets, certain non-refundable deposits, and the intangible assets have been included that generate cash flows together in the respective CGU for the purpose of impairment assessment as at 31 December 2024 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 2.02% (2023: 2.22%), which does not exceed the long-term growth rate for the rare earth industry in the PRC. Discount rate used of 18.53% (2023: 19.87%) 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.

10. TRADE AND OTHER RECEIVABLES

| | 2024 HKD'000 | 2023 HKD'000 |
|---|-----------------|-----------------|
| Trade and bills receivables | 25,206 | 31,181 |
| Less: Provision for impairment (<i>Note iii</i>) | (356) | (330) |
| Trade and bills receivables, net (<i>Note i</i>) | 24,850 | 30,851 |
| Prepayments and deposits (<i>Note ii</i>) | 17,550 | 48,140 |
| Less: Classified as held for sale (<i>Note 6(b)</i>) | (6) | – |
| | 17,544 | 48,140 |
| Other receivables | 13,219 | 8,872 |
| Less: Provision for impairment (<i>Note iii</i>) | (153) | (177) |
| Other receivables, net | 13,066 | 8,695 |
| Prepayments, deposits and other receivables | 30,610 | 56,835 |
| Total trade and other receivables | 55,460 | 87,686 |
| Less: Non-current portion | | |
| Deposits paid for purchases of machineries (<i>Note ii</i>) | (341) | (1,812) |
| Deposit paid for acquisition of property (<i>Note ii</i>) | – | (24,716) |
| Trade and other receivables – Current portion | 55,119 | 61,158 |

Notes:

(i) Trade and bills receivables

Credit terms given to its customers generally range from 30 to 90 days (2023: 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 receivables 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:

| | 2024 | 2023 |
|-------------------------|-----------------------|----------------|
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Within 90 days | 15,601 | 20,292 |
| From 91 to 180 days | 6,186 | 5,522 |
| From 181 days to 1 year | 2,482 | 5,037 |
| Over 1 year | 581 | — |
| | 24,850 | 30,851 |

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

| | 2024 | 2023 |
|---|-----------------------|----------------|
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Neither past due nor impaired (<i>Notes (a), (b)</i>) | 16,566 | 22,302 |
| 1 to 90 days past due | 5,352 | 3,512 |
| 91 to 180 days past due | 2,496 | 5,037 |
| Over 181 days past due | 436 | — |
| | 24,850 | 30,851 |

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 2024, included in the Group's prepayments and deposits were mainly represented by the prepayments and deposits amounted to approximately HKD16,006,000, HKD341,000, HKD Nil (31 December 2023: HKD20,402,000, HKD1,812,000, HKD24,716,000) paid to the suppliers for raw material purchases, purchases of machineries and purchase of property respectively.

(iii) Movement of the provision for impairment of trade and other receivables

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|---------------------------------|------------------------|------------------------|
| Trade receivables: | | |
| At 1 January | 330 | 176 |
| Provision for the year | 240 | 296 |
| Balances recovered for the year | (202) | (136) |
| Exchange differences | (12) | (6) |
| | <u>356</u> | <u>330</u> |
| At 31 December | <u>356</u> | <u>330</u> |

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|---------------------------------|------------------------|------------------------|
| Other receivables: | | |
| At 1 January | 177 | 91 |
| Provision for the year | – | 89 |
| Balances recovered for the year | (24) | – |
| Exchange differences | – | (3) |
| | <u>153</u> | <u>177</u> |
| At 31 December | <u>153</u> | <u>177</u> |

The provision and reversal of provision for impairment of trade and other 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 assessments in accordance with the Group's accounting policy.

11. TRADE AND OTHER PAYABLES

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Trade payables | 27,298 | 43,611 |
| Bills payables | 29,426 | 70,715 |
| Accrued salaries and bonus | 5,010 | 5,215 |
| Value-added taxes (“VAT”) payables (<i>Note (a)</i>) | 777 | 577 |
| Amounts due to related parties | 3,565 | 8,222 |
| Other payables | 36,395 | 27,900 |
| Consideration payables | 21,217 | 21,970 |
| | <u>123,688</u> | <u>178,210</u> |

The credit period granted by the Group’s principal suppliers is ranged from 30 to 90 days (2023: 30 to 90 days).

As at 31 December 2024, bank deposits of approximately HKD15,932,000 (2023: HKD37,785,000) are pledged as security for bill payables.

Note (a):

Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2023: 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.

As of the end of the reporting period, the ageing analysis of trade payables based on invoice dates is disclosed as follows:

| | 2024 | 2023 |
|-------------------------|-----------------------|----------------|
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Within 30 days | 5,430 | 7,938 |
| From 31 to 90 days | 6,134 | 11,488 |
| From 91 to 180 days | 7,714 | 10,649 |
| From 181 days to 1 year | 5,917 | 9,774 |
| From 1 to 2 years | 712 | 994 |
| More than 2 years | 1,391 | 2,768 |
| | <u>27,298</u> | <u>43,611</u> |

12. CONTRACT LIABILITIES

| | 2024 | 2023 |
|--|-----------------------|----------------|
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Advance consideration received from customers: | | |
| Sales of cement | 6,877 | 16,292 |
| Sales of magnetic materials and other application products | 4,232 | 914 |
| | <u>11,109</u> | <u>17,206</u> |

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

Sales of cement

The Group required receipts in advance from certain customers before delivery of cement.

