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 REPORT 2021

CONTENTS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings:

Articles of Association	the Memorandum and Articles of Association of the Company
associated corporation(s)	has the same meaning ascribed to it under the SFO
associate(s)	has the same meaning ascribed to it under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of Directors of the Company
Company	Dongwu Cement International Limited
controlling shareholder(s)	has the same meaning ascribed to it under the Listing Rules
Corporate Governance Code	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
Director(s)	the director(s) of the Company
Goldview	Goldview Development Limited, a controlling shareholder and an associated corporation of the Company, wholly-owned by Mr. Tseung Hok Ming, a non-executive Director
Group	the Company and its subsidiaries
HK$	Hong Kong dollars, the lawful currency of Hong Kong
independent third party(ies)	has the same meaning ascribed to it under the Listing Rules
Latest Practicable Date	14 April 2022
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in appendix 10 to the Listing Rules
Orient Everhealth	Orient Everhealth Biomedical Company Limited* (東方恆康生命科學有限公司)
Suzhou Everhealth	Suzhou Everhealth Biomedical Company Limited* (蘇州恆康生命科學有限公司)

DEFINITIONS

PRC or China	The People's Republic of China, which only for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Reporting Period	the twelve months ended 31 December 2021
RMB or Renminbi	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Xihua	Xihua Shanghai Investment Management Co., Ltd.* (熙華(上海)投資管理有限公司), a company incorporated in the PRC with limited liability, being a wholly-owned subsidiary of the Company
Orient Hengxin	Orient Hengxin Capital Holdings Limited, a company established in the PRC with limited liability, being directly controlled by Mr. Tseung Hok Ming, a non-executive Director
Shares	shares of the Company in issue, all of which are listed on the Stock Exchange
Shareholder(s)	holder(s) of Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial Shareholder(s)	has the same meaning ascribed to it under the Listing Rules
%	per cent

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Liu Dong *(Chairman)*
Mr. Wu Junxian

Non-executive Director

Mr. Tseung Hok Ming
Ms. Xie Yingxia
Mr. Chen Xuanlin

Independent non-executive Directors

Mr. Cao Kuangyu
Ms. Yu Xiaoying
Mr. Suo Suo

Company Secretary

Sun Xin

Auditor

BDO Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Authorized Representatives

Liu Dong
Sun Xin

Audit Committee

Yu Xiaoying *(Chairlady)*
Cao Kuangyu
Suo Suo

Remuneration Committee

Suo Suo *(Chairman)*
Cao Kuangyu
Yu Xiaoying

Nomination Committee

Suo Suo *(Chairman)*
Cao Kuangyu
Yu Xiaoying

Stock Code

695

Registered Office

190 Elgin Avenue
George Town
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Cayman Islands

Principal Place of Business in the PRC

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Suzhou City, Jiangsu Province, the PRC

Principal Place of Business in Hong Kong

Unit 4308, 43/F.,
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Hong Kong Legal Advisor

Li & Partners
22nd Floor, World-Wide House
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Company Website

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FINANCIAL HIGHLIGHTS

Consolidated statement of comprehensive income *(expressed in HK$'000, unless otherwise stated)*

	2021	2020 (Re-presented)
Revenue	**589,461**	558,345
Operating profit	**44,006**	60,743
Profit before income tax	**73,529**	95,991
Profit for the year attributable to owners of the Company	**46,541**	60,879
Basic and diluted earnings per share (expressed in HKD per share)	**0.084**	0.110

Consolidated statement of financial position *(expressed in HK$'000)*

	2021	2020 (Re-presented)
Non-current assets	**290,894**	283,965
Current assets	**822,780**	685,443
Total assets	**1,113,674**	969,408
Total equity	**681,726**	638,398
Non-current liabilities	**43,006**	41,193
Current liabilities	**388,942**	289,817
Total liabilities	**431,948**	331,010
Total equity and liabilities	**1,113,674**	969,408

Consolidated statement of cash flows *(expressed in HK$'000)*

	2021	2020 (Re-presented)
Net cash flow generated from operating activities	**25,024**	159,650
Net cash flow generated from investing activities	**(81,725)**	(131,530)
Net cash flow generated from financing activities	**29,590**	(11,427)
Net increase/(decrease) in cash and cash equivalents	**(27,111)**	16,693

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Revenue	**589,461**	558,345	651,849	616,502	411,749
Cost of sales	**(478,230)**	(435,941)	(493,981)	(449,450)	(333,343)
Gross profit	**111,231**	122,404	157,868	167,052	78,406
Operating profit	**44,006**	60,848	69,279	85,378	53,392
Profit before tax	**73,529**	95,991	135,090	155,731	50,074
Income tax expense	**(29,523)**	(35,248)	(47,747)	(49,297)	(21,175)
Profit for the year attributable to owners of the Company	**46,541**	60,879	76,089	107,221	29,824

Assets and liabilities

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Total assets	**1,113,674**	969,408	908,984	801,031	705,667
Total liabilities	**431,948**	331,010	313,638	239,100	217,913
Total equity	**681,726**	638,398	595,346	561,931	487,754

Change of Presentation Currency

The consolidated financial statements of the Group have been presented in Renminbi. Having considered that the Company's shares are listed on the Stock Exchange and its stock is traded in HKD, the Board believes that the change of presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance. As such, the Board believes that it is more appropriate to adopt HKD as its presentation currency for the consolidated financial statements of the Group. The first set of consolidated financial statements of the Group with HKD as its presentation currency is the consolidated financial statements of the Group for the year ending 31 December 2021. The change of presentation currency will be applied retrospectively and the other annual comparative figures will be restated in HKD in the said consolidated financial statements.

BUSINESS REVIEW

2021 is the first year of the 14th Five-Year Plan and the first year for China to launch the "Double Carbon" action. The cement industry faces many challenges such as "weakening demand, increasing requirements on environmental protection and energy efficiency, rising costs, and investment in carbon reduction innovation". After several "sharp turns", the demand and supply of cement across the country fluctuated abnormally. For one thing, the national cement demand is affected by the sharp decline in the growth rate of fixed asset investment, real estate and infrastructure investment, showing the characteristics of "weakening demand, decline after rise, and intensified pressure". For another, on the supply side, there is insufficient supply and a sharp rise in costs as it is influenced by "double control of total energy consumption and energy intensity, power and production restrictions and soaring coal prices", which leads to fluctuation featuring a sharp "V"-shaped rise that "first goes down and then goes up" in the national cement market price. Although the economic benefit level of the cement industry throughout the year weakened year-on-year in general, the resilience was still there, and the industry profit was at a relatively good level in history. (Source: Digital Cement)

During the Reporting Period, the Group strengthened the management in the procurement of raw and auxiliary materials, the consumption of each item and manufacturing equipments and techniques and strictly controlled the production cost. In 2021, the output of cement clinker amounted to approximately 767,400 tonnes, and the output of cement amounted to approximately 1,238,000 tonnes, among which, approximately 331,100 tonnes were grade 32.5R cement and approximately 906,900tonnes were grade 42.5R cement. The annual production costs for grade 32.5R cement, grade 42.5R cement and cement clinker increased significantly as compared to 2020. The supply of raw and auxiliary materials for production and the equipment operation maintained sound functions, and the production safety performed well throughout the year. Thus, the qualified rate of outgoing cement reached 100% throughout the year.

During the Reporting Period, the sales of cement market gradually picked up. During the year, the Group recorded product sales volume of approximately 1,247,000 tonnes, among which, approximately 338,000 tonnes were grade 32.5R cement and approximately 909,000 tonnes were grade 42.5R cement. As our principal business, income of cement segment amounted to approximately RMB588,553,000. Both the sales volume and income showed an increase as compared to last year, which was due to an increase of the cement price.

The Group continued to build up its brand advantages with DONGWU cement as its featured brand. Since the establishment of the Group, the brand concept was determined as constantly pursuing high quality product and high-level service. Currently, we are well recognized in areas of municipal traffic and construction market and have set a sound brand image of DONGWU cement. We will consolidate DONGWU cement's brand image in this region to build a regional strong brand and accumulate the Group's brand advantages.

The Group continued to promote technology innovation and technological reform, improve production efficiency, reduce production cost, and enhance overall competitiveness of the Group in the market. Our technical transformation in 2021 has made great progress, which included the following key projects:(1) the technological transformation of the fourth-generation air cooler to improve heat recovery efficiency and reduce coal consumption for burning; (2) the transformation of environmental protection technology of kiln head dust collector to electric bag to implement ultra-low emission; (3) the energy-saving transformation of high temperature fan and kiln head exhaust fan to improve the energy efficiency of equipment; (4) the technical transformation of alloy casting nail rollers for cement mill roller presses to improve service life of equipment; (5) the frequency conversion transformation of raw meal exhaust fans, high-temperature fans, coal mill fans, etc., to reduce system power; (6) the renovation of superheater in waste heat power station to increase power generation by utilizing waste heat. The Group has been paying attention to the development and application of new technologies and new manufacturing processes in the industry, and introduces them into the actual production in due course, so as to improve the quality and efficiency of production and lower production costs. This is gradually becoming a competitive edge to the Group.

BUSINESS REVIEW

During 2021, the Board discussed the business plan of the Group and formulated its business strategies for the coming years. It considered that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify and broaden its revenue source by investing in businesses with growth potential.

Despite the fact that the steady performance of the existing cement business of the Company can generate reliable revenue and cash flows to the Group, the Board considers the future growth potential of the existing cement business may be limited by overcapacity in the industry and geographical expansion limitation. In addition, given the nature of cement production, the development of the existing cement business has been hindered by the tightening of environmental protection policies in the PRC. For example, the "Overall Plan for the Yangtze River Delta Eco-Green Integrated Development Demonstration Zone" (《長三角生態綠色一體化發展示範區總體方案》) (hereinafter referred to as the "**Plan**") issued by the National Development and Reform Commission of the PRC sets out that by 2025, certain areas in the Yangtze River Delta will be transformed into cultural and ecological lake areas with an aim to strengthen the comprehensive management of the ecological environment. Suzhou Dongwu, a wholly-owned subsidiary of the Group, is located on the Taipu Riverside in Lili Town, Wujiang mentioned under the Plan. It is principally engaged in the production and sale of cement. Because of Suzhou Dongwu's production characteristics, the Group may have to further invest in its production facilities to upgrade and transform existing machines and equipment to meet the tightening environmental requirements. As such, to a certain extent, the creation of cultural and ecological lake areas has limited Suzhou Dongwu's ability to expand its scale of cement production.

Given that the PRC has promulgated policies to support and encourage biopharmaceutical research and development from various aspects, and there is an emerging market for oncology and autoimmune medicines in the PRC, thus the Group acquired Orient Everhealth in 2020. Orient Everhealth holds 65% issued share capital in Suzhou Everhealth, which is principally engaged in the research and development and commercialization of innovative medicines and therapy technology for cancers and autoimmune diseases. The said acquisition was completed on 31 December 2020 and Orient Everhealth has become a wholly-owned subsidiary of the Company. The acquisition provides the Group with an opportunity to expand into comprehensive healthcare and biopharmaceutical sectors, which can be seen as a way to diversify the Group's business and enhance Shareholder value.

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 Board is positively exploring investment opportunities in emerging industries, especially in the new energy sector and biopharmaceutical sector; and makes attempts to enhance operating efficiency through capital operation and improve overall competitiveness.

CHAIRMAN’S STATEMENT

On behalf of the Board of Dongwu Cement International Limited and its subsidiaries, I would like to present to the Shareholders the report of the Group for the year ended 31 December 2021, together with audited consolidated financial statements.

Financial Results

In 2021, as for the cement segment of the Group, the sales volume amounted to approximately 1,247 thousand tonnes, representing a decrease of approximately 3.3% from 2020; the revenue amounted to approximately RMB588,553,000, representing an increase of approximately 5.8% from 2020; the gross profit margin amounted to approximately 18.9%, representing a decrease of approximately 3% from 2020. Details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2021, profit attributable to the Shareholders and the basic earnings per share were approximately RMB46,541,000 and RMB0.084, respectively.

Dividends

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

Business Operation in 2021

2021 is the first year of the 14th Five-Year Plan and the first year for China to launch the “Double Carbon” action. The cement industry faces many challenges such as “weakening demand, increasing requirements on environmental protection and energy efficiency, rising costs, and investment in carbon reduction innovation”. After several “sharp turns”, the demand and supply of cement across the country fluctuated abnormally. During the Reporting period, in 2021, the Group benefited from the stable demand in the fourth quarter and the price recovery in the cement industry. On the other hand, during the “Golden September and Silver October” (booming business in September and October) period of cement sales, production was suspended due to dual energy control and power shortage in the region. The impact on the Group’s sales volume weakened the degree of sales recovery. Meanwhile, the increase in the raw material market, especially coal prices, pushed up the cost of cement production, resulting in a decrease in gross profit margin.

The Company has been actively exploring investment opportunities in emerging industries and intends to enhance operating efficiency and improve overall competitiveness via capital operation. Given the nature of cement production, the development of the existing cement business has been hindered by the tightening of environmental protection policies in the PRC. In addition, considering that the PRC has promulgated policies to support and encourage biopharmaceutical research and development from various aspects and there is an emerging market for oncology and autoimmune medicines in the PRC, the Group completed the acquisition of Orient Everhealth, which held 65% issued share capital of Suzhou Everhealth in 2020. Suzhou Everhealth is principally engaged in the research and development and commercialization of innovative medicines and therapy technology for cancers and autoimmune diseases, and has a strong research team which has the relevant technical expertise and deep experience in the research and development of cell therapy and antibody medicines. The CAR-T-cell therapy, a major pre-clinical research project being conducted by Suzhou Everhealth, demonstrates specific advantages over conventional therapies and has an expanding global CAR-T market. Therefore, the Board believes that the acquisition provided the Group with an opportunity to expand into comprehensive healthcare and biopharmaceutical sectors, which can be seen as a way to diversify the Group’s business and enhance Shareholder value.

CHAIRMAN'S STATEMENT

Suzhou Everhealth has completed the preclinical development of PD-1 ligand 1 (PD-L1) inhibitory antibody drugs, and obtained in vitro and in vivo anti-tumor experimental data; its T cell immunoglobulin domain and mucin domain-3 (TIM-3) monoclonal antibody project, has made progress in the preparation of antibodies, humanization of antibodies, the construction of high expression and stable cell lines, and tumor research in vitro and in vivo, and a patent has been allocated. Meanwhile, three R&D projects have been added in 2021: 1. Development of oncolytic herpes simplex virus (HSV) drugs; 2. Design of novel chimeric antigen receptors (CARs) 3. Research and development projects on antibody-drug conjugate (ADC).

Future Prospect

In 2022, under the guidance of long-term development strategy, the Group will continue to enhance current manufacturing facility reform, proactively promote disposal of municipal sewage sludge and domestic waste and cement kiln unanimously, expedite the transformation towards environmental preservation-oriented cement manufacturing entity, and improve the comprehensive competitiveness and market position, to ensure the Group becoming a leading cement manufacturing company within the region while focusing on local market. Meanwhile, the Group will also look into further developments in the emerging sector, especially in the new energy and biomedical sectors, with an aim to diversify the business of the Group.

Appreciation

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all our Shareholders, customers, consigners and bankers for their consistent trust and supports. Meanwhile, I would like to thank the management and all employees as well for their hard work and dedicated efforts, without which we would not achieve what we have achieved today.

In the new fiscal year, we will strive to move forward together, and believe that we will achieve better results in 2022. Thank you!

Liu Dong
Chairman

31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Money Lending and Financial Services Segment

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

Biomedical Segment

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

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

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

The Group is committed to exploring new business opportunities and intends to acquire quality businesses and assets with good prospects for the Group's future development. The desire to diversify the Group's business is intended to enable the Group to achieve greater returns in the long term. Against this background, the Group has acquired the entire issued share capital of Orient Everhealth 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.

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

Business Review

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

Revenue

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Gross Profit and Gross Profit Margin

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

Other Income and Other Gain

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

Sales and Distribution Expenses

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

General and Administrative Expenses

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

Tax

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

Details of the Group's income tax are set out in note 15 to the consolidated financial statements of this report.

Net Profit Margin

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

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

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

Cash Flow

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

Borrowings

	31 December 2021 *HK$'000*	31 December 2020 *HK$'000*
Current:		
Borrowings		
– Cement segment	**121,335**	43,687
– Unallocated	**15,340**	34,550
Borrowings	**136,675**	78,237

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

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

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

Debt to Equity Ratio

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

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

Capital Expenditure and Capital Commitments

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

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

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Foreign Currency Risk

The Group conducted its business primarily in mainland China with the majority of its operating expenses and capital accounts denominated in Renminbi, and a small amount denominated in Hong Kong dollars. During the Reporting Period, the Group was not materially affected in operating business and working capital due to fluctuations in foreign exchange rates.

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

As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical exchange rate levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic development and political changes in mainland China and/or internationally, as well as the demand and supply of Renminbi. The management will closely monitor its foreign exchange exposure and will consider taking appropriate measures on hedging foreign currency exposure when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Reporting Period, the Group did not conduct any material acquisitions or disposals of its subsidiaries or associated companies.

Dividend

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

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 234 employees. The total remuneration of our employees amounted to approximately HK$29,614,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

Future Prospects

In 2022, the Group will continue to effectively reduce costs by improving internal management, and upgrade the existing facilities of the Company to increase production efficiency and reduce maintenance costs. Through the refined customer services, the Group will expand its market share and improve the product profitability. Besides, the Group will continuously develop and improve its R&D team building to promote the development of various product pipelines, and keep exploring other innovation pipelines. Meanwhile, the Group will continue to actively explore the investment opportunities in the emerging industries, especially in the field of new energy and bio-pharmaceutical. Furthermore, the Group will try capital operation to enhance its operational efficiency, thereby enhancing its comprehensive competitiveness.

Events after the Reporting Period

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance with the Corporate Governance Code

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

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

Corporate Governance Code Provision A.1.1 stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held two regular meetings, all the Directors had been presented at such meetings. The Board considers that during the Reporting Period, the Group had no other significant matters which required to convene formal Board meetings for discussion. Nevertheless, the Board maintains good communications with each Director through other informal means and ensures that each Director is updated with the latest developments of the Group in a timely manner. The Board also holds provisional meetings to review, discuss and decide specific matters related to the development and strategy of the Group as and when required. During the Reporting Period, the Board held two provisional meetings in aggregate to consider and approve, inter alia, the change of the presentation currency for the consolidated financial statements and the registered office of the Company.

Compliance with the Model Code

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

Audit Committee

The Company has established an Audit Committee in accordance with the requirements of the Listing Rules with written terms of reference.

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

Publication of the Annual Results and the Annual Report

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Liu Dong (劉東)("**Mr. Liu**"), aged 53, is the Chairman and an executive Director of the Company. Mr. Liu has worked for years as diplomat in Chinese Embassies and UN-subordinate organizations since university graduation. He has been admitted to the degree of Master of Philosophy by the University of Cambridge. From April 2005 to August 2016, Mr. Liu served as Assistant to President and then Vice President of Orient Holdings Group Co. Ltd., Executive Vice President of Huilitong Industry Co. Ltd. and Senior Vice President of Sunshine Oilsands Ltd.. Since September 2016, Mr. Liu has been acting as Vice President of Orient Holdings International Group Ltd., General Manager of Orient International Resources Group Ltd., Director and General Manager of Global Mining Co. Ltd., Director of Board of Sino-Sindh Resources PL and vice president of Orient Hengxin Capital Holdings Limited. Mr. Liu owns over ten years' experience in capital market and investor relationship areas in Hong Kong. He was appointed as an executive Director of the Company on 15 May 2019. Mr. Liu did not hold any directorship in any other listed companies in the past three years.

Mr. Wu Junxian (吳俊賢)("**Mr. Wu**"), aged 41, is an executive Director and the chief executive officer of the Company and the general manager of Suzhou Dongwu. Mr. Wu is responsible for general management and operation of the Group. Mr. Wu joined our Group in March 2009, and has held various positions in Suzhou Dongwu such as assistant to general manager and deputy general manager. Mr. Wu assumed the title of general manger of Suzhou Dongwu on 11 September 2013. Prior to joining our Group, Mr. Wu worked for Orient Holdings, an investment holding company, as an officer of the assets management department, responsible for project research and development from 2003 to 2007. Mr. Wu subsequently worked for Shanghai Keli Communications Technology Co., Ltd. (上海科立通訊科技有限公司), a company principally engaged in communication construction and services, as a project manager and was responsible for project development and customer service from 2007 to 2009. Mr. Wu graduated from Nanjing Audit University (南京審計學院) in 2003 with a bachelor degree in management administration. Mr. Wu did not hold any directorship in any other listed companies in the past three years.

Non-Executive Directors

Mr. Tseung Hok Ming (蔣學明)("**Mr. Tseung**"), aged 60, is a non-executive Director of the Company. From 1983 to 1986, Mr. Tseung served as a director of Wujiang Yarn Dyed Factory (吳江色織廠). From 1994 to 2005, he was the chairman of Jiangsu Orient International Group Company Limited (江蘇東方國際集團有限公司). Since 1995, he has been acting as the chairman of Oriental Holdings International Group (東方控股國際集團). Since 1995, Mr. Tseung has been the vice chairman of the Hong Kong Financial Services Institute. Since 2005, he has been acting as the chairman and general manager of Orient Hengxin (東方恒信). Since 2013, he has been acting as the chairman of Orient Xinmin Holdings Limited (東方新民控股有限公司). Since 2015, he has served as a director of Fidelix (KR.032580). Since 2018, Mr. Tseung has served as the chairman of Dongxin Semiconductor Co., Ltd. (東芯半導體股份有限公司). Main social positions held by Mr. Tseung Hok Ming include: Member of the 9th, 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference; Member of the 10th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference; Executive Chairman of the Jiangsu Chamber of Commerce in Shanghai; Chairman of the Board of Directors of Shanghai Institute for Integrated Application of Network Technology; Standing Committee Member of the Jiangsu Federation of Industry and Commerce; Standing Director of the Jiangsu Glorious Business Promotion Association; Standing Vice Chairman of the Jiangsu General Chamber of Commerce in Hong Kong. Save as disclosed above, Mr. Tseung did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Xie Yingxia (謝鶯霞) ("**Ms. Xie**"), aged 45, was re-designated from an executive Director to a non-executive Director of the Group on 3 July 2020. Ms. Xie obtained a bachelor degree in investment economics from Fudan University (復旦大學) and a master degree in business administration from China Europe International Business School (中歐國際工商學院). From August 1998 to January 2001, Ms. Xie worked for Xiamen International Bank as the account manager and the deputy head of the credit department; from February 2001 to June 2008, Ms. Xie had worked for Orient Holdings Group Limited as the manager of the investment department, the chief financial officer and the vice president; since July 2008, Ms. Xie has been serving as a Director of Suzhou Dongwu Cement Co., Ltd.; from December 2011 to July 2020, Ms. Xie served as Chairman of the board of directors and executive Director of the Group; since June 2015, Ms. Xie has served as a director and representative director of Fidelix (KR.032580); since November 2014, Ms. Xie has been a director of Dosilicon Co., Ltd. and since March 2020, Ms. Xie has been the vice president of Orient Hengxin Capital Holdings Limited.

Mr. Chen Xuanlin (陳炫霖) ("**Mr. Chen**"), aged 34, is currently a chief investment officer of the Company, the chairman of CCI Holdings Co., Ltd.* (廣微控股有限公司), the chairman of Shanghai Zhongtong Ruide Investment Group Co., Ltd.* (上海中通瑞德投資集團有限公司) and the chairman of Shanghai Wanxiang Auto Manufacturing Co., Ltd.* (上海萬象汽車製造有限公司). Mr. Chen has assumed the title of chairman of CCI Holdings Co., Ltd.* (廣微控股有限公司) since 2017 and has been responsible for the overall business operation and strategic development of the group. Mr. Chen owns ten years' experience in capital market. Mr. Chen graduated from Zhejiang University City College (浙江大學城市學院) in 2009 with a bachelor's degree in business administration. Mr. Chen is currently the vice chairman of Taihu World Cultural Forum (太湖世界文化論壇), the executive vice president of the Zhejiang Chamber of Commerce in Shanghai (上海市浙江商會) and the managing vice president of the Taizhou Chamber of Commerce in Shanghai (上海市台州商會). Mr. Chen did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Director

Mr. Cao Kuangyu (曹貺予) ("**Mr. Cao**"), aged 72, is an independent non-executive Director of the Company. He holds a bachelor's degree in economics from the University of Hunan and a master's degree in financial management from the University of London. Mr. Cao has extensive experience in the areas of banking and finance. He worked in Bank of China, Hunan Province branch for from July 1981 to February 1996 and his last position was the deputy president of the branch. From February 1996 to September 1999, Mr. Cao was the deputy general manager of Bank of China, Singapore branch. From September 1999 to September 2003, he was the president of China Citic Bank, Shenzhen branch. He also acted as the managing director of the investment banking division of BOCI Asia Limited from September 2003 to September 2007. Mr. Cao is currently an independent non-executive director of Dingyi Group Investment Limited (stock code: 508), New Silkroad Culturaltainment Limited (stock code: 472) and Macrolink Capital Holdings Limited (stock code: 758). He was an independent non-executive director of Huili Resources (Group) Limited (stock code: 1303) from December 2011 to September 2017. Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Ms. Yu Xiaoying (俞曉穎) ("**Ms. Yu**"), aged 34, is an independent non-executive Director of the Company. Ms. Yu worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP in the People's Republic of China from September 2010 to August 2014 as a senior consultant. From September 2014 to November 2018, she worked at Visa Information Systems (Shanghai) Co., Ltd.* (維薩信息系統(上海)有限公司) as the manager of the finance department. Since December 2018, she has been working at Kimberly-Clark (China) Co., Ltd.* (金佰利(中國)有限公司) as the senior finance manager. Ms. Yu has obtained a bachelor's degree in accounting and a master's degree in business administration from Antai College of Economics and Management, Shanghai Jiao Tong University. She is also a Chinese certified public accountant and a member of the Association of Chartered Certified Accountants. Ms. Yu has not held any directorship in any other listed public companies during the last three years.

Mr. Suo Suo (索索) ("**Mr. Suo**"), aged 50, is an independent non-executive Director of the Company. Mr. Suo is a Chartered Financial Analyst, and an asset manager with over 25 years of experience in banking, private equity and asset management. From 2017 to May 2020, Mr. Suo was a non-executive Director of China Resources and Transportation Group Limited (stock code: 269), a company listed on the Main Board of the Hong Kong Stock Exchange Limited. Mr. Suo has been appointed as the Chief Executive Officer of Strait Capital Management Company (HK) Limited (香港海峽資本管理有限公司) since May 2014. He was the Asia Head and Executive Director for EIG Global Energy Partners, a global PE fund specializing in energy, resources and infrastructure investments. Prior to that, Mr. Suo worked for Trust Company of the West as a portfolio manager covering high yield credit and mezzanine investment, with main responsibilities including credit selection, portfolio construction, capital structure arbitration, and distress investment. From 1999 to 2005, Mr. Suo worked for Fortis Bank in the US, including as Group Head of its US Leveraged Finance team responsible for underwriting/financing private-equity-sponsored MBO/LBO transactions and distressed securities investment. Before joining Fortis Bank, Mr. Suo studied as a Ph.D. candidate in Energy Economics at Pennsylvania State University from 1996 to 1998. In March 2000, he received his MBA from University of Rochester in the United States. Save as disclosed above, Mr. Suo did not hold any directorship in any other listed companies in the past three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Feng Bing Song (馮炳松) ("**Mr. Feng**"), aged 53, is the deputy general manager of Suzhou Dongwu. Mr. Feng is responsible for marketing and sales of the Group. Prior to joining to the Group in December 2014, Mr. Feng, having been engaged in the finance matters and sales in the cement industry for about 20 years, has a knowledge of market trends and possesses extensive experience in sales. Mr. Feng once served as the financial controller of Piaoyang Orient Cement Company (漂陽東方水泥公司) and then was promoted to the deputy general manager, in charge of corporate finance and business planning. Later, Mr. Feng joined in Wujiang Xingyuan Cement Co., Ltd. as the vice president of sales responsible for making the strategic plans for the company.

Ms. Cai Linfen (蔡林芬) ("**Ms. Cai**"), aged 51, is the deputy general manager of Suzhou Dongwu. Ms. Cai is responsible for production of the Group. Ms. Cai possesses more than 25 years of experience in production management of cement. She has served as deputy general manager of Zhejiang Tongxing Cement Company Limited (浙江桐星水泥股份有限公司) and Tongxiang South Cement Company Limited (桐鄉南方水泥有限公司) before and was responsible for production respectively. Ms. Cai joined the Group in 2014, and had taken the position of chief engineer and deputy general manager etc. Ms. Cai graduated from Tongxiang Radio and TV University (桐鄉廣播電視大學) in 2013 and obtained a college degree in Management.

Mr. Wu Jiong (吳炯) ("**Mr. Wu**"), aged 58, is a director and the general manager of Suzhou Everhealth. He is a scientist with extensive experience in the areas of immunology and cell biology. He graduated with a bachelor degree of medicine from Tongji Medical College of Huazhong University of Science and Technology in the PRC, and obtained a master degree of immunology from Shanghai Institute of Biochemistry and Cell Biology of the Chinese Academy of Sciences and a Ph.D. from Nanjing University. Mr. Wu also cooperated with Huiyang Life Engineering Stock Co., Ltd to lead the research and development of IFN-γ which was successfully commercialised more than 15 years ago. The outcome won the Ferid Murad Award at the 25th Conference on International Cytokines & Interferons. He served as an assistant professor and a researcher at McGill University, and was involved in the foundation of the Cell Signally Technology, Inc. where he served as a senior scientist. In addition, Mr. Wu had also served as senior vice president in Cell Applications, Inc. He also served as a scientific consultant for a number of public and private companies and research institutions. He is currently a distinguished professor at Renmin Hospital of Wuhan University and the honorary chairman of Hubei Provincial Society of Clinical Oncology.

Mr. Han Weihua (韓衛華) ("**Mr. Han**"), aged 47, was appointed as the vice president of the Company on 2 July 2020 and is responsible for investment and financing of the Company. From February 2018 to July 2020, Mr. Han was the investment director of Orient Strait Capital Management Company Limited* (東方海峽資本管理有限公司) and was responsible for investment and financing of projects. From 2016 to 2018, Mr. Han was the managing partner and fund manager of Shanghai Jiuyuan Asset Management Center (Limited Partnership)* (上海九沅資產管理中心(有限合夥)). From 2013 to 2016, Mr. Han was the assistant to chairman of Shanghai Lonyer Holding Co., Ltd.* (上海龍宇控股有限公司) and was responsible for investment. From 2007 to 2013, Mr. Han was the investment director of Dexing Feyi Capital Operation Center (Limited Partnership)* (德信豐益資本運營中心(有限合夥)), and was responsible for investment of private equity projects, fund raising and management of the investment & research team. From 2005 to 2007, Mr. Han was the investment director of Shanghai Orient Huaxia Venture Capital Co., Ltd.* (上海東方華夏創業投資有限公司) and was responsible for investigation of investment projects and post-investment operation. From 2001 to 2005, Mr. Han was the senior investment officer of Jumbo China Investments Limited* (寶華投資有限公司), and was responsible for investigation, financial analysis, market research and project operation of investment projects in finance, infrastructure and energy sectors. From 1998 to 2001, Mr. Han worked in the strategic development department of Shanghai Diweisi Investment Development Co., Ltd* (上海帝威斯投資發展有限公司) and was responsible for evaluation and research of merger and acquisition projects. From September 1994 to June 1998, Mr. Han studied at the School of Finance, Shanghai University of Finance and Economics, majoring in currency and banking, and obtained the bachelor's degree in Economics. From September 2001 to July 2003, Mr. Han studied in Shanghai University of Finance and Economics, majoring in securities and futures as an on-the-job postgraduate, and obtained the certificate of postgraduate equivalent education. Mr. Han obtained the Certificate of Securities Professional from the Securities Association of China in 2002 and the Certificate of Fund Professional from the Asset Management Association of China in 2015.

Ms. Sun Xin (孫馨) ("**Ms. Sun**"), aged 38, was appointed as the joint company secretary of the Company on 28 May 2012, and has been the chief financial controller of the Company since 16 August 2013. Ms. Sun also served as the authorized representative of the Company (for the purpose of Rule 3.05 of the Listing Rules of the Stock Exchange). Ms. Sun joined the Group in August 2010. From August 2006 to August 2010, Ms. Sun acted as the senior consultant of the business advisory and tax consultancy department of Deloitte Touche Tohmatsu CPA Ltd.. During the office term, Ms. Sun was responsible for the provision of due diligence service and structuring support to the foreign multi-national companies and the private equity funds concerning acquisition activities in the PRC, as well as the provision of tax consultancy services, including international tax consultancy, indirect tax consultancy, general domestic tax consultancy and tax standardization. From September 2002 to July 2006, Ms. Sun studied at Shanghai International Studies University (上海外國語大學) majoring in international economic law and obtained a bachelor degree in law. From September 2003 to June 2005, she studied at Shanghai University of Finance and Economics (上海財經大學) and obtained the Certificate for Second Major (輔修專業證書) in Accounting. Ms. Sun is currently a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會), an associate of Chartered Governance Institute (特許公司治理公會), an associate of the Hong Kong Chartered Governance Institute (香港公司治理公會) (HKCGI), and an associate of the Institute of Chartered Secretaries and Administrators (ACIS).

Company Secretary

Ms. Sun Xin (孫馨) ("**Ms. Sun**"), aged 38, was appointed as the joint company secretary of the Company on 28 May 2012. For details of the biography of Ms. Sun Xin, please refer to paragraph headed "Senior Management" of this section. Ms. Sun was confirmed by the Stock Exchange that she had sufficient experience to fulfill the responsibility of company secretary and served as company secretary of the Company with effect from 21 March 2014.

DIRECTORS' REPORT

Principal Activities

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2011. The Group mainly operates through its subsidiaries in the PRC. The Group is principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operations, as well as the research and development of innovative medicines and therapy for cancers and autoimmune diseases, and their commercialisation. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2021.

Results and Dividends

The Group's results for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 94 to 95.

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

Business Review

A review of the business of the Group for the year ended 31 December 2021, a discussion on the Group's future prospects, and an account of the principal risks and uncertainties faced by the Group are provided in "Management Discussion and Analysis" on pages 11 to 19 in this annual report, an analysis of the Group's performance during the current year using financial key performance indicators are provided in "Financial Highlights" on pages 5 to 6 in this annual report.

Environmental Policy and Performance

The Group has approved and established an ESG Working Group on environmental, social and governance ("**ESG**") issues.

The main responsibilities of the Working Group are to:

- Regularly review the Group's ESG-related strategy, management system and implementation, and assist the Board in fulfilling its supervisory responsibilities with respect to ESG;
- Ensure that the ESG strategy is aligned with the Group's operating strategy;
- Identify, assess and monitor key ESG risