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 2020

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group's revenue amounted to approximately RMB460,970,000, representing a decrease of approximately RMB110,180,000 or 19.3% from approximately RMB571,150,000 for the year ended 31 December 2019.
- The gross profit margin of cement segment decreased from approximately 24.2% for the year ended 31 December 2019 to approximately 21.9% for the Reporting Period.
- For the year ended 31 December 2020, profit attributable to equity holders of the Company decreased to approximately RMB50,262,000 during the Reporting Period from approximately RMB66,669,000 for the year ended 31 December 2019.

The board (the "**Board**") of directors (the "**Directors**") of Dongwu Cement International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	*5*	**460,970**	571,150
Cost of sales		**(359,913)**	(432,826)
Gross profit		**101,057**	138,324
Distribution expenses		**(4,855)**	(4,219)
Administrative expenses		**(31,237)**	(30,229)
Other income		**9,015**	12,413
Other gain		**84**	7
Operating income		**74,064**	116,296
Finance income		**3,158**	988
Finance expenses		**(1,814)**	(3,245)
Finance income/(expenses) – net		**1,344**	(2,257)
Share of results of an associate		**3,842**	4,327
Profit before income tax expense	*6*	**79,250**	118,366
Income tax expense	*8*	**(29,101)**	(41,853)
Profit for the year from continuing operations		**50,149**	76,513
Discontinued operation			
Gain/(loss) for the year from a discontinued operation, after tax		**87**	(15,811)
Profit for the year		**50,236**	60,702
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**–**	2,466
Other comprehensive income, net of tax		**–**	2,466
Total comprehensive income for the year		**50,236**	63,168

	Notes	Year ended 31 December **2020** ***RMB'000***	 2019 *RMB'000*
Profit/(loss) for the year attributable to:			
Owners of the Company			
– From continuing operations		**50,149**	76,513
– From a discontinued operation		**113**	(9,844)
		50,262	66,669
Non-controlling interests			
– From a discontinued operation		**(26)**	(5,967)
		50,236	60,702
Total comprehensive income for the year attributable to:			
Owners of the Company			
– From continuing operations		**50,149**	78,979
– From a discontinued operation		**113**	(9,844)
		50,262	69,135
Non-controlling interests			
– From a discontinued operation		**(26)**	(5,967)
		50,236	63,168
Earnings per share from continuing and discontinued operations			
– Basic and diluted (RMB per share)	*7*	**0.091**	0.121
Earnings per share from continuing operations			
– Basic and diluted (RMB per share)	*7*	**0.091**	0.139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**175,170**	169,102
Goodwill	*14*	**11,590**	–
Intangible assets		**7,421**	403
Deposit paid for purchase of machineries		**8,388**	–
Investment in an associate		**34,029**	30,187
Financial assets at fair value through profit or loss		**–**	110,000
Total non-current assets		**236,598**	309,692
Current assets			
Inventories		**29,833**	27,906
Trade and other receivables	*9*	**138,259**	272,053
Short-term bank deposits		**310,000**	49,180
Cash and cash equivalents		**93,015**	81,826
		571,107	430,965
Assets of a discontinued operation classified as held for sale		**–**	63,256
Total current assets		**571,107**	494,221
Current liabilities			
Lease liabilities	*13*	**2,898**	63
Trade and other payables	*10*	**162,059**	161,039
Income tax payables		**11,329**	19,047
Borrowings	*11*	**65,187**	37,028
		241,473	217,177
Liabilities of a discontinued operation classified as held for sale		**–**	33,648
Total current liabilities		**241,473**	250,825
Net current assets		**329,634**	243,396
Total assets less current liabilities		**566,232**	553,088

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	*13*	**686**	–
Deferred tax liabilities		**33,636**	26,559
Total non-current liabilities		**34,322**	26,559
Net assets		**531,910**	526,529
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**4,490**	4,490
Reserves		**529,227**	514,344
		533,717	518,834
Non-controlling interests		**(1,807)**	7,695
Total equity		**531,910**	526,529

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	**Other reserves** *RMB'000*	**Fair value through other comprehensive income reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 31 December 2018 as originally presented	4,490	336,971	(2,466)	144,759	483,754	13,662	497,416
Initial application of HKFRS 16	–	–	–	(9)	(9)	–	(9)
As at 1 January 2019 (Re-presented)	4,490	336,971	(2,466)	144,750	483,745	13,662	497,407
Profit/(loss) for the year	–	–	–	66,669	66,669	(5,967)	60,702
Other comprehensive income:							
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	2,466	–	2,466	–	2,466
Total comprehensive income	–	–	2,466	66,669	69,135	(5,967)	63,168
Appropriations to statutory reserves	–	9,532	–	(9,532)	–	–	–
Dividends declared and paid in respect of the previous year	–	–	–	(34,046)	(34,046)	–	(34,046)
As at 31 December 2019 and 1 January 2020	4,490	346,503	–	167,841	518,834	7,695	526,529
Profit/(loss) for the year	–	–	–	50,262	50,262	(26)	50,236
Total comprehensive income	–	–	–	50,262	50,262	(26)	50,236
Disposal of subsidiaries	–	–	–	(26)	(26)	(7,669)	(7,695)
Acquisition of subsidiaries	–	–	–	–	–	(1,807)	(1,807)
Appropriations to statutory reserves	–	6,533	–	(6,533)	–	–	–
Dividends declared and paid in respect of the interim period	–	–	–	(35,353)	(35,353)	–	(35,353)
At 31 December 2020	4,490	353,036	–	176,191	533,717	(1,807)	531,910

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Profit before income tax expense from continuing operations		**79,250**	118,366
Profit/(loss) before income tax expense from a discontinued operation		**87**	(15,828)
		79,337	102,538
Adjustments for:			
Depreciation of property, plant and equipment	*6*	**17,920**	17,752
Depreciation of right-of-use assets	*6*	**3,238**	1,138
Provision for/(reversal of provision for) impairment on trade receivables, net	*9*	**132**	(2,053)
Provision for impairment on other receivables, net	*9*	**189**	257
Provision for/(reversal of provision for) impairment on loan receivables, net	*9*	**606**	(2,821)
Write-off interest derived from loan receivables	*9*	**49**	–
Write-off money lenders licence		**403**	–
Exchange gain		**(1,859)**	–
Gain on disposal of property, plant and equipment		**(84)**	(7)
Gain on disposal of subsidiaries		**(87)**	–
Finance income		**(3,158)**	(988)
Finance expenses		**1,814**	3,245
Interest from perpetual bond		**(2,455)**	–
Share of results of an associate		**(3,842)**	(4,327)
Loss on disposal of construction project		**–**	13,617
Interest income from loan receivables		**(66)**	(3,379)
Operating profit before working capital changes		**92,137**	124,972
Increase in inventories		**(1,793)**	(718)
Decrease in trade and other receivables		**60,362**	63,358
Increase in trade and other payables		**10,844**	75,809
		161,550	263,421
Cash generated from operating activities			
Income tax paid		**(29,743)**	(31,465)
Net cash generated from operating activities		**131,807**	231,956

	Notes	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
Cash flows from investing activities			
Interest received		**3,158**	988
Acquisition of subsidiaries, net of cash acquired		**(32,076)**	–
Disposal of subsidiaries, net of cash disposed		**(23)**	–
Proceeds from disposal of financial asset at fair value through other comprehensive income		**–**	9,000
Purchases of property, plant and equipment		**(19,296)**	(52,502)
Investment in financial assets at fair value through profit or loss		**–**	(110,000)
Proceeds from redemption of perpetual bond		**112,455**	–
Proceeds from disposal of property, plant and equipment		**106**	14
Repayment from third parties (loan receivables)		**121,000**	40,000
Loans to third parties (loan receivables)		**(25,000)**	(10,000)
Placement of short-term deposits		**(350,820)**	(4,780)
Release of short-term deposits		**90,000**	–
Deposit paid for purchase of machineries		**(8,388)**	–
Deposit received from disposal of subsidiaries		**–**	11,000
Net cash used in investing activities		**(108,884)**	(116,280)
Cash flows from financing activities			
Interest paid		**(1,814)**	(3,245)
Cash dividend paid		**(35,353)**	(34,046)
New borrowings raised		**54,390**	10,700
Repayments of borrowings		**(26,231)**	(42,225)
Repayment of principal portion of the lease liabilities		**(2,749)**	(737)
Net cash used in financing activities		**(11,757)**	(69,553)
Net increase in cash and cash equivalents		**11,166**	46,123
Cash and cash equivalents at beginning of the year		**81,849**	35,726
Cash and cash equivalents at end of the year		**93,015**	81,849
Represented by:			
Cash and bank balances		**93,015**	81,826
Cash and bank balances attributable to a discontinued operation		**–**	23
		93,015	81,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The Company's shares have been listed on the Main Board of the Stock Exchange since 13 June 2012. The Company's registered office is at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the directors' opinion, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in British Virgin Islands (the "**BVI**").

The Company is an investing holding company. The Group is principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operation and construction services. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, People's Republic of China (the "**PRC**").

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2020

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of the following new standards and interpretations as of 1 January 2020 and the policies stated in below:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. The Group acquired a set of activities and assets in December 2020 and elected to apply the concentration test to that transaction but the transaction failed the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired set of activities and assets is a business.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Annual Improvements to HKFRSs 2018-2020[2]	

[1] *Effective for annual periods beginning on or after 1 January 2021.*

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

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

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

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

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

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

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

Amendments to HKAS 16, Proceeds before Intended Use

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

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

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

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

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

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

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

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

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Use of estimates and judgements

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

(d) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"), and all values are rounded to the nearest thousand except when otherwise indicated. The consolidated financial statements are presented in Renminbi ("**RMB**") since majority of the Group's operations are carried out in RMB. The Company's functional currency is Hong Kong Dollars ("**HKD**") since majority of the activities of the Company are conducted in HKD.

4. SEGMENT INFORMATION

The chief operating decision-maker for application of HKFRS 8 is identified as the Board. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's product and service lines identified as reportable operating segments are as follows:

Continuing reportable segment:

– Production and sale of cement

Discontinued reportable segment:

– Provision of sewage and sludge treatment operations and construction services

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

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

Year ended 31 December 2020

	Continuing operations	Discontinued operation	
	Production and sale of cement	**Provision of sewage and sludge treatment operation and construction services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Time of revenue Recognition			
At a point in time	**459,361**	**–**	**459,361**
Transferred over time	**1,609**	**–**	**1,609**
Segment revenue	**460,970**	**–**	**460,970**
Segment results	**87,357**	**87**	**87,444**
Unallocated expenses			**(8,107)**
Income tax expense	**(29,101)**	**–**	**(29,101)**
Profit for the year			**50,236**
As at 31 December 2020			
Segment assets	**760,178**	**–**	**760,178**
Unallocated assets			**47,527**
Total assets			**807,705**
Segment liabilities	**205,285**	**–**	**205,285**
Unallocated liabilities			**70,510**
Total liabilities			**275,795**

Year ended 31 December 2019

	Continuing operations	Discontinued operation	
	Production and sale of cement	Provision of sewage and sludge treatment operation and construction services	Total
	RMB'000	*RMB'000*	*RMB'000* (Re-presented)
Time of revenue Recognition			
At a point in time	569,144	–	569,144
Transferred over time	2,006	–	2,006
Segment revenue	571,150	–	571,150
Segment results	134,706	(15,828)	118,878
Unallocated expenses			(16,340)
Income tax (expense)/credit	(41,853)	17	(41,836)
Profit for the year			60,702
As at 31 December 2020			
Segment assets	737,687	63,256	800,943
Unallocated assets			2,970
Total assets			803,913
Segment liabilities	210,911	33,648	244,559
Unallocated liabilities			32,825
Total liabilities			277,384

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer within the scope of HKFRS 15. There were no inter-segment sales for both years. Revenue derived from the single largest external independent customers amounted to 4.2% of the Group's revenue for the year ended 31 December 2020 (2019: 6.0%).

5. REVENUE

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Sale of Ordinary Portland cement strength class 42.5	**139,581**	210,511
Sale of Composite Portland cement strength class 32.5R	**319,780**	358,633
Solid waste processing income	**1,609**	2,006
	460,970	571,150

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**359,913**	429,232
Depreciation of property, plant and equipment	**17,920**	17,752
Depreciation of right-of-use assets	**3,238**	1,138
Provision for/(reversal of provision for) impairment on trade receivables, net	**132**	(2,053)
Provision for impairment on other receivables, net	**189**	257
Provision for/(reversal of provision for) impairment on loan receivables, net	**606**	(2,821)
Write-off interest derived from loan receivables	**49**	–
Write-off on money lenders licence (note)	**403**	–
Short term lease expense	**71**	1,739
Employee expenses (including directors' remuneration)		
– wages and salaries	**20,072**	24,304
– pension scheme contribution	**3,070**	3,818
Auditors' remuneration		
– audit services	**1,080**	1,080
– non-audit services	**140**	140

Note:

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

(b) Discontinued operation

On 16 December 2019, the Board resolved to dispose of Shanghai Biofit Environmental Technology Co. Ltd. ("**Shanghai Biofit**") and its subsidiaries (together the "**Biofit Group**") by disposal of the investment holding company of the Biofit Group (together the "**Disposal Group**"). The Biofit Group is principally engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services.

The disposal was completed in March 2020 and the Disposal Group's operation was classified as a discontinued operation.

The revenue, results, cash flows and net assets of the Disposal Group were as follows:

	Period from 1 January 2020 to 23 March 2020 (Date of disposal)	2019
	RMB'000	*RMB'000*
Administrative expenses	**–**	(2,518)
Other income	**–**	535
Other loss	**–**	(13,617)
Finance cost – net	**(68)**	(228)
Loss before income tax expenses	**(68)**	(15,828)
Income tax credit	**–**	17
Loss for the year from a discontinued operation	**(68)**	(15,811)
Loss for the year from a discontinued operation attributable to:		
Owner of the company	**(42)**	(9,844)
Non-controlling interests	**(26)**	(5,967)
	(68)	(15,811)
Operating cash outflows	**–**	1,083
Investing cash inflows	**–**	(6)
Financing cash inflows	**–**	(2,000)
Total cash outflows	**–**	(923)

7. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of RMB50,262,000 (2019: RMB66,669,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2019: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the years ended 31 December 2020 and 2019, diluted earnings per share is the same as basic earnings per share.

From a discontinued operation

Basic and diluted earnings per share for the year from a discontinued operation is RMB0.0002 per share (2019: RMB0.018 loss per share), based on the profit for the year from a discontinued operation of RMB113,000 (2019: loss of RMB9,844,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2019: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the year from continuing operations is RMB0.091 per share (2019: RMB0.139), based on the profit for the year from continuing operations of RMB50,149,000 (2019: RMB76,513,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2019: 552,000,000).

8. INCOME TAX EXPENSE

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2020 and 2019 except for Shanghai Biofit charged at 15% as it successfully obtained the "National High Technology Enterprise" status and the applicable PRC enterprise income tax rate was 15% for the year ended 31 December 2020 (2019: 15%).

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2020 (2019: 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 (2019: Nil).

Income tax expense charged to the consolidated statement of profit or loss represents:

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Current tax		
– Current year	**22,024**	32,312
Deferred tax	**7,077**	9,541
Income tax expense from continuing operations	**29,101**	41,853
Discontinued operation		
Deferred tax	**–**	(17)
Income tax credit from discontinued operation	**–**	(17)
Income tax expense	**29,101**	41,836

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

	2020	2019
	RMB'000	*RMB'000*
Profit/(loss) before income tax expense		
– Continuing operations	**79,250**	118,366
– Discontinued operation	**87**	(15,828)
	79,337	102,538
Tax calculated at the PRC profits tax rate of 25% (2019: 25%)	**19,834**	25,635
Effect of different tax rates in other jurisdictions	**682**	1,328
Tax effect of expenses not deductible for tax purposes	**185**	1,774
Tax effect of tax loss not recognised	**1,323**	6,358
Tax effect of income not assessable for tax purposes	**–**	(1,348)
Deferred taxation on withholding tax	**7,077**	8,089
Income tax expense	**29,101**	41,836

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

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade and bills receivables from third parties	**65,949**	104,428
Less: Provision for impairment *(note (iv))*	**(1,116)**	(1,800)
Trade and bills receivables, net *(note (i))*	**64,833**	102,628
Prepayments *(note (ii))*	**20,206**	23,490
Loans to 蘇州東通建設發展有限公司 (Suzhou Dongtong Construction and Development Co., Ltd.*,"**Dongtong**")	**–**	66,400
Loan receivables *(note (iii))*	**25,000**	61,000
Consideration receivable	**11,000**	–
Other receivables	**27,733**	19,865
Less: Provision for impairment on other receivables *(note (iv))*	**(452)**	(263)
Less: Provision for impairment on loans receivables *(note (iv))*	**(1,673)**	(1,067)
Prepayments, deposits and other receivables	**81,814**	169,425
Total trade and other receivables	**146,647**	272,053
Less: Non-current portion		
Deposit paid for purchase of machineries	**(8,388)**	–
Current trade and other receivables	**138,259**	272,053

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

(i) Trade and bills receivables

Credit terms given to its customers generally range from 30 to 90 days (2019: 30 to 90 days). For major customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1,000,000 and RMB50,000,000 with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**52,757**	55,195
From 91 days to 180 days	**8,062**	34,308
From 181 days to 1 year	**1,433**	10,789
From 1 year to 2 years	**2,312**	1,990
Over 2 years	**269**	346
	64,833	102,628

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

	2020	2019
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (a), (b))*	**57,225**	84,874
1 to 90 days past due	**3,646**	4,629
91 to 180 days past due	**1,381**	10,789
181 to 1 year past due	**2,312**	1,990
More than 1 year past due	**269**	346
	64,833	102,628

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

(ii) Prepayments

As at 31 December 2020, included in the Group's prepayments were amounts of RMB11,818,000 and RMB8,388,000 (2019: RMB23,490,000 and nil) paid to suppliers for raw material purchases and a deposit paid for purchase of machineries, respectively.

(iii) Loan receivables

As at 31 December 2020, the Group's loan receivables represent unsecured loan receivables of RMB25,000,000 (2019: RMB22,000,000) from one independent third party with interest at a fixed rate of 6% per annum repayable in December 2021. During the year, unsecured loans to another three independent third parties, with balance of RMB39,000,000 as at 31 December 2019 and carried interest at a fixed rate of 7% to 8.59% per annum, were fully repaid in December 2020.

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

	2020	2019
	RMB'000	*RMB'000*
Trade receivables:		
Beginning of year	**1,800**	3,853
Provision for the year	**724**	896
Balance recovered for the year	**(592)**	(2,949)
Write off	**(816)**	–
End of year	**1,116**	1,800

	2020	2019
	RMB'000	*RMB'000*
Other receivables:		
Beginning of year	**263**	6
Provision for the year	**189**	257
End of year	**452**	263

	2020	2019
	RMB'000	*RMB'000*
Loan receivables:		
Beginning of year	**1,067**	3,888
Provision for the year	**1,673**	1,067
Balance recovered for the year	**(1,067)**	(3,888)
End of year	**1,673**	1,067

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

10. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**63,271**	72,311
Bill payables	**33,755**	40,000
Contract liabilities *(note (b))*	**9,749**	16,597
Salary and bonus payables	**4,459**	3,964
VAT payables *(note (a))*	**5,115**	2,916
Amounts due to related parties	**37,416**	4,005
Other payables	**8,294**	10,246
Deposit received for sale of Biofit Group	**–**	11,000
	162,059	161,039

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2019: 30 to 90 days).

As at 31 December 2020, bank deposit of RMB21,155,000 (2019: RMB13,000,000) are pledged as security for bill payables.

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**34,315**	47,293
From 31 to 90 days	**24,139**	18,362
From 91 days to 180 days	**1,438**	4,177
From 181 days to 1 year	**1,099**	1,170
From 1 year to 2 years	**1,104**	571
Over 2 years	**1,176**	738
	63,271	72,311

Notes:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2019: 13%). Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

(b)

	2020	2019
	RMB'000	*RMB'000*
Advance from customers arising from:		
– Sales of cement products	**9,749**	16,597

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

Sales of cement products

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

Movements in advance from customers

	2020	2019
	RMB'000	*RMB'000*
Balance as at 1 January	**16,597**	6,084
– Revenue recognised for the balances included in the contract liabilities at the beginning of the year	**(16,597)**	(6,084)
– Increase for the cash received for the balances where revenue is not yet recognised during the year	**9,749**	16,597
	9,749	16,597

11. BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank borrowings *(note (a))*	**36,400**	25,000
Other loan *(note (b),(c))*	**27,412**	13,700
Other loan, unsecured *(note (d))*	**1,375**	1,328
Less: Attributable to held for sale *(note (b))*	**–**	(3,000)
Total borrowings	**65,187**	37,028
Carrying amount of borrowings repayable:		
On demand or within one year	**65,187**	37,028

Notes:

(a) As at 31 December 2020, bank borrowing of approximately RMB36,400,000 (2019: RMB22,000,000) was secured by corporate guarantees from the Company.

(b) As at 31 December 2020, the Group's other loans represented (i) an other loan of RMB8,915,000 (2019: RMB1,769,000) with a fixed interest rate of 9% per annum from one third party was secured by corporate guarantees from the Company; (ii) an interest-free loan of RMB3,000,000 (2019: Nil) from another third party was secured by corporate guarantees from the Company.

(c) As at 31 December 2020, an unsecured interest-free loan of approximately HKD18,600,000 (equivalent to approximately RMB15,497,000) (2019: RMB10,700,000) was secured by personal guarantees from Mr. Tseung Hok Ming ("**Mr. Tseung**"), a substantial shareholder and non-executive director of the Company.

(d) As at 31 December 2020, unsecured interest-free loan of RMB1,375,000 (2019: RMB1,328,000) provided by Mr. Tseung.

12. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*
Authorised:			
Ordinary shares of HKD0.01 each as at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000,000	100,000	81,520
Issued:			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	552,000,000	5,520	4,490

13. LEASE LIABILITIES

	Leasehold land and buildings	
	2020	2019
	RMB'000	*RMB'000*
At 1 January	**63**	806
Addition	**5,833**	–
Addition through business acquisition	**409**	–
Interest expenses	**245**	10
Lease payments	**(2,994)**	(747)
Exchange differences	**28**	(6)
At 31 December	**3,584**	63

Future lease payments are due as follows:

	Minimum lease payments 31 December 2020 ***RMB'000***	**Interest 31 December 2020** ***RMB'000***	**Present value 31 December 2020** ***RMB'000***
Not later than one year	**3,404**	**506**	**2,898**
After one year but within two years	**687**	**1**	**686**
	4,091	**507**	**3,584**

	Minimum lease payments 31 December 2019 *RMB'000*	Interest 31 December 2019 *RMB'000*	Present value 31 December 2019 *RMB'000*
Not later than one year	64	1	63

14. GOODWILL

	2020
	RMB'000
Gross carrying amount	
As at 1 January	–
Addition through business acquisition	11,590
As at 31 December	11,590
Accumulated impairment losses	
As at 1 January and 31 December	–
Net carrying amount	
As at 1 January	–
As at 31 December	11,590

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

The recoverable amounts of the CGU 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 2.6%, which does not exceed the long-term growth rate for the biotechnology industry in the PRC. Discount rate used of 19.0% is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience.

15. DIVIDENDS

No dividend was declared by the Board for the years ended 31 December 2020 and 2019.

16. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	2020	2019
	RMB'000	*RMB'000*
Basic salaries and benefits in kind	**4,196**	5,856

There are four, nil and one (2019 three, one and one) key management personnel of the Group with remuneration fell within the band of nil to HKD1,000,000, the band of HKD1,000,000 to HKD1,500,000, and the band of HKD1,500,000 to HKD2,000,000 in 2020 respectively.

On 1 November 2018, Mr. Tseung (as the lender) entered into a interest-free loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD 1,500,000 to a subsidiary of the Group and subject to the lender's overriding right of repayment on demand. As at 31 December 2020, borrowing of approximately RMB1,375,000 (2019: RMB1,328,000) was due to Mr. Tseung.

Other payables included an amount due to Mr. Tseung of approximately RMB4,005,000 (2019: RMB4,005,000) and an amount due to 中國海外礦業服務咨詢有限公司, which is a company under the control of Mr. Tseung, of HKD40,100,000 (2019: Nil) (equivalent to approximately RMB34,365,000). The balances are unsecured, interest-free and repayable on demand.

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

Other than the above disclosed, there are no transactions among the Group and its related parties for the year ended 31 December 2020 (2019: Nil).

(b) Significant related party transactions

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

	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue received from			
– an associate	*(i)*	**1,609**	2,006

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In 2020, despite the severe and complicated environment at home and abroad, especially the severe impact by the COVID-19 pandemic, economic and social development was better than expected, and the gross domestic product for the year amounted to RMB101,598.6 billion in China, representing a growth of 2.3% over the corresponding period of last year (2019: 6.1%). According to the statistics released by National Bureau of Statistics (NBS) on January 18, 2020, the fixed asset investment in China (excluding rural households) in 2020 reached RMB51,890.7 billion, representing a year-on-year growth of 2.9%. The domestic real estate development and investment reached RMB14,144.3 billion, representing a year-on-year growth of 7.0% (Source: NBS). According to the NBS, the accumulated domestic cement output in 2020 amounted to 2.377 billion tonnes, representing a year-on-year increase of 1.63%, while the accumulated domestic clinker output was 1.579 billion tonnes, increased by 3.88% year on year. In respect of the cement and clinker output among China's 6 major regions, the northeast region and the north China region ranked first and second in terms of year-on-year increase, being 11.22% and 8.66% respectively. The east China to which the Group belongs, rose only by 1.05% year on year. In terms of provincial level, Guangdong Province ranked first with a total cement output of 170 million tonnes, surpassing Jiangsu and ranking second. In terms of growth rate, 9 provinces declined and 22 provinces grew. Apart from regions that enjoy small output and rely on input, such as Tianjin, Beijing and Shanghai, Hubei recorded the largest decline, a double-digit drop, namely 12.77%. The declines of Qinghai and Hainan were also in the top-ranking. Liaoning, Hebei and Henan ranked top three in terms of output growth, recording double-digit growth. It can be seen that the market demand is still obviously differentiated in different regions. According to the statistics of Digital Cement of China Cement Association, the domestic PO42.5 cement price index in 2020 was RMB439 per tonne, which remained unchanged from 2019. Taking into account of the trend of whole year, it has roughly gone through the following two stages, showing a V-shaped trend:

The first stage (January-August): The cement market price showed a trend of "starting high but ended low, while the overall price staying at a high level and recording great declines in certain times", represented by some regions like east China, declining from RMB545 per tonne in January to RMB425 per tonne in July.

The second stage (September-December): The overall trend was characterized by "month-on-month increase and year-on-year decrease". The domestic cement market price rose from RMB418 per tonne in August to RMB455 per tonne in December, an increase of RMB37. The main reason is that the demand for cement increased in the fourth quarter, supporting the month-on-month pickup of cement price (Source: Digital Cement).

From the regional perspective, the east China region in which the Group locates recorded the average annual price of RMB484 per tonne in 2020, a slight decrease of 0.3% compared to 2019. The price is slightly lower than that of the central and southern China region. The central and southern China ranked first among the six major regions in terms of price and growth, recording an average annual price of RMB488 per tonne in 2020, an increase of 14.7% over 2019. The northwest China region enjoyed the largest price growth, recording an average annual price of RMB434 per tonne in 2020, up by 8.3% compared with 2019. The southwest China region bore the largest decline, down by 8% from 2019. The northeast China region bore the second largest decline, namely 5% (Source: Digital Cement).

The overall performance of 2020 benefited from the stable demand in the fourth quarter and the price rebound in the cement industry. According to the interim result, the Group recorded revenue of approximately RMB174,805,000, representing a decrease of approximately 30.6% compared with the same period in 2019. Revenue of 2020 reached RMB460,970,000, representing a decrease of approximately RMB110,180,000 or 19.3% compared with that of approximately RMB571,150,000 for the year ended 31 December 2019. The decrease of revenue was narrowed by 11.3%.

Environmental Protection Segment

The Group entered into a sale and purchase agreement with an independent third-party on 16 December 2019 to dispose its entire equity interests in Shanghai Biofit (representing approximately 62.26% of equity interests) at the aggregate consideration of RMB22 million. For details of the above transaction, please refer to the announcement of the Company dated 16 December 2019. The above transaction has been completed. The results of Shanghai Biofit was no longer incorporated into the consolidated statements of the Group.

Money Lending and Financial Services Segment

Given that the Group is expanding into the fields of environmental protection and biomedicine, the Group will close the money lending and financial services segment. Since its establishment, the money lending and financial service segment business has not yet started to operate.

Biomedical Segment

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

In addition, the market size and market share of medicine for autoimmune diseases in the PRC is also expected to keep consistent growth in the next decade according to an industry report issued by a global consulting firm in 2020. The growth is mainly driven by a combination of factors, including the development and improvement of diagnostics for autoimmune disease, favorable government programs and policies, increasing affordability of the citizens and growing public awareness of autoimmune diseases in the PRC.

The PRC has promulgated policies to support and encourage biopharmaceutical research and development from various aspects, such as the Opinions on Deepening the Review & Approval System Reform and Encouraging the medicine and Medical Device Innovation（《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》）issued in October 2017. In July 2018, the NMPA released the Announcement on Adjusting Review and Approval Procedures for Clinical Trials of Medicines （《國家藥品監督管理局關於調整藥物臨床試驗審評審批程序的公告》）, which states that when a new medicine clinical trial is applied in the PRC and with no negative or questionable comments received within a certain time frame, the clinical trial may be conducted in accordance with the submitted proposal. It is expected to encourage biopharmaceutical research and development by reforming the management of clinical trials and speeding up the review and approval process.

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Company is actively exploring investment opportunities in emerging industries and making attempts in capital operation to enhance operating efficiency and improve overall competitiveness. The Group is committed to exploring new business opportunities and intends to acquire quality businesses and assets with good prospects for the Group's future development. The desire to diversify the Group's business is intended to enable the Group to achieve greater returns in the long term.

Against this background, the Group has acquired the entire issued share capital of Orient Everhealth during the Reporting Period. Orient Everhealth holds 65% issued share capital in Suzhou Everhealth, which is principally engaged in the research and development of innovative medicines and therapy for cancers and autoimmune diseases, and their commercialisation. The above acquisition was completed on 31 December 2020 and Orient Everhealth has become a wholly-owned subsidiary of the Company. For details of the acquisition, please refer to the announcement dated 6 November 2020 and the circular dated 15 December 2020 of the Company. The acquisition provides the Group with an opportunity to expand into comprehensive healthcare and biopharmaceutical sectors, which would diversify the Group's business and enhance shareholders' value.

Business Review

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

Revenue

During the Reporting Period, the Group's revenue arised from the cement segment amounted to approximately RMB460,970,000, representing a decrease of approximately RMB110,180,000 or 19% from approximately RMB571,150,000 in the corresponding period in 2019. The decrease was mainly due to 2 factors: 1.) the outbreak of COVID-19 during the Reporting Period, which affected the resumption of work and production of enterprises, thus resulting in the effect on cement sales volume and sales amount; 2.) the plum rain season, continuous rainy weather seriously interfered with regional market demand.

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

	2020			2019		
	Sales Volume	**Average Selling Price**	**Revenue**	Sales Volume	Average Selling Price	Revenue
	Thousand tonnes	***RMB/tonne***	***RMB'000***	*Thousand tonnes*	*RMB/tonne*	*RMB'000*
PO 42.5 Cement	**851.3**	**375.63**	**319,780**	884.1	405.65	358,633
PC 32.5 Cement	**439.2**	**317.80**	**139,581**	652.5	322.62	210,511

Categorized by product type, the sales volume of cement products in 2020 amounted to approximately 1,290.5 thousand tonnes, representing a decrease of approximately 16.02% from 2019, while the sales income of cement products was approximately RMB459,361,000, representing a decrease of approximately 19.29% from 2019.

The rental income from cement kilns in 2020 amounted to approximately RMB1,609,000, representing a decrease of approximately RMB397,000 or 19.29% from approximately RMB2,006,000 in 2019.

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

	2020		2019	
	Revenue	**% of total revenue**	Revenue	% of total revenue
	RMB'000		*RMB'000*	
Jiangsu Province	**371,128**	**80.79%**	461,140	81.02%
Wujiang District	**321,099**	**69.90%**	344,617	60.55%
Suzhou (excluding Wujiang District)	**50,029**	**10.89%**	116,523	20.47%
Zhejiang Province	**81,266**	**17.69%**	80,286	14.11%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**44,155**	**9.61%**	42,286	7.43%
Jiaxing	**37,111**	**8.08%**	38,000	6.68%
Shanghai	**6,967**	**1.52%**	27,718	4.87%
Total	**459,361**	**100.00%**	569,144	100.00%

During the Reporting Period, due to the impact of COVID-19 pandemic and plum rain season, the sales income and volume of cement products of the Group decreased as compared to the corresponding period of last year. The sales value in substantially all regions recorded different extents of decrease as compared to the corresponding period of last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit, all generated from cement segment amounted to approximately RMB101,057,000, representing a decrease of approximately RMB37,267,000 or approximately 26.9% as compared to approximately RMB138,324,000 in 2019, while the gross profit margin amounted to approximately 21.9% in 2020, representing a decrease of approximately 2.3% as compared to approximately 24.2% in 2019. The decrease was mainly due to the year-on-year decrease in production and sales volume during the Reporting Period, and fixed costs remained unchanged, resulting in a decrease in gross profit margin.

Other Income and Other Gain

The Group's other income and other gain amounted to approximately RMB9,099,000 during the Reporting Period, representing a decrease of approximately RMB3,321,000 or approximately 26.7% as compared to approximately RMB12,420,000 in 2019, which is mainly due to a decrease in investment returns obtained in 2020.

Sales and Distribution Expenses

The Group's sales and distribution expenses, all generated from cement segment, amounted to approximately RMB4,855,000 during the Reporting Period, representing an increase of approximately RMB636,000 or approximately 15.1% as compared to approximately RMB4,219,000 in 2019. The increase was mainly due to the increase in freight charges during the Reporting Period.

General and Administrative Expenses

The Group's general and administrative expenses amounted to approximately RMB31,237,000 during the Reporting Period, representing an increase of approximately RMB1,008,000 or approximately 3.3% as compared to approximately RMB30,229,000 in 2019. The increase in the general and administrative expenses was primarily due to increase in investor relationship related expenses during the Reporting Period.

Tax

The Group's income tax expense amounted to approximately RMB29,101,000 during the Reporting Period, representing a significant decrease from approximately RMB41,853,000 of income tax expense in 2019, which was primarily due to a decrease in the results of the cement segment in 2020.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 10.9%, representing a decrease of 2.5% as compared to approximately 13.4% in 2019. The decrease was mainly attributable to the decrease in profit of products due to the year-on-year decrease in production and sales volume as well as unchanged fixed costs during the Reporting Period, thus resulting in a decrease in net profit from continuing operations from approximately RMB76,513,000 in 2019 to approximately RMB50,149,000 in 2020.

Liquidity and Capital Resources

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

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Cash and cash equivalents – (including discontinued operations)	**93,015**	81,849
– Cement Segment	**91,842**	80,161
– Environmental Protection Segment – (discontinued operations)	**–**	23
–Money lending and financial services segment	**1,173**	1,665
Borrowings – (including discontinued operations)	**65,187**	40,028
– Cement Segment	**36,400**	22,000
– Environmental Protection Segment – (discontinued operations)	**–**	3,000
– Unallocated	**28,787**	15,028
Debt to equity ratio – (including discontinued operations)	**12.09%**	7.6%
– Cement Segment	**6.55%**	4.2%
– Environmental Protection Segment – (discontinued operations)	**–**	10.1%
Debt to asset ratio – (including discontinued operations)	**77.8%**	34.5%
– Cement Segment	**26.1%**	28.6%
– Environmental Protection Segment – (discontinued operations)	**–**	53.2%

Cash Flow

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB93,015,000, representing an increase of approximately 13.6% from approximately RMB81,849,000 as at 31 December 2019, which was primarily due to the decrease in payables during the Reporting Period.

Borrowings

	31 December 2020 ***RMB'000***	31 December 2019 *RMB'000*
Current:		
Borrowings		
– Cement segment	**36,400**	22,000
– Environmental protection segment	**–**	3,000
– Unallocated	**28,787**	15,028
Borrowings	**65,187**	40,028

As at 31 December 2020, the Group's bank borrowings amounted to approximately RMB65,187,000, representing an increase of approximately 62.85% from approximately RMB40,028,000 as at 31 December 2019.

As at 31 December 2020 and 31 December 2019, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights, bill receivables and restricted bank deposits. As at 31 December 2020, there was no bank borrowings secured by personal guarantees provided by the Director, Mr. Ling Chao and his close family members (as at 31 December 2019: approximately RMB3,000,000) and borrowings of approximately RMB11,050,000 (2019: RMB12,328,000) was secured by corporate guarantees from the Company.

As at 31 December 2020, the Group had unutilised bank financing facilities of RMB16,100,000.

Debt to Equity Ratio

As at 31 December 2020, the Group's debt to equity ratio was 12.09%.

Among others, the debt to equity ratio of the cement segment was 6.55%, which increased as compared with 4.2% as at 31 December 2019.

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

Capital Expenditure and Capital Commitments

The Group's capital expenditure amounted to approximately RMB19,296,000 in 2020, all of which were generated from the cement segment. It represented a notable decrease from approximately RMB52,496,000 in 2019, which was mainly due to the decrease in technical transformation costs.

As at 31 December 2020, the Group had capital commitments of approximately RMB6,117,000 (2019: RMB1,464,000).

Pledge of Assets

As at 31 December 2020, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 31 December 2020, 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

Excepted as described below, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of its subsidiaries or associated companies.

As disclosed in the announcement and the circular of the Company dated 6 November 2020 and 15 December 2020, in relation to the acquisition. Xihua Shanghai Investment Management Co., Ltd.*（熙華（上海）投資管理有限公司）("**Xihua**"), a wholly-owned subsidiary of the Company (as the purchaser) and Orient Hengxin Capital Holding Group Company Limited*（東方恒信資本控股集團有限公司）(as the vendor) entered into a share purchase agreement on 6 November 2020, pursuant to which， Xihua has agreed to purchase the entire issued share capital of Orient Everhealth at a total consideration of RMB32,500,000. Orient Everhealth holds 65% issued share capital in Suzhou Everhealth, which is principally engaged in the research and development of innovative medicines and therapy technology for cancers and autoimmune diseases and their commercialisation. The acquisition mentioned above was completed on 31 December 2020 and Orient Everhealth has become a wholly-owned subsidiary of the Company.

DIVIDENDS

The Board does not recommend payment of any final dividend for the year ended 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 226 employees. The total remuneration of our employees amounted to approximately RMB23,142,000 during the Reporting Period. The remuneration levels of employees are consistent with their responsibilities, performance and contributions and determinated 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 2021, as the novel coronavirus epidemic was effectively controlled, the Group will continue to reduce costs in an effective manner through improving its internal management; upgrade existing company facilities to increase production efficiency and reduce maintenance costs; expand market share and increase profitability of our products by refining customer services; continuously develop and improve the construction of the research and development team to advance the development of product pipelines and further explore other innovative pipelines while positively exploring investment opportunities in emerging industries, especially in the biopharmaceutical sector; and make attempts in capital operation to enhance operating efficiency and improve overall competitiveness.

EVENTS AFTER THE REPORTING PERIOD

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

As disclosed in the Company's announcements dated 10 January 2020 and 19 February 2020, following the resignation of Mr. Lee Haoyao as an independent non-executive Director on 10 January 2020, the Company failed to comply with the requirements of having (i) at least three independent non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules; (ii) independent non-executive Directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules; (iii) 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; and (iv) the Audit Committee comprising only non-executive Directors with a minimum of three members and chaired by an independent non-executive Director, and at least one of the members is an independent non-executive Director who possesses the Qualification under Rule 3.21 of the Listing Rules.

Upon the appointment of Ms. Yu Xiaoying as an independent non-executive Director became effective on 19 February 2020, 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.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group as set out in this results announcement for the year and has discussed the financial reporting, risk management and internal control with the management and auditors of the Company. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures were made.

As at the date of this results announcement, so far as the Board is aware, the information set out herein is the same as those to be set out in the Company's annual report for 2020.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement of the Company for the year ended 31 December 2020 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dongwucement.com. The 2020 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, 25 March 2021

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