Sales of magnetic materials and other application products

The Group required receipts in advance from certain customers before delivery of magnetic materials and other application products.

Movement of the contract liabilities

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|---|------------------------|------------------------|
| At 1 January | 17,206 | 15,175 |
| Revenue recognised for the balances included in the contract liabilities at the beginning of the year | (16,956) | (14,850) |
| Additions through business combination | – | 1,361 |
| Advance consideration received during the year | 11,336 | 15,896 |
| Exchange differences | <u>(477)</u> | <u>(376)</u> |
| At 31 December | <u><u>11,109</u></u> | <u><u>17,206</u></u> |

As of 31 December 2023 and 2024, all of the contract liabilities were expected to be recognised as revenue within one year.

13. BORROWINGS

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|---|------------------------|------------------------|
| Bank borrowings, unsecured (<i>Notes (a) and (d)</i>) | 133,959 | 114,025 |
| Bank borrowings, secured (<i>Notes (b) and (d)</i>) | 155,096 | 137,916 |
| Other borrowings, unsecured (<i>Note (c)</i>) | 10,700 | 10,700 |
| | 299,755 | 262,641 |
| Total bank borrowings that are repayable: | | |
| On demand or within one year | 160,904 | 131,106 |
| More than one year, but not exceeding two years | 10,609 | 20,157 |
| More than two years, but not exceeding five years | 96,537 | 55,035 |
| More than five years | 21,005 | 45,643 |
| | 289,055 | 251,941 |
| Total other borrowings that are repayable: | | |
| On demand or within one year | 10,700 | 10,700 |
| | 299,755 | 262,641 |
| Analysis for reporting purpose: | | |
| Current portion | 171,604 | 141,806 |
| Non-current portion | 128,151 | 120,835 |
| | 299,755 | 262,641 |

Note (a):

As of 31 December 2024, approximately HKD133,959,000 (2023: HKD114,025,000) of the bank borrowings carried at fixed interest rates ranged from 2.90% to 4.95% (2023: from 4.20% to 4.95%) per annum which was guaranteed by the Company.

Note (b):

As of 31 December 2024, approximately HKD155,096,000 (2023: HKD137,916,000) of the bank borrowings carried at fixed interest rates ranged from 3.60% to 7.85% (2023: from 4.20% to 8.10%) per annum which was secured by the equity interests of subsidiaries of the Company, land use rights of approximately HKD2,290,000 (2023: HKD2,392,000) and property, plant and equipment of approximately HKD22,153,000 (2023: HKD8,263,000).

Note (c):

As of 31 December 2024, approximately HKD10,700,000 (2023: HKD10,700,000) of the other borrowings carried at a fixed interest rate of 9% (2023: 9%) per annum without any security collateral pledged.

Note (d):

As of 31 December 2024, the Group was offered a total amount of banking facilities of approximately HKD289,267,000 (2023: HKD273,911,000) which was utilised of approximately HKD289,055,000 (2023: HKD251,941,000) by the Group.

14. SHARE CAPITAL

| | Number of shares '000 | Nominal value HKD'000 |
|---|-----------------------------|-----------------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of HKD0.01 each | | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 10,000,000 | 100,000 |
| <i>Issued and fully paid:</i> | | |
| Ordinary shares of HKD0.01 each | | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024 | 552,000 | 5,520 |

15. DIVIDEND

| | 2024 HKD'000 | 2023 HKD'000 |
|---|-----------------|-----------------|
| 2024 special dividend declared of HKD0.136 per share (2023: Nil) | 75,072 | – |

At the Board meetings held on 5 December 2024, the Board resolved to declare special dividend of HKD0.136 per share based on 552,000,000 ordinary shares (2023: Nil).

Except for the above special dividend declared, no interim or final dividend was declared and paid to the shareholders of the Company for both current and prior years. The Board did not recommend any payment of final dividend after the end of the reporting period for both current and prior years.

16. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The remuneration for the Group's key management personnel, including the directors and senior management of the Company, paid or payable during the year is disclosed as follows:

| | 2024 <i>HKD'000</i> | 2023 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Salaries, wages and other benefits | 4,108 | 4,598 |
| Contributions to defined contribution retirement plans | <u>169</u> | <u>48</u> |
| | <u>4,277</u> | <u>4,646</u> |

On 1 November 2018, Mr. Tseung Hok Ming (“**Mr. Tseung**”), a Non-Executive Director and shareholder of the Company offered an interest-free loan facility of HKD1,500,000 to the Group and any outstanding loan amount is repayable on demand. As of 31 December 2023 and 2024, the Group did not withdraw any loan amount from the facility.

Included in trade and other payables, approximately HKD3,565,000 (2023: HKD8,222,000) was payable to the companies commonly controlled by Mr. Tseung as of 31 December 2024. These balances are unsecured, interest-free and repayable on demand.

(b) Material related party transactions

The Group entered into the following material transactions with related parties during the year as follows:

| | 2024 | 2023 |
|--|-----------------------|---------------------|
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Solid waste processing services income | | |
| from an associate | 70 | 221 |
| Dividend income from an associate | <u>–</u> | <u>8,148</u> |

The outstanding amounts in respect of dividends and sales receipts receivable from the associate are unsecured, interest-free and repayable on demand. Any of the outstanding balance will be settled in cash and the Group did not recognise any impairment arising from such related party transactions for both current and prior years.

The sales prices in respect of the provisions of solid waste processing services are mutually agreed between the Group and its associate.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2024, the real estate industry continued to undergo a profound adjustment, with real estate investment continuing to contract significantly and new property construction projects remaining severely insufficient. These challenges, compounded by delayed or suspended infrastructure projects, drove a rapid decline in the total annual demand for cement of a double-digit figure approximately. This shift exacerbated the contradiction between supply and demand in the industry, triggering frequent episodes of low-price competition and pushing cement prices close to breakeven levels, resulting in a sharp decline in industry profitability. In the fourth quarter, amid intensifying market competition, enterprises gradually shifted from fully competitive strategies to deepened collaboration, with profit improvement emerging as the dominant strategic priority of enterprises in the industry. As a result, price cuts to grab volume and “price war” notably subsided. This strategic adjustment also has a certain positive impact on cement prices, fostering a modest recovery in industry profitability.

The gross domestic product for the year amounted to RMB134,908.4 billion in China, representing a growth of 5.0% over the corresponding period of last year in terms of constant price (2023: 5.2%). According to the National Bureau of Statistics (NBS), the fixed asset investment in China (excluding rural households) from January to December 2024 reached RMB51,437.4 billion, representing a year-on-year growth of 3.2% (2023: 3.0%). The fixed asset investment (excluding rural households) increased by 0.33% (2023: 0.09%) in December over the corresponding period of last year. In 2024, the real estate development investment in China reached RMB10,028.0 billion, representing a decrease of 10.6% over the corresponding period of last year (2023: -9.6%). The area under construction by real estate developers was 7,332.47 million square meters, representing a decrease of 12.7% over the corresponding period of last year (2023: -7.2%). Among them, the residential construction area was 5,133.30 million square meters, representing a year-on-year decrease of 13.1% (2023: -7.7%). The area of new property construction was 738.93 million square meters, representing a year-on-year decrease of 23.0% (2023: -20.4%). (Source: NBS). In 2024, the real estate sector continued in-depth adjustments, compounded by delayed or suspended infrastructure projects in 12 provinces and municipalities grappling with high debt risks. These factors triggered a sharp near double-digit decline in annual cement demand. The downturn exacerbated the industry's supply-demand mismatch, plunging enterprises into operational difficulties, evidenced by rampant price undercutting, cement prices hovering near breakeven levels, and a steep contraction in industry profits. According to the NBS, the total cement production by the enterprises above designated size in 2024 reached 1.825 billion tonnes, marking a year-on-year decrease of 9.5% (on a comparable basis) and narrowing the decline by 8.6 percentage points compared to the corresponding period of previous year. This figure hit the lowest annual output of cement in 15 years. In terms of regions, all six major regions in China recorded significant production declines year-on-year. In particular, the Northeast and East China suffered double-digit drops to 13.7% and 11.5%, respectively, while North China saw the smallest contraction, yet still recorded a significant drop of nearly 5.6%.

The overall cement market prices throughout the year exhibited a complex trend, characterized by a sluggish hover in the first half of the year, a gradual recovery in the second half of the year, and increased volatility. According to data from the Digital Cement, the average national cement market price was RMB384 per ton, representing a year-on-year decrease of 2.6% (2023: a year-on-year decrease of 15%), showing a slower rate of decline than the corresponding period of previous year. The main factors affecting the cement price trend included 1) a significant drop in national cement market demand; and 2) change in contraction and adjustments in the supply side of cement market (Source: Digital Cement).

In terms of regions, the national cement market in 2024 demonstrated a pattern of starting low and ending high, with mid-to-low range fluctuations throughout the year. The year witnessed both cyclical lows and price ceilings, with sharply divergent performances across regions and time periods. Northeast China emerged as the nation's sole region recording year-on-year price growth, a 20% increase as compared to the corresponding period of last year and RMB50-100 higher than other regions per ton. Central southern China recorded the largest year-on-year decline in the average price of cement among all major regions across the country, down by 8.4% as compared to the corresponding period of last year. The cement price in East China in which the Group is located recorded a decrease of 5.5% as compared to the corresponding period of last year. In the first half of the year, the cement prices in both central southern China and East China remained at or below the profit break-even point or the cost line. Although enterprises within the industry attempted to push up the prices through production discipline during this period, all these efforts failed. The situation improved somewhat in the second half of the year. In 2024, the cement segment of the Group continued to be affected by low-price competition and persistently sluggish downstream demand. In spite of emerging "anti-overcompetition" mechanisms being piloted nationally, profit improvement became the core of corporate strategies. The losses in the second half of the year decreased, but the Company continued to record operating losses throughout the year of 2024. From a regional perspective, for the year ended 31 December 2024, the revenue from the sales of cement products amounted to approximately HK\$184,712,000, representing a decrease of HK\$81,196,000 or approximately 30.5%, as compared with the that of approximately HK\$265,908,000 for the year ended 31 December 2023.

Biomedical Segment

The Group is of view that the research and development of CAR-T drugs is much more difficult than expected, which has significantly raised the uncertainties. In addition, the Group's current development focus has shifted to the rare earths and other rare metals segments, and the investment in biomedical products has been suspended. Meanwhile, the Group is actively seeking disposal opportunities.

Rare Earth Segment

Rare earth elements, referred to as the “vitamins of industry,” are critical strategic materials essential to key industries such as metallurgy, petrochemicals, new energy, and military. China boasts abundant rare earth resources and significant advantages in refining technology, putting it at a competitive advantage in terms of resource availability and the global industrial supply chain. The upstream segment of the rare earth permanent magnet industry primarily involves rare earth mining, smelting and separation industry. Key rare earth materials for high-performance neodymium-iron-boron permanent magnet materials include praseodymium-neodymium metal, dysprosium-iron, and terbium metal. In the first half of 2024, prices of major rare earth products, particularly praseodymium-neodymium metal, showed an overall oscillating downward trend and stabilised. The average prices of key rare earth products declined year-on-year, and the overall rare earth market remained subdued. In February 2024, the MIIT and the Ministry of Natural Resources issued the first batch of total control quotas for rare earth mining, smelting and separating in 2024, set at 135,000 tonnes (a year on year increase of 12.50%) and 127,000 tonnes (a year on year increase of 10.43%), respectively. While the increase in the first batch of rare earth quotas in 2024 reflects the China's positive attitude towards rare earth industry development, the growth rate has moderated compared to 2023.

The downstream segment of the rare earth permanent magnet industry primarily involves high-end applications in clean energy, energy conservation, environmental protection, and intelligent manufacturing. These materials are widely used in automotive EPS systems, new energy vehicle drive motors, energy-efficient motors, robotics, wind power generation, as well as 3C and 5G products. In recent years, driven by the national “dual carbon” policy, sectors such as new energy vehicles have expanded rapidly, leading to a continuous increase in demand for high-performance sintered NdFeB permanent magnet materials. According to data from the China Association of Automobile Manufacturers, China produced 4.929 million new energy vehicles and sold 4.944 million units in the first half of 2024, representing year on year growth of 30.1% and 32.0%, respectively. Additionally, data from the National Bureau of Statistics indicate that China’s industrial robot production reached 283,000 units in the first half of 2024, reflecting a year on year increase of 9.6%. In addition, new application fields for NdFeB are continuously emerging, with the humanoid robotics industry that deeply integrated with artificial intelligence technology becoming a hotly contested sector for future development. High-performance NdFeB permanent magnet materials are the core raw materials for robot servo motors. In general, each industrial robot consumes approximately 20kg of high-performance NdFeB permanent magnet materials and 4 permanent magnet motors, while each humanoid robot consumes about 3kg of high-performance NdFeB permanent magnet materials and 10-15 permanent magnet motors. The commercialization and scaling of humanoid robots will drive sustained growth in the demand for NdFeB and permanent magnet motors.

In June 2024, the State Council officially announced the “Rare Earth Management Regulations” (the “Regulations”), which came into full effect on 1 October 2024. The Regulations primarily stipulate the following six key areas: clarifying working principles, strengthening rare earth resource protection, improving the rare earth management system, promoting high-quality development of the rare earth industry, enhancing the supervision system for the entire rare earth industry chain, defining supervision measures and legal responsibilities. The implementation of the Regulations marks the beginning of a new chapter in the legal governance of China’s rare earth industry. It aims to further standardize industry practices, build a rare earth industrial ecosystem, and support the sustainable high-quality development of the rare earth permanent magnet sector.

Since the end of July 2023, the Group had completed the acquisition of Ganzhou Chengzheng Rare Earth New Material Co., Limited (“**Ganzhou Chengzheng**”), and obtained 62.5% equity interest in Ganzhou Chengzheng by acquisition and capital injection. Upon completion of the transaction, the financial results of Ganzhou Chengzheng had been consolidated in the Group’s financial results since 1 August 2023. For details of the acquisition, please refer to the announcement of the Company dated 9 June 2023. The Group’s rare earth segment operates within the sintered NdFeB permanent magnet materials sub-sector of the rare earth new materials industry, as well as in the permanent magnet synchronous motor industry. The Company primarily specializes in the production of high-performance sintered NdFeB permanent magnet materials and brushless DC permanent magnet synchronous motors. NdFeB permanent magnet material, known as the “king of magnets,” is currently the rare earth permanent magnet material with the best comprehensive performance, highest production volume, and widest application. High-performance sintered NdFeB permanent magnet material belongs to China’s strategic emerging industries and is a key functional material, key basic material, and key strategic material. The Company specializes in the research, development, production, and sales of high-performance sintered NdFeB permanent magnet materials. Our high-performance sintered NdFeB permanent magnet materials and magnetic components are characterized by high magnetic performance, high coercivity, and high serviceability, and are primarily used in energy-saving and environmental protection and smart manufacturing fields such as the automotive industry, industrial motors, and high-end consumer electronics. They are widely applied in automotive EPS, new energy vehicle drive motors, energy-efficient motors, robots, wind power generation, and 3C and 5G products. The Company has been developing DC brushless permanent magnet synchronous motors for years, which have been widely used in industrial fans, construction machinery, smart home appliances, and other fields. By 2025, we aim to make more breakthroughs in oil pump motors, water pump motors, elevators, and other business areas. For the year ended 31 December 2024, the rare earth segment achieved revenue of approximately HK\$38,764,000, compared to revenue of approximately HK\$10,823,000 for the period from 1 August 2023 to 31 December 2023.

International Trading Segment

The Group continues to carry out international trading business and currently engages in international trading of products including electrolytic copper. Meanwhile, the Group is evaluating the addition of a trading business under the rare earth segment, aiming to extend its reach to upstream in the rare earth industry, which will also contribute to the continued diversification of the product portfolio of the international trading segment in the future.

Business Review

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

Revenue

During the Reporting Period, the Group recorded a total revenue amounted to approximately HK\$223,604,000. Among them, the cement segment recorded revenue amounted to approximately HK\$184,782,000, representing a decrease of approximately HK\$81,347,000 or 30.6% from approximately HK\$266,129,000 in the corresponding period in 2023. The decrease was mainly due to the decline in sales volume under the combined effects from cement price drops caused by intensified market competition, as well as the downturn in demand as a result of the in-depth adjustment in the downstream real estate sector and the pressure on the cost of raw materials as a result of the high cost of upstream raw materials during the Reporting Period.

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

| | 2024 | | | 2023 | | |
|----------------|-----------------|-------------------|-----------------|-----------------|-------------------|-----------------|
| | Sales | Average | | Sales | Average | |
| | Volume | Selling | Revenue | Volume | Selling | Revenue |
| | <i>Thousand</i> | <i>Price</i> | | <i>Thousand</i> | <i>Price</i> | |
| | <i>tonnes</i> | <i>HK\$/tonne</i> | <i>HK\$'000</i> | <i>tonnes</i> | <i>HK\$/tonne</i> | <i>HK\$'000</i> |
| PO 32.5 Cement | 37 | 217 | 8,036 | 232 | 272 | 63,128 |
| PO 42.5 Cement | 551 | 223 | 123,179 | – | – | – |
| PC 42.5 Cement | 189 | 283 | 53,497 | 707 | 287 | 202,780 |
| Total | <u>777</u> | | <u>184,712</u> | <u>939</u> | | <u>265,908</u> |

Categorized by product type, the sales volume of cement products in 2024 amounted to approximately 777 thousand tonnes, representing a decrease of approximately 17.3% from 2023, while the revenue of cement products was approximately HK\$184,712,000, representing a decrease of approximately 30.5% from 2023.

The rental income from cement kilns in 2024 amounted to approximately HK\$70,000, remained similar comparing to approximately HK\$221,000 in 2023.

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

| | 2024 | | 2023 | |
|---|-----------------|----------------|-----------------|----------|
| | | % | | % |
| | Revenue | of total | Revenue | of total |
| | <i>HK\$'000</i> | revenue | <i>HK\$'000</i> | revenue |
| Jiangsu Province | 144,462 | 78.21% | 228,343 | 85.87% |
| – Wujiang District | 92,076 | 49.85% | 180,392 | 67.84% |
| – Suzhou (excluding Wujiang District) | 52,386 | 28.36% | 47,951 | 18.03% |
| Zhejiang Province | 37,428 | 20.26% | 32,529 | 12.24% |
| – Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo) | 15,389 | 8.33% | 18,948 | 7.13% |
| – Jiaxing | 22,039 | 11.93% | 13,581 | 5.11% |
| Shanghai | 2,822 | 1.53% | 5,036 | 1.89% |
| Total | 184,712 | 100.00% | 265,908 | 100.00% |

During the Reporting Period, due to multiple factors including the drop in cement prices due to intensified market competition and the continuous decline in sales volume due to depression of downstream real estate sector, the sales income and volume of cement products of the Group decreased significantly as compared to the corresponding period of 2023. The sales in substantially all regions, except for Zhejiang Province recorded different extents of the decrease as compared to the corresponding period of 2023.

During the Reporting Period, the Group's rare earth segment recorded revenue amounted to approximately HK\$38,764,000 (2023: approximately HK\$10,823,000) and the following table sets out an analysis of the revenue of the rare earths segment by type of revenue:

| | from 1 August 2023 to 31 December | |
|-------------------------------------|--|----------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Sales of motor machines | 2,700 | 790 |
| Sales of magnetic materials | 18,224 | 2,411 |
| Sales of anode materials and oxides | 10,804 | 2,802 |
| Electroplating and processing | 4,091 | 1,248 |
| Calcination service | 2,945 | 3,572 |
| | <u>38,764</u> | <u>10,823</u> |

During the Reporting Period, the Group's international trading segment recorded revenue amounted to approximately HK\$58,000 (2023: HK\$30,311,000), which was mainly generated from international trade of electrolytic copper.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group recorded gross loss amounted to approximately HK\$13,920,000, of which cement segment recorded gross loss amounted to approximately HK\$5,570,000, representing an increase of approximately HK\$3,139,000 or approximately 129.1% as compared to approximately HK\$2,431,000 in 2023, while the gross profit margin amounted to approximately -3.0% in 2024, representing a decrease of approximately 2.1% as compared to approximately -0.9% in 2023. The decrease was mainly due to (1) cement price drops caused by multiple factors including intensified market competition and continuous depression of downstream real estate sector; (2) pressure on the cost of raw materials as a result of the high cost of upstream raw materials; and (3) fixed cost per unit increase resulting from low production during the Reporting Period.

During the Reporting Period, the rare earth segment recorded gross loss of approximately HK\$8,408,000, representing an increase of HK\$6,322,000 or approximately 303.1% as compared to approximately HK\$2,086,000 for the period from 1 August 2023 to 31 December 2023. The gross profit margin amounted to approximately -21.7% in 2024, representing a decrease of 2.4% as compared to approximately -19.3% in 2023. The decrease was mainly due to a series of coordinated adjustments made by the Group to its subsidiary engaged in the rare earth segment after the completion of the acquisition of and capital injection into Ganzhou Chengzheng to the first quarter of 2024, including management restructuring, technical modifications, equipment maintenance and renewal to the magnetic material workshop. During the Reporting Period, a gross loss was recorded due to the higher fixed costs per unit as a result of the downward trend in the prices of magnetic materials and the fact that production and sales had not yet formed a scale.

Since October 2023, the Group had commenced an international trading business in relation to electrolytic copper, starting a new chapter for the international trading segment. During the Reporting Period, the business segment recorded gross profit of HK\$58,000, representing an increase of 100% as compared to approximately HK\$29,000 in 2023.

Other Income and Other Gain

The Group's other income and other gain amounted to approximately HK\$8,809,000 during the Reporting Period, of which cement segment recorded other income of approximately HK\$5,168,000, representing a decrease of approximately HK\$6,905,000 or approximately -57.2% compared to approximately HK\$12,073,000 in 2023, which is mainly due to decrease in fair value of financial assets at fair value through profit or loss and one-off recovery of bad debt in 2023.

During the Reporting Period, rare earth segment recorded other income of approximately HK\$3,749,000, respectively an increase of approximately HK\$1,525,000 or approximately 68.6% compared to approximately HK\$2,224,000 for the period from 1 August 2023 to 31 December 2023, which was mainly due to increase in receipts of government grants during the year.

Sales and Distribution Expenses

The Group's sales and distribution expenses amounted to approximately HK\$2,916,000 during the Reporting Period, of which cement segment incurred sales and distribution expenses of approximately HK\$2,218,000, representing a decrease of approximately HK\$333,000 or approximately 13.1% as compared to approximately HK\$2,551,000 in 2023. The decrease was mainly due to decrease in sales volume incurred less sales related expenses during the Reporting Period. Sales and distribution expenses in 2024 accounted for approximately 1.2% of the revenue of the cement segment, which roughly remained flat as compared to approximately 1.0% in 2023.

During the Reporting Period, rare earth segment incurred sales and distribution expenses of approximately HK\$696,000, accounted for approximately 1.8% of the revenue of rare earth segment, which roughly remained flat as compared to approximately 1.5% in 2023.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately HK\$43,645,000 during the Reporting Period, of which cement segment incurred general and administrative expenses of approximately HK\$21,539,000, representing a decrease of approximately HK\$7,863,000 or approximately 26.7% as compared to approximately HK\$29,402,000 in 2023. The decrease was primarily due to the advancement of staffing structure optimisation measures.

During the Reporting Period, rare earth segment incurred general and administrative expenses amounted to approximately HK\$13,417,000, as compared to approximately HK\$5,617,000 for the period from 1 August 2023 to 31 December 2023. The increase was primarily due to more employees were hired to support the expansion of business and increase in depreciation expenses for more property, plant and equipments was purchased during the Reporting Period.

During the Reporting Period, biomedical segment incurred general and administrative expenses amounted to approximately HK\$1,671,000, representing a decrease of approximately HK\$2,977,000 or approximately 64.0% as compared to approximately HK\$4,648,000 in 2023, which is mainly due to the decrease in salaries due to staff reduction and a decrease in R&D expenses due to the investment in the biomedical segment has been suspended.

Tax

The Group's income tax credit amounted to approximately HK\$3,064,000 during the Reporting Period, representing an increase from approximately HK\$392,000 in 2023, which was primarily due to decrease in withholding tax for distributable profits relating to equity holder and increase in recognition of unused tax losses during the Reporting Period.

Details of the Group's tax are set out in note 8 of this results announcement.

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately -30.9%, representing a decrease of approximately -17.5% as compared to approximately -13.4% in 2023. The decrease was mainly attributable to

- (1) the cement segment continuously suffered from operating losses affected by multiple adverse factors such as the intensified market competition, high cost of upstream raw materials and sluggish demand from the downstream real estate sector; and
- (2) production and sales of the rare earth segment, which had not yet formed a scale, resulting in higher fixed cost per unit.

Liquidity and Capital Resources

The Group planned to meet its working capital requirements primarily through cash flows 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 2024 <i>HK\$'000</i> | 31 December 2023 <i>HK\$'000</i> |
|---------------------------|---|---|
| Cash and cash equivalents | <u>135,495</u> | <u>21,895</u> |
| Borrowings | <u>299,755</u> | <u>262,641</u> |
| Debt to equity ratio | <u>118.6%</u> | <u>81.2%</u> |
| Debt to asset ratio | <u>54.2%</u> | <u>44.8%</u> |

Cash Flow

As at 31 December 2024, the Group's cash and cash equivalents amounted to approximately HK\$135,495,000, representing an increase of approximately 518.8% from approximately HK\$21,895,000 as at 31 December 2023, which was primarily due to the release of short-term and pledged bank deposits during the Reporting Period.

Borrowings

| | 31 December 2024 <i>HK\$'000</i> | 31 December 2023 <i>HK\$'000</i> |
|----------------------|---|---|
| Borrowings | | |
| – Cement segment | 96,829 | 86,782 |
| – Rare earth segment | 192,226 | 165,159 |
| – Unallocated | 10,700 | 10,700 |
| | <u>299,755</u> | <u>262,641</u> |

As at 31 December 2024, the Group's bank borrowings amounted to approximately HK\$289,055,000, representing an increase of approximately 14.7% from approximately HK\$251,941,000 as at 31 December 2023, which was mainly due to fund raised for supporting the business operations and capital expenditures during the Reporting Period.

As at 31 December 2024, borrowings of approximately HK\$155,096,000 included the aforesaid borrowings were secured by the Group's property, plant and equipment, land use rights and equity interest of subsidiaries. (31 December 2023: property, plant and equipment, land use rights and equity interest of subsidiaries).

As at 31 December 2024, the Group had unutilised bank financing facilities of approximately HK\$212,000 (2023: HK\$21,970,000).

Debt to Equity Ratio

As at 31 December 2024, the Group's debt to equity ratio was approximately 118.6% (2023: 81.2%).

The debt to equity ratio is calculated by dividing the total liabilities by the total equity.

Capital Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately HK\$33,963,000 in 2024, of which approximately HK\$25,432,000 and HK\$6,460,000 was from the cement segment and rare earth segment respectively. It represented an increase from approximately HK\$15,210,000 in 2023, which was mainly due to the increase in construction in progress for the cement segment.

As at 31 December 2024, the Group had capital commitments of approximately HK\$4,521,000 (2023: HK\$1,562,000) for the acquisition costs of property, plant and equipment.

Pledge of Assets

As at 31 December 2024, for the Group's rare earth segment, certain property, plant and equipment with carrying amount of approximately HK\$22,153,000 (2023: HK\$8,263,000), land use rights with carrying amount of approximately HK\$2,290,000 (2023: HK\$2,392,000), and equity interest of subsidiaries, were pledged to secure certain bank borrowings of the Group.

Contingent Liabilities

As at 31 December 2023 and 2024, 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 other material acquisitions or disposals of its subsidiaries or associated companies.

DIVIDEND

At the Board meetings held on 5 December 2024, the Board has resolved to declare a special dividend of HK0.136 per share (the “**Special Dividend**”) to shareholders of the Company whose names appear on the register of members of the Company on 23 December 2024 and the Special Dividend will be payable on or around 10 January 2025. In light of the New Year’s Day holiday and additional time required to arrange and process tax payment which caused a delay in the Company’s tax payment, the Company has postponed the payment date of the Special Dividend to on or around 31 March 2025 (Monday), instead of 10 January 2025. For further information regarding the above, please refer to the announcements dated 5 December 2024, 6 January 2025 and 16 January 2025 respectively.

Other than the above disclosed, the Board does not recommend payment of any final dividend for the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of 282 employees. The total remuneration of our employees amounted to approximately HK\$32,511,000 (2023: HK\$32,582,000) 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

Looking ahead to 2025, as affected by the policies aimed at “promoting the stabilization and recovery of the real estate market”, the real estate market has shown positive changes, while market confidence has been boosted. However, the main indicators driving the demand in cement have not yet improved. The year-on-year decline in real estate development and investment as well as the newly started construction area has still expanded in China. Recently, the Central Economic Work Conference emphasized to stabilize the property market, continuously strive to promote the stabilization and recovery of the real estate market, and intensify the implementation of the renovation of urban villages and dilapidated houses, so as to fully release the potential of rigid and improved housing demand, thereby promoting the development of a new model for real estate development. As various policies and measures are fully implemented and continue to take effect, the market is expected to further stabilize, and the adverse impact on the demand in cement is expected to gradually improve. In 2025, the cement segment of the Group will continue to improve its internal management to efficiently control and reduce costs. By deepening the adjustment of market strategies, the Group will enhance the communication and cooperation among peer enterprises. Through refined customer service, the Group will also deeply explore customer needs to seek a way to break through the involution, aiming to improve its profitability. Besides, the Group will continuously carry out safety maintenance, upgrade and iteration of its existing facilities to increase production efficiency and ensure safe production, adhering to the concept of environmentally friendly, green and clean factory.

The Group believes that rare earth permanent magnets and energy-saving motors are one of the most major critical areas of consumption for rare earths. As core functional materials and products for energy saving, consumption reduction and green and environmental protection, they are essential in the development of automation and intelligence. In March 2024, the State Council issued the Action Plan to Promote Large-scale Equipment Renewals and Trade-ins of Consumer Goods, proposing four key initiatives across equipment renewal, consumer goods trade-in, used goods recycling and standard leveling-up. It also requires that the energy efficiency of major energy-using equipment in key industries should basically reach the energy-saving level by 2027. Stimulus policies such as equipment renewal and consumer goods trade-in will further boost new demand in the consumer and industrial sectors. Against the backdrop of an “electrification-driven era”, the rare earth segment demonstrates robust growth potential.

In 2025, the Group’s rare earth segment will be guided by technical innovation, firmly implement the development strategy of “focusing on science and technology and making efforts in key areas”, and continue to deepen cost reduction and efficiency improvement with a market-oriented approach. At present, the industry competition is becoming increasingly fierce, and customers have higher expectations and requirements for product innovation and quality. The Company will rely on the resources and foundation of its innovation platform, focus on the application needs of downstream markets such as energy conservation and environmental protection, intelligent manufacturing, etc., foster R&D innovation and rapid transformation of results, promote product innovation and quality improvement, and improve product added value and market competitiveness. Improve service quality in order to expand market share. The Company will further consolidate its existing markets and core customers and explore growth areas, while striving to develop new markets and new customers and seeking for more business opportunities. R&D, technology, production and other departments work together to quickly respond to customer and market demands, comprehensively improve product and service quality, and enhance customer and market recognition.

At the same time, the Company will continue to strengthen internal control and improve operation and management level by implementing lean management throughout the entire production and operation process, so as to ensure the stable and controllable output and efficiency of the Company. The Company will also strengthen the incentives for employees to build a strong talent pool, intensify efforts in the introduction and cultivation of professional talents in technology research and development and management based on the operation and development objectives and business needs. Meanwhile, we stimulate staff motivation through various measures such as appraisal and evaluation, training and promotion, innovation incentives and share equity incentives. By doing so, we aim to create a sound talent environment, build an effective workforce and improve its quality, thus laying a solid foundation for the Company's sustainable development.

While continuing to promote the steady development of its core business, the Group will pay close attention to quality projects in diversified fields and actively explore potential opportunities for strategic cooperation. With an open and cooperative mindset, the Group expects to achieve mutual benefit and win-win situation by cooperation, realizing efficient integration of resources and complementing the strengths of all parties, and building an industrial ecosystem for synergistic development.

Meanwhile, the Group has adhered to its core mission of maximising the value of all shareholders and has provided strong impetus for the Company's long-term and steady development in all aspects from strategic planning, resource allocation to operation and management, driving the Company to move forward amidst the complex and volatile market and continuously enhancing its comprehensive competitiveness and industry influence.

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 as set out in Appendix C1 to the Listing Rules as its own code on corporate governance.

During the Reporting Period, Ms. Yu Xiaoying has resigned as an independent non-executive Director with effect from 6 December 2024, and ceased to be the chairlady of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee upon her resignation as an independent non-executive Director. Following her resignation as an independent non-executive Director, the Company has only two independent non-executive Directors, and hence failed to meet the requirements of having:

- a) at least three independent non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules;
- b) independent non-executive Directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; and
- c) at least one of the independent non-executive Directors who must have appropriate professional qualifications or appropriate accounting or related financial management expertise (the “**Qualification**”) under Rule 3.10(2) of the Listing Rules.

To fill the casual vacancy on the Board as soon as possible, the Company has been identifying suitable candidate. Mr. Yu Ronald Patrick Lup Man has been appointed as independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effective from 23 December 2024. Upon the appointment of Mr. Yu Ronald Patrick Lup Man, the Company has re-complied with the requirements of the above Listing Rules and met the terms of reference and procedures of the Company's Remuneration Committee and Nomination Committee regarding having a minimum of three members.

Save as disclosed above, during the Reporting Period and as of the date of this announcement, the Company has complied with all other applicable code provisions set out in the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix C3 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 in accordance with the requirements of the Listing Rules with written terms of reference.

The Audit Committee has reviewed the Group's annual consolidated financial statements for the year ended 31 December 2024 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 consolidated financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REVIEW OF ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement, from pages 2 to 37, 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 2024. 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 2024 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2024 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, 28 March 2025

As at the date of this announcement, the Board comprises of 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, Mr. Yu Ronald Patrick Lup Man and Mr. Suo Suo as independent non-executive Directors.