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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Dongwu Cement International Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (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 2022.

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group’s revenue amounted to approximately HKD140,576,000, representing a decrease of approximately HKD62,745,000 or 30.9% from approximately HKD203,321,000 for the six months ended 30 June 2022.
- Gross profit margin of cement segment increased to approximately 1.8% during the Reporting Period from approximately -7.6% for the six months ended 30 June 2022.
- Loss attributable to owners of the Company decreased to approximately HKD18,418,000 during the Reporting Period from loss of approximately HKD19,944,000 for the six months ended 30 June 2022.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>HKD'000</i> (Unaudited)	<i>HKD'000</i> (Unaudited)
Revenue		140,576	203,321
Cost of sales	7	<u>(138,059)</u>	<u>(218,795)</u>
Gross profit/(loss)		2,517	(15,474)
Distribution expenses		(1,144)	(1,905)
Administrative expenses		(24,927)	(13,255)
Other income		<u>585</u>	<u>2,570</u>
Operating loss		(22,969)	(28,064)
Finance income		6,682	8,187
Finance expenses		(2,668)	(3,430)
Finance income – net		4,014	4,757
Share of results of associates		<u>313</u>	<u>805</u>
Loss before income tax	9	(18,642)	(22,502)
Income tax credit	8	<u>224</u>	<u>2,558</u>
Loss for the period		<u>(18,418)</u>	<u>(19,944)</u>
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(26,496)</u>	<u>(32,539)</u>
Total comprehensive income for the period		<u>(44,914)</u>	<u>(52,483)</u>

		Six months ended 30 June	
		2023	2022
<i>Notes</i>		<i>HKD'000</i>	<i>HKD'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
	– Owners of the Company	(17,433)	(18,661)
	– Non-controlling interests	(985)	(1,283)
		<u>(18,418)</u>	<u>(19,944)</u>
Total comprehensive income for the period attributable to:			
	– Owners of the Company	(44,257)	(51,448)
	– Non-controlling interests	(657)	(1,035)
		<u>(44,914)</u>	<u>(52,483)</u>
Loss per share			
	– Basic and diluted (HKD per share)	<u>(0.032)</u>	<u>(0.034)</u>
		<i>19</i>	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 June 2023 HKD'000 (Unaudited)	At 31 December 2022 HKD'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	175,821	194,137
Goodwill		12,517	13,064
Intangible assets	<i>11</i>	6,083	6,767
Deposit paid for purchase of machineries and intangible assets	<i>14</i>	469	3,106
Deposits paid for acquisition of property	<i>14</i>	24,300	25,361
Investment in associates	<i>12</i>	41,826	43,339
Deferred tax assets	<i>17</i>	5,224	5,790
Financial assets at fair value through profit or loss	<i>13</i>	<u>108,000</u>	<u>112,715</u>
Total non-current assets		<u>374,240</u>	<u>404,279</u>
Current assets			
Inventories		47,272	44,028
Trade and other receivables	<i>14</i>	42,082	51,834
Short-term bank deposits		444,398	466,640
Pledged bank deposits		42,274	60,200
Cash and cash equivalents		<u>5,630</u>	<u>7,662</u>
Total current assets		<u>581,656</u>	<u>630,364</u>
Current liabilities			
Trade and other payables	<i>15</i>	197,484	223,619
Contract liabilities		25,280	15,175
Lease liabilities	<i>21</i>	860	1,032
Borrowings	<i>16</i>	<u>163,206</u>	<u>178,439</u>
Total current liabilities		<u>386,830</u>	<u>418,265</u>
Net current assets		<u>194,826</u>	<u>212,099</u>
Total assets less current liabilities		<u>569,066</u>	<u>616,378</u>

		At 30 June 2023 <i>HKD'000</i> (Unaudited)	At 31 December 2022 <i>HKD'000</i> (Audited)
Non-current liabilities			
Lease liabilities	21	413	794
Deferred tax liabilities	17	<u>33,290</u>	<u>35,307</u>
Total non-current liabilities		<u>33,703</u>	<u>36,101</u>
Net assets		<u>535,363</u>	<u>580,277</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	5,520	5,520
Reserves		<u>537,436</u>	<u>581,693</u>
		<u>542,956</u>	<u>587,213</u>
Non-controlling interests		<u>(7,593)</u>	<u>(6,936)</u>
Total equity		<u>535,363</u>	<u>580,277</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company				Total	Non- controlling interests	Total equity
	Share capital <i>HKD'000</i> <i>(Note 18)</i>	Other reserves <i>HKD'000</i>	Translation reserve <i>HKD'000</i>	Retained earnings <i>HKD'000</i>			
At 1 January 2023 (audited)	5,520	460,321	(54,319)	175,691	587,213	(6,936)	580,277
Loss for the period	-	-	-	(17,433)	(17,433)	(985)	(18,418)
Exchange difference arising on translation of financial statements of foreign operations	-	-	(26,824)	-	(26,824)	328	(26,496)
Total comprehensive income for the period	-	-	(26,824)	(17,433)	(44,257)	(657)	(44,914)
At 30 June 2023 (unaudited)	<u>5,520</u>	<u>460,321</u>	<u>(81,143)</u>	<u>158,258</u>	<u>542,956</u>	<u>(7,593)</u>	<u>535,363</u>
At 1 January 2022 (audited)	5,520	460,321	4,516	216,159	686,516	(4,790)	681,726
Loss for the period	-	-	-	(18,661)	(18,661)	(1,283)	(19,944)
Exchange difference arising on translation of financial statements of foreign operations	-	-	(32,787)	-	(32,787)	248	(32,539)
Total comprehensive income for the period	-	-	(32,787)	(18,661)	(51,448)	(1,035)	(52,483)
At 30 June 2022 (unaudited)	<u>5,520</u>	<u>460,321</u>	<u>(28,271)</u>	<u>197,498</u>	<u>635,068</u>	<u>(5,825)</u>	<u>629,243</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Operating loss before working capital changes	(9,474)	(20,119)
Decrease in trade and other receivables	7,841	148,129
Other operating cash flows	(14,610)	(18,278)
	<u>(16,243)</u>	<u>109,732</u>
Cash (used in)/generated from operating activities	(16,243)	109,732
Income tax paid	–	(8,560)
Government grant received	126	2,685
	<u>126</u>	<u>2,685</u>
Net cash (used in)/generated from operating activities	<u>(16,117)</u>	<u>103,857</u>
Cash flows from investing activities		
Interest received	6,682	5,092
Purchases of property, plant and equipment	(1,373)	(4,313)
Purchases of intangible assets	–	(7)
Deposits for purchase of machineries	(488)	(3,428)
Deposits paid for acquisition of property	–	(27,062)
Deposit refunded for cancellation on purchase of intangible assets	1,937	–
Placement of short-term deposits	(304,976)	(326,525)
Release of short-term deposit	307,807	278,800
Placement of pledged bank deposits	(43,972)	(43,090)
Release of pledged bank deposits	59,999	60,110
	<u>59,999</u>	<u>60,110</u>
Net cash generated from/(used in) investing activities	<u>25,616</u>	<u>(60,423)</u>
Cash flows from financing activities		
Proceeds from borrowings	81,355	58,935
Repayments of borrowings	(90,199)	(58,935)
Repayments of principal portion of lease liabilities	(511)	(281)
Interest paid	(2,002)	(2,939)
	<u>(2,002)</u>	<u>(2,939)</u>
Net cash used in financing activities	<u>(11,357)</u>	<u>(3,220)</u>
Net (decrease)/increase in cash and cash equivalents	(1,858)	40,214
Cash and cash equivalents at the beginning of the period	7,662	90,292
Effect of exchange rate changes on bank balances and cash	(174)	(4,943)
	<u>(174)</u>	<u>(4,943)</u>
Cash and cash equivalents at the end of the period	<u>5,630</u>	<u>125,563</u>

1. GENERAL INFORMATION

Dongwu Cement International Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. In the directors’ opinion, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in British Virgin Island (the “**BVI**”).

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the “**Group**”. The Group is principally engaged in the production and sale of cement and the research and development in biotechnology. Principal place of the Group’s business is located at Fenu Economic Development Zone, Wujiang, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial information (the “**Financial Information**”) has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information was approved by the Board of Directors (the “**Board**”) for issue on 25 August 2023.

The Financial Information has been prepared with the same accounting policies adopted in the 2022 annual financial statements, except for those that relate to new and amended standards effective for the first time for periods beginning on or after 1 January 2023 or agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board. Details of any changes in accounting policies are set out in note 3.

The preparation of the Financial Information in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 4.

The Financial Information is presented in Hong Kong Dollars (“**HKD**”), unless otherwise stated and contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The Financial Information does not include all information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the 2022 consolidated financial statements.

The Financial Information has been prepared under historical cost convention except for certain financial instruments, which are measured at fair values, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in HKFRSs

(a) Adoption of new and amendments to HKFRSs – first effective on 1 January 2023

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

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in these condensed consolidated interim financial statements.

3.2 Current income tax

Income tax in the interim period is accrued using tax rate that would be applicable to expected total annual earnings.

3.3 Other new HKFRSs, amendments and interpretations

The Group has not applied any new HKFRSs or amendments that is not yet effective for the current accounting period.

4. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing the Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow interest rate risk, credit risk and liquidity risk.

The Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

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

5.2 Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, short-term bank borrowings and the financial support provided by the equity holders.

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

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The segments are managed separately as each business offers different products and services and requires different business strategies. The Board has identified the Group's product and service lines as reportable operating segments as follows:

Reportable segments:

- Production and sales of cements
- Research and development in biotechnology

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

In the following table, revenue is disaggregated by timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the six months ended 30 June 2023 (Unaudited)

	Production and sales of cements <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Total <i>HKD'000</i>
Time of revenue recognition			
At a point in time	140,409	–	140,409
Transferred over time	<u>167</u>	<u>–</u>	<u>167</u>
Segment revenue	<u><u>140,576</u></u>	<u><u>–</u></u>	<u><u>140,576</u></u>
Segment results	<u><u>(10,196)</u></u>	<u><u>(2,816)</u></u>	<u><u>(13,012)</u></u>
Unallocated expenses			(5,630)
Income tax credit	<u>224</u>	<u>–</u>	<u>224</u>
Loss for the period			<u><u>(18,418)</u></u>
As at 30 June 2023 (Unaudited)			
Segment assets	<u><u>797,896</u></u>	<u><u>21,730</u></u>	819,626
Deposit paid for acquisition of property			24,300
Financial assets at fair value through profit or loss			108,000
Unallocated assets			<u>3,970</u>
Total assets			<u><u>955,896</u></u>
Segment liabilities	<u><u>344,946</u></u>	<u><u>3,008</u></u>	347,954
Unallocated liabilities			<u>72,579</u>
Total liabilities			<u><u>420,533</u></u>

For the six months ended 30 June 2022 (Unaudited)

	Production and sales of cements <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Total <i>HKD'000</i>
Time of revenue recognition			
At a point in time	203,071	–	203,071
Transferred over time	<u>250</u>	<u>–</u>	<u>250</u>
Segment revenue	<u><u>203,321</u></u>	<u><u>–</u></u>	<u><u>203,321</u></u>
Segment results	<u><u>(15,967)</u></u>	<u><u>(3,678)</u></u>	<u><u>(19,645)</u></u>
Unallocated expenses			(2,857)
Income tax credit	<u>2,558</u>	<u>–</u>	<u>2,558</u>
Loss for the period			<u><u>(19,944)</u></u>
As at 31 December 2022 (Audited)			
Segment assets	<u><u>867,291</u></u>	<u><u>25,159</u></u>	<u><u>892,450</u></u>
Deposit paid for acquisition of property			25,361
Financial assets at fair value through profit or loss			112,715
Unallocated assets			<u>4,117</u>
Total assets			<u><u>1,034,643</u></u>
Segment liabilities	<u><u>385,779</u></u>	<u><u>2,795</u></u>	<u><u>388,574</u></u>
Unallocated liabilities			<u>65,792</u>
Total liabilities			<u><u>454,366</u></u>

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer within the scope of HKFRS 15. There were no inter-segment sales for both periods. Revenue derived from the single largest external independent customers from the Group's Production and sale of cement segment amounted to 19.93% of the Group's revenue for the period (30 June 2022: 15.92%).

7. REVENUE

The Company's subsidiaries in the PRC are principally engaged in the production and sale of cement. The Group's revenue is analysed as follows:

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Sale of ordinary Portland cement strength class 42.5	105,706	165,994
Sale of composite Portland cement strength class 32.5R	34,703	37,077
Solid waste processing income	167	250
	<u>140,576</u>	<u>203,321</u>

All of the Group's revenue is derived from contracts with customers.

The following table provides information about trade receivables, bill receivables, and contract liabilities from contracts with customers.

	As at	
	30 June	31 December
	2023	2022
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Trade and bills receivables, net (<i>Note 14</i>)	31,183	43,209
Contract liabilities	<u>(25,280)</u>	<u>(15,175)</u>

Contract liabilities mainly relate to advances received from its customers. HKD15,175,000 (30 June 2022: HKD15,876,000) of the contract liabilities as of 1 January 2023 has been recognised as revenue for the six months ended 30 June 2023 when performance obligations have been satisfied in current period.

The Group has applied the practical expedient to its sales contracts for sales of cement products and 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 contracts for sales of cement products that had an original expected duration of one year or less.

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Current tax		
– Enterprise Income Tax (“EIT”)	–	–
Deferred tax (<i>Note 17</i>)	<u>(224)</u>	<u>(2,558)</u>
Income tax credit	<u><u>(224)</u></u>	<u><u>(2,558)</u></u>

Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

Hong Kong profits tax rate is calculated by applying the estimated weighted average income tax rate expected for the full financial period of 16.5% (2022: 16.5%) to the six months ended 30 June 2023. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the period ended 30 June 2023 (2022: Nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

Taxation for overseas subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries. Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of all the PRC subsidiaries was 25% on their taxable profits for the six months ended 30 June 2023.

9. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	137,788	218,143
Depreciation of property, plant and equipment	12,451	12,894
Depreciation of right-of-use assets	699	524
Amortisation of intangible assets	418	453
Provision for/(reversal of provision for) impairment on trade receivables, net	64	(3,260)
(Reversal of provision for)/provision for impairment on other receivables, net	(11)	19
Employee expenses (including directors' remuneration)		
– wages and salaries	9,122	9,134
– pension scheme contribution	3,495	3,813
Auditor remuneration	157	168
Short-term lease expenses	97	184
	<u> </u>	<u> </u>

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment HKD'000
Six months ended 30 June 2023	
Carrying amount as at 1 January 2023 (Audited)	194,137
Additions	2,532
Depreciation	(13,150)
Exchange differences	(7,698)
	<u> </u>
Carrying amount as at 30 June 2023 (Unaudited)	<u> </u>
Six months ended 30 June 2022	
Carrying amount as at 1 January 2022 (Audited)	217,394
Additions	10,618
Depreciation	(13,418)
Exchange differences	(9,598)
	<u> </u>
Carrying amount as at 30 June 2022 (Unaudited)	<u> </u>

Note: The following table summarised the right-of-use assets capitalised by nature of underlying assets:

Right-of-use assets	Land use right HKD'000	Leasehold land and buildings HKD'000	Total HKD'000
At 1 January 2023	15,414	1,600	17,014
Depreciation	(227)	(472)	(699)
Exchange differences	(637)	(34)	(671)
	<u>14,550</u>	<u>1,094</u>	<u>15,644</u>
At 30 June 2023	<u>14,550</u>	<u>1,094</u>	<u>15,644</u>
At 1 January 2022	17,256	1,092	18,348
Depreciation	(243)	(281)	(524)
Exchange differences	(765)	(1)	(766)
	<u>16,248</u>	<u>810</u>	<u>17,058</u>
At 30 June 2022	<u>16,248</u>	<u>810</u>	<u>17,058</u>

11. INTANGIBLE ASSETS

	Technical know-how HKD'000
At 1 January 2023 (Audited)	6,767
Amortisation	(418)
Exchange differences	(266)
	<u>6,083</u>
At 30 June 2023 (Unaudited)	<u>6,083</u>
At 1 January 2022 (Audited)	8,273
Additions	7
Amortisation	(453)
Exchange differences	(356)
	<u>7,471</u>
At 30 June 2022 (Unaudited)	<u>7,471</u>

Technical know-how represents the intellectual property rights which have finite useful life and are amortised on a straight-line basis over its estimated useful life of 10 years.

12. INVESTMENT IN ASSOCIATES

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Unlisted equity investment:		
Cost of investment	30,964	30,964
Share of results of associates, net of dividends received	10,862	12,375
As at the end of period ended and year ended	41,826	43,339

The Group has a 43.2% (31 December 2022: 43.2%) interest in its associate, Suzhou Dongtong Environment and Technology Company Limited (蘇州東通環保科技有限公司, “**Dongtong Environment and Technology**”), which was incorporated and operates in the PRC. The principal activity of Dongtong Environment and Technology is research and development on environmental technology and provision of related services. The cost of the investment was HKD27,637,000 (equivalent to RMB24,000,000).

The Group has a 30% (31 December 2022: 30%) interest in an associate, Zhuhai Huiyinhuiheng Investment Fund Management Company Limited* (珠海匯垠匯恒股權投資資金管理有限公司), which was incorporated in the PRC. The principal activity of the company is financial investment management. The cost of the investment was HKD3,327,000 (equivalent to RMB2,757,000).

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

All of these associates are accounted for using the equity method in these condensed consolidated financial statements.

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Dongtong Environment and Technology		
Non-current assets	7,618	8,686
Current assets	94,476	97,499
Current liabilities	<u>(11,809)</u>	<u>(13,067)</u>
	Six months ended 30 June	
	2023 <i>HKD'000</i> (Unaudited)	2022 <i>HKD'000</i> (Unaudited)
Revenue	4,600	6,040
Profit for the period	1,105	1,863
Other comprehensive income for the period	(3,938)	(4,311)
Total comprehensive income for the period	(2,833)	(2,448)
Dividends received from the associate during the period	<u>–</u>	<u>–</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the condensed consolidated interim financial statements:

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Net assets of Dongtong Environment and Technology	90,285	93,118
Proportion of the Group's ownership interest in Dongtong Environment and Technology	<u>43.2%</u>	<u>43.2%</u>
Carrying amount of the Group's interest in Dongtong Environment and Technology	<u>39,007</u>	<u>40,231</u>

Aggregate information of an associate that is not material

	As at	
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Audited)
Aggregate carrying amount	<u>2,819</u>	<u>3,108</u>
	Six months ended 30 June	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Unaudited)
Aggregate amounts of the Group's share of the associate's:		
– Loss for the period	(165)	–
– Other comprehensive income for the period	(124)	(151)
– Total comprehensive income for the period	<u>(289)</u>	<u>(151)</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Audited)
Unlisted fund investment	<u>108,000</u>	<u>112,715</u>

On 26 December 2022, the Group entered into a trust agreement with National Trust, which is an unlisted fund in the PRC. National Trust is responsible for managing and utilising the Trust Assets to generate investment returns for the Group.

14. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Trade and bill receivables from third parties	31,413	43,385
Less: provision for impairment (<i>Note (iii)</i>)	<u>(230)</u>	<u>(176)</u>
Trade and bills receivables, net (<i>Note (i)</i>)	<u>31,183</u>	<u>43,209</u>
Prepayments and deposits (<i>Note (ii)</i>)	32,054	33,083
Other receivables	3,691	4,100
Less: provision for impairment on other receivables (<i>Note (iii)</i>)	<u>(77)</u>	<u>(91)</u>
Prepayments, deposits and other receivables	<u>35,668</u>	<u>37,092</u>
Total trade and other receivables	<u>66,851</u>	<u>80,301</u>
Less: non-current portion		
Deposits paid for purchase of machineries and intangible assets (<i>Note (ii)</i>)	(469)	(3,106)
Deposit paid for acquisition of property (<i>Note (ii)</i>)	<u>(24,300)</u>	<u>(25,361)</u>
Trade and other receivables – current portion	<u>42,082</u>	<u>51,834</u>

As at 30 June 2023 and 31 December 2022, no trade and bill receivables were pledged for the borrowings.

(i) Trade and bill receivables

Credit terms given to its customers generally range from 30 to 90 days (31 December 2022: 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 receivables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

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

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

	As at	
	30 June 2023 HKD'000 (Unaudited)	31 December 2022 HKD'000 (Audited)
Within 90 days	21,599	38,692
From 91 days to 180 days	7,015	4,117
From 181 days to 1 year	2,569	258
From 1 year to 2 years	—	142
	<u>31,183</u>	<u>43,209</u>

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, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collaterals or other credit enhancements over these balances.

(ii) Prepayments and deposits

As at 30 June 2023, included in the Group's prepayments and deposits were mainly represented by the prepayments and deposits amounted to HKD6,934,000, HKD469,000, Nil and HKD24,300,000 (31 December 2022: HKD4,311,000, HKD1,163,000, HKD1,943,000 and HKD25,361,000) paid to the suppliers for raw material purchases, purchase of machineries, purchase of right of use of licence and property respectively.

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

	As at	
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Audited)
Trade receivables:		
Beginning of period/year	176	3,377
Provision for the period/year	203	39
Balance recovered for the period/year	(139)	(3,055)
Exchange differences	(10)	(185)
End of period/year	<u>230</u>	<u>176</u>
Other receivables:		
Beginning of period/year	91	67
(Reversal of provision for)/provision for the period/year, net	(11)	31
Exchange differences	(3)	(7)
End of period/year	<u>77</u>	<u>91</u>

The origination and release of provision for impairment of trade receivables 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 assessment in accordance with the accounting policy.

15. TRADE AND OTHER PAYABLES

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Trade payables	52,150	73,300
Bill payables	73,999	85,420
Salary and bonus payables	792	4,834
VAT payables	389	1,577
Amounts due to related parties (<i>note 22(a)</i>)	55,476	44,136
Other payables	14,678	14,352
	<u>197,484</u>	<u>223,619</u>

The credit period granted by the Group's principal suppliers is 30 to 90 days. Most of the Group's trade and other payables are denominated in RMB.

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

Aging analysis of trade payables are as follows:

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Within 30 days	9,416	12,841
From 31 days to 90 days	32,230	36,264
From 91 days to 180 days	3,257	15,566
From 181 days to 1 year	5,301	6,216
From 1 year to 2 years	504	1,020
Over 2 years	1,442	1,393
	<u>52,150</u>	<u>73,300</u>

16. BORROWINGS

	As at	
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)
Bank borrowings (<i>note (a)</i>)	85,320	100,317
Other loans, unsecured (<i>note (b),(c),(d),(e),(f)</i>)	<u>77,886</u>	<u>78,122</u>
Total bank and other loans	<u><u>163,206</u></u>	<u><u>178,439</u></u>
Carrying amount of borrowings repayable:		
On demand or within one year	<u><u>163,206</u></u>	<u><u>178,439</u></u>

Notes:

- (a) As at 30 June 2023, bank borrowings of approximately HKD85,320,000 (31 December 2022: HKD100,317,000) with fixed interest rates ranged from 4.20% to 4.95% (31 December 2022: 4.40% to 5.30%) per annum was secured by corporate guarantees from the Company.
- (b) As at 30 June 2023, the Group's other loans included an other loan of HKD10,700,000 (31 December 2022: HKD10,700,000) with a fixed interest rate of 9% per annum from one third party.
- (c) As at 31 December 2022, the Group's other loans included an other loan of HKD890,000 with a fixed interest rate of 13% per annum from another third party, which was fully repaid during the period.
- (d) As at 30 June 2023, the Group's other loans included an interest-free loan of HKD3,600,000 (31 December 2022: HKD3,600,000) from a company under control of Mr. Tseung, a non-executive director of the Company
- (e) As at 30 June 2023, the Group's other loans included an interest-free loan of HKD60,156,000 (31 December 2022: HKD62,782,000) from Dongtong Environment and Technology, an associate of the Group.
- (f) As at 30 June 2023, unsecured interest-free loan of HKD3,430,000 (31 December 2022: HKD150,000) provided by Mr. Tseung.

17. DEFERRED TAXATION

	As at		
	30 June 2023 <i>HKD'000</i> (Unaudited)	31 December 2022 <i>HKD'000</i> (Audited)	
Deferred tax assets	5,224	5,790	
Deferred tax liabilities	<u>(33,290)</u>	<u>(35,307)</u>	
	<u>(28,066)</u>	<u>(29,517)</u>	
	Withholding tax for attributable profit relating to equity holders	Tax loss	Total
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
	<i>(Note (a))</i>	<i>(Note (b))</i>	
As at 1 January 2023 (Audited)	(35,307)	5,790	(29,517)
Charged to profit or loss	562	(338)	224
Exchange difference	<u>1,455</u>	<u>(228)</u>	<u>1,227</u>
As at 30 June 2023 (Unaudited)	<u>(33,290)</u>	<u>5,224</u>	<u>(28,066)</u>
As at 1 January 2022 (Audited)	(42,428)	–	(42,428)
Charged to profit or loss	2,558	–	2,558
Exchange difference	<u>1,827</u>	<u>–</u>	<u>1,827</u>
As at 30 June 2022 (Unaudited)	<u>(38,043)</u>	<u>–</u>	<u>(38,043)</u>

- (a) Pursuant to the PRC Corporate Income Tax Law, effective from 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of their earnings generated from 1 January 2008.

- (b) As at 30 June 2023, the Group had unused tax losses of approximately HKD66,023,000 (31 December 2022: HKD30,621,000), available to offset against future profits. As at 30 June 2023, unused tax losses of approximately HKD20,894,000 (31 December 2022: HKD23,160,000) had been recognized in deferred tax assets, while approximately HKD45,129,000 (31 December 2022: HKD7,461,000) had not been recognized as at 30 June 2023, due to the unpredictability of future profit streams.

18. SHARE CAPITAL

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD'000
<i>Authorised:</i>		
Ordinary shares of HKD0.01 each as at 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
As at 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<u>552,000</u>	<u>5,520</u>

19. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HKD17,433,000 (30 June 2022: HKD18,661,000) by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2022: 552,000,000).

As there were no dilutive options and other dilutive potential ordinary shares in issue for the periods ended 30 June 2023 and 2022, diluted loss per share is the same as basic loss per share.

20. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023 (2022: Nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that no dividend will be paid in respect of the interim period (2022: Nil).

21. LEASE LIABILITIES

	Leasehold land and buildings	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
At 1 January (Audited)	1,826	1,102
Interest expenses	31	9
Lease payments	(542)	(290)
Exchange differences	(42)	(1)
	<u>1,273</u>	<u>820</u>
At 30 June (Unaudited)	<u>1,273</u>	<u>820</u>

	As at	
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Audited)
Current portion	860	1,032
Non-current portion	413	794
	<u>1,273</u>	<u>1,826</u>
	<u>1,273</u>	<u>1,826</u>

Future lease payments are due as follows:

	Minimum	Interest	Present value
	lease payments		
	30 June	30 June	30 June
	2023	2023	2023
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	894	34	860
After one year but within two years	420	7	413
	<u>1,314</u>	<u>41</u>	<u>1,273</u>
	<u>1,314</u>	<u>41</u>	<u>1,273</u>

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

22. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors (executive and non-executive) and senior management. Remuneration paid or payables to key management for employees service is shown below:

	Six months ended 30 June	
	2023 <i>HKD'000</i> (Unaudited)	2022 <i>HKD'000</i> (Unaudited)
Basic salaries and benefits in kind	<u>2,331</u>	<u>1,508</u>

On 1 January 2023, Mr. Tseung (as the lender) entered into an interest-free loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD5,000,000 to a subsidiary of the Group and subject to the lender's overriding right of repayment on demand. As at 30 June 2023, borrowing of approximately HKD3,430,000 (31 December 2022: HKD150,000) was due to Mr. Tseung.

Borrowing of approximately HKD60,156,000 (2022: HKD62,782,000) was due to Dongtong Environment and Technology, an associate of the Group.

Other payables included amounts due to companies under control of Mr. Tseung, of HKD55,476,000 (31 December 2022: HKD44,136,000). The balances are unsecured, interest-free and repayable on demand.

(b) **Significant related party transactions**

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

	Six months ended 30 June	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Unaudited)
Revenue received from		
– an associate	167	250

Note:

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

None of the related party transactions set out above constituted non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules.

23. CAPITAL COMMITMENT

	As at	
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Audited)
Commitments for the acquisition of:		
Property, plant and equipment	646	1,154

24. FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair value of financial assets and liabilities:

	As at	
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Audited)
Financial assets:		
Financial assets at amortised cost		
– Trade and other receivables excluding prepayments	59,097	72,579
– Short-term bank deposits	444,398	466,640
– Pledged bank deposits	42,274	60,200
– Cash and cash equivalents	5,630	7,662
Financial assets at fair value through profit or loss		
– Unlisted fund investment	108,000	112,715
	<u>659,399</u>	<u>719,796</u>
Total	<u>659,399</u>	<u>719,796</u>
Financial liabilities:		
Financial liabilities at amortised cost		
– Borrowings	163,206	178,439
– Trade and other payables excluding non-financial liabilities	197,095	222,042
Lease liabilities	1,273	1,826
	<u>361,574</u>	<u>402,307</u>
Total	<u>361,574</u>	<u>402,307</u>

Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and bank balances, trade and other receivables, short-term bank deposits, pledged bank deposits, trade and other payables and borrowings.

Due to their short term nature, the carrying value of cash and bank balances, trade and other receivables, short-term bank deposits, pledged bank deposits, trade and other payables and borrowings approximate their fair value.

(ii) Financial instruments measured at fair value

Financial assets at fair value through profit or loss included in the condensed consolidated financial statements require measurement at, and disclosure of, fair value.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurements

For the financial assets at fair value through profit or loss

The Group's unlisted private fund categorised in Level 3 was managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of the fund is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private fund's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

As Level 3 investment fund is close-ended, the Group reviews the valuations of the underlying investments held by respective investment fund to assess the appropriateness of the net asset values as provided by the fund administrators, and may make adjustments for rights and obligations inherent within the ownership interest held by the Group as they consider appropriate.

There was no transfer under the fair value hierarchy classification during the period ended 30 June 2023.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Financial assets at fair value through profit or loss	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
At 1 January (audited)	112,715	–
Total gains or losses:		
– changes in fair value of financial assets	–	–
Exchange differences	(4,715)	–
	<hr/>	<hr/>
At 30 June (unaudited)	<u>108,000</u>	<u>–</u>

25. SUBSEQUENT EVENT

On 9 June 2023, the Group entered into the Share Acquisition and Capital Injection Agreement (“**Agreement**”) with the shareholders of Ganzhou Chengzheng Rare Earth New Material Co., Ltd (“**Ganzhou Chengzheng**”). Pursuant to the Agreement, the Group is going to acquire in total 62.5% equity interest of Ganzhou Chengzheng at a cash consideration of RMB200 million. The principal activities of Ganzhou Chengzheng is production and sales of magnetic materials and other application products. The Group acquired Ganzhou Chengzheng to diversify the Group’s business in a realm with potential growth opportunity and enhance shareholder value. The acquisition is subsequently completed on 31 July 2023. Up to the date on which the condensed consolidated interim financial statements are authorised for issue, the initial accounting for the business combination is incomplete as the independent qualified professional valuer has not yet finalised the purchase price allocation and the Company is in the process of finalising the accounting impact of the transaction.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In the first half of 2023, the national cement market as a whole presented the operating characteristics of “weak demand, high inventory, low price, and decreased profit” under the macro environment of slow global economic growth and continuous recovery of the domestic economy with insufficient market demand. During the Reporting Period, the gross domestic product (GDP) recorded a year-on-year increase of 5.5% (an increase of 2.5% for the same period last year) to RMB59,303.4 billion; fixed asset investment recorded a year-on-year increase of 3.8% (an increase of 6.1% for the same period last year). In the first half of 2023, the cumulative cement output of enterprises above designated size in the country totaled 953 million tonnes, representing a year-on-year increase of 1.3% (under the same statistic scope), and the output recorded the lowest amount in the same period in nearly 12 years. Under the full-category statistic scope, cement output fell 2.4% (a decrease of 15% for the same period last year) or approximately 24 million tonnes from the previous year. (Source: National Bureau of Statistics). In the first quarter, the buoyant market came earlier than in previous years as reflected by a stage improvement for the demand, resulting in the slight year-on-year increase in cement output. In the second quarter, the market weakened, especially the absence of rising market in the conventional seasonal peak in April and May, while the demand continued to weaken in June due to the rainy season. In the second quarter, the national cement output dropped by approximately 3% year-on-year, with the output of less than 600 million tonnes, representing a decrease of approximately 75 million tonnes from the same period in 2019 before the pandemic. In the first half of the year, cement demand mainly relied on infrastructure investment, but the downward trend of cement demand in the real estate sector has not yet improved due to the severe shortage of both real estate funds and new property construction. In the first half of the year, the average price of the national monthly cement market generally showed a trend of continuous decline with a low price range, and the price fell sharply year-on-year. The price trend was characterized by weak recovery from low price, accelerated bottoming, and recording lows. According to the Digital Cement, taking the cement prices in the provincial capital cities of the Group’s main sales regions (Jiangsu Province, Zhejiang Province, and Shanghai) as an example, in June 2023, the average price of PO42.5 cement in Nanjing (the provincial capital city of Jiangsu Province), Hangzhou (the provincial capital city of Zhejiang Province) and Shanghai was RMB290 per tonne, RMB300 per tonne and RMB360 per tonne respectively, representing a decrease of 23.6%, 27.7% and 10% respectively over the corresponding period of last year. (Source: Digital Cement)

Biomedical Segment

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

Revenue

During the Reporting Period, the Group’s revenue amounted to approximately HKD140,576,000, which was all generated from the cement segment, representing a decrease of approximately HKD62,745,000 or 30.9% from approximately HKD203,321,000 in the corresponding period in 2022. The decrease is mainly due to the following reasons:

- (1) Cement demand is mainly driven by the investments in infrastructures. In the first half of the year, due to the serious shortage of capital and newly construction projects in the real estate sector, the cement demand of the real estate side still remained a downward trend. Affected by the slump property market, the market demand of cement was sluggish amid an overall downturn environment; and
- (2) The continued high cement stocks brought about the diminishing effectiveness of supply-side regulation, intensified price competition and continued decrease in coal prices, which led to a significant decline in cement price.

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

	For the six months ended 30 June					
	2023			2022		
	Average			Average		
	Sales	Selling	Revenue	Sales	Selling	Revenue
	Volume	Price		Volume	Price	
	<i>Thousand</i>	<i>HKD/</i>		<i>Thousand</i>	<i>HKD/</i>	
<i>tonnes</i>	<i>tonne</i>	<i>HKD'000</i>	<i>tonnes</i>	<i>tonne</i>	<i>HKD'000</i>	
PO 42.5 Cement	326	324	105,706	383	433.19	165,994
PC 32.5 Cement	118	294	34,703	95	392.10	37,077

By product, sales volume of the Group's cement products during the Reporting Period amounted to approximately 444 thousand tonnes, representing a decrease of approximately 7% year on year, while the sales revenue of cement products decreased by approximately 31% year on year.

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

	For the six months ended 30 June 2023			
	Revenue	%	Revenue	%
	<i>HKD'000</i>	<i>of total</i>	<i>HKD'000</i>	<i>of total</i>
		<i>revenue</i>		<i>revenue</i>
Jiangsu Province	122,809	87.47%	174,544	85.95%
Wujiang District	106,343	75.74%	84,266	41.50%
Suzhou (excluding				
Wujiang District)	16,466	11.73%	90,278	44.45%
Zhejiang Province	16,213	11.54%	28,479	14.03%
Southern Zhejiang				
Province (Taizhou,				
Zhoushan and Ningbo)	1,492	1.06%	5,027	2.48%
Jiaxing	14,721	10.48%	23,452	11.55%
Shanghai	1,387	0.99%	48	0.02%
Total	140,409	100.00%	203,071	100.00%

As mentioned above, during the Reporting Period, most regions recorded decrease in sales at different level as compared to that of the corresponding period last year because of the sluggish market demand of cement and the significant drop of the cement price.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit of cement segment business amounted to approximately HKD2,517,000, representing a increase of approximately HKD17,991,000 or 116.3% as compared to the gross loss of approximately HKD15,474,000 in the corresponding period last year, while the gross profit margin amounted to approximately 1.8%, representing a increase of approximately 9.4% in as compared to approximately -7.6% in the corresponding period last year. The increase was mainly attributable to the decrease in raw material costs, especially the coal prices.

Other Income

During the Reporting Period, the Group's other income amounted to approximately HKD585,000, representing a decrease of approximately HKD1,985,000 or 77.2% as compared to approximately HKD2,570,000 in the corresponding period last year. The decrease was mainly due to the decrease in government grants during the Reporting Period.

Distribution Expenses

The Group's distribution expenses amounted to approximately HKD1,144,000, representing an decrease of approximately 39.9% as compared to approximately HKD1,905,000 in the corresponding period last year. The decrease was mainly due to the decrease in cement delivered. Sales and distribution expenses accounted for approximately 1% of the consolidated revenue of the Group, which remained stable as compared to that of the corresponding period last year.

Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses amounted to approximately HKD24,927,000, representing an increase of HKD11,672,000 or 88.1% as compared to approximately HKD13,255,000 in the corresponding period last year. The increase was due to:

- (1) The reversal of provision for impairment on trade and other receivables in the corresponding period last year; and
- (2) An increase of consulting fees in relation to the acquisition of Ganzhou Chengzheng Rare Earth New Material Co., Ltd.

Income Tax Expense

During the Reporting Period, the Group's income tax credit amounted to approximately HKD224,000, representing a significant decrease from approximately HKD2,558,000 in the corresponding period last year, which is mainly attributable to the net loss before tax incurred during the Reporting Period.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately -13.1%.

The net profit margin decreased by 3.3% as compared to approximately -9.8% in the corresponding period last year. The decrease was mainly attributable to the decrease in revenue, and the increase in general and administrative expenses due to the reasons as mentioned in "Administrative Expenses".

Liquidity and Capital Resources

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

	30 June 2023 <i>HKD'000</i>	31 December 2022 <i>HKD'000</i>
Cash and cash equivalents	5,630	7,662
Borrowings	163,206	178,439
Debt to equity ratio	78.6%	78.3%
Liability to asset ratio	44.0%	43.9%

Cash Flow

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately HKD5,630,000, representing an decrease of approximately 27% from approximately HKD7,662,000 as at 31 December 2022, which was mainly due to the increase in administrative expenses.

Borrowings

	30 June 2023 <i>HKD'000</i>	31 December 2022 <i>HKD'000</i>
Current:		
– Cement segment	145,476	163,099
– Unallocated	17,730	15,340
	<u>163,206</u>	<u>178,439</u>

As at 30 June 2023, the Group's bank borrowings amounted to approximately HK\$85,320,000, representing a decrease of approximately 15.0% from approximately HK\$100,317,000 as at 31 December 2022, which was mainly due to repayment of bank loans during the Reporting Period.

As at 30 June 2023 and 31 December 2022, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bills receivables and restricted bank deposits.

Details of the Group's borrowings due are set out in note 16 to the condensed consolidated interim financial statements.

As at 30 June 2023, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 30 June 2023, the Group's debt to equity ratio was 78.6%.

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

Capital Expenditure and Capital Commitments

As at 30 June 2023, the Group's capital expenditure amounted to approximately HKD2,532,000. All of which were generated from the cement segment. It represented a notable decrease from approximately HK\$10,618,000 in the corresponding period last year.

As at 30 June 2023, the Group had capital commitments of approximately HK\$646,000 (as at 31 December 2022: HK\$1,154,000).

Pledge of Assets

As at 30 June 2023, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 30 June 2023, 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 material currency exchange risks, and therefore the Group did not 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 levels as a result of any controls that the People's Republic of China (the "PRC") government may impose. The exchange rates may also be affected by economic developments and political changes in the PRC and/or abroad, 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.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Reference is made to the announcement (the "**Announcement**") of the Company dated 9 June 2023 in relation to the discloseable transaction. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement. On 9 June 2023, the Investor, a wholly owned subsidiary of the Company has entered into the Share Acquisition and Capital Injection Agreement, with, among others, the Target Shareholders, (1) to acquire 25% of equity interest of the Target Company from Jiangxi Starlight at a consideration of RMB40 million (equivalent to approximately HKD44.01 million) and (2) to inject RMB160 million (equivalent to approximately HKD176 million) into the Target Company. After the Capital Injection, the registered capital of the Target Company will increase by RMB56 million (equivalent to approximately HKD61.62 million) and RMB104 million (equivalent to approximately HKD114 million) will be credited as reserved capital of the Target Company. Upon Completion, the Group will hold 62.5% of the equity interest of the Target Company and the financial results of the Target Company will be consolidated with those of the Group. The acquisition is subsequently completed on 31 July 2023. Up to the date on which the condensed consolidated interim financial statements are authorised for issue, the initial accounting for the business combination is incomplete as the independent qualified professional valuer has not yet finalised the purchase price allocation and the Company is in the process of finalising the accounting impact of the transaction.

Save as disclosed above, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of its subsidiaries or associated companies.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 213 employees. The total remuneration of our employees amounted to approximately HKD12,617,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

FUTURE PROSPECTS

In the second half of 2023, the Company will continued to lower costs in an effective manner by improving internal management; upgrade and replace existing facilities to increase productivity and reduce maintenance costs; expand its market share and improve profitability of products with the support of refined customer services; continued to develop and improve the construction of research and development team, advance the development of our product pipeline, persistently explore other innovation pipelines, as well as continuously taking initiative to capture the investment opportunities in emerging industry, in particular the new energy sector; enhance its operational efficiency by means of capital operation to promote its overall competitiveness. On 9 June 2023, Orient Chengzheng Rare Earth Technology (Ganzhou) Co. Ltd., a wholly owned subsidiary of the Company has entered into the share acquisition and capital injection agreement, with, among others, Ms. Wang Xiujia (王秀姣) and Jiangxi Starlight Enterprise Management consulting Co. (“**Jiangxi Starlight**”), (1) to acquire 25% of equity interest of the Ganzhou Chengzheng Rare Earth New Material Co., Ltd. (the “**Target Company**”) from Jiangxi Starlight at a consideration of RMB40 million (equivalent to approximately HKD44.01 million) and (2) to inject RMB160 million (equivalent to approximately HKD176 million) into the Target Company. After the capital injection, the registered capital of the Target Company will increase by RMB56 million (equivalent to approximately HKD61.62 million) and RMB104 million (equivalent to approximately HKD114 million) will be credited as reserved capital of the Target Company. Upon completion, the Group will hold 62.5% of the equity interest of the Target Company and the financial results of the Target Company will be consolidated with those of the Group. As at 31 July 2023, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the conditions precedent of the share acquisition and capital injection

agreement have been fulfilled. The Company is of the view that with the current market trend for the use of clean energy and favourable policies, the market demand for rare earth, rare earth permanent magnetic materials and rare earth permanent magnetic generators in the PRC will significantly increase. The Target Company and its subsidiaries have the technologies and established experience in areas such as rare earth exploration and mining, production of rare earth permanent magnetic materials and rare earth permanent magnet motors, which will allow the Company to tap into the rare earth and rare earth permanent magnets businesses in a more effective and efficient manner and will be in the interests of the Company and the shareholders as a whole. Please refer to the Company's announcement dated 9 June 2023 for further information on the above.

OTHER INFORMATION

Share Capital

As at 30 June 2023, the Company's issued share capital was HKD5,520,000, divided into 552,000,000 Shares with a par value of HKD0.01 each.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL LITIGATION AND ARBITRATION

So far as is known to the Directors, the Group was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claims of material importance to be pending or threatened by or against the Company during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group’s unaudited interim financial report for the six months ended 30 June 2023 and has discussed the financial reporting, risk management and internal control with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed “Material Acquisitions and Disposals of Subsidiaries and Associated Companies” of this announcement, as at the date of this announcement, there is no significant event that requires additional disclosures or might affect the Company after the Reporting Period.

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

Hong Kong, 25 August 2023

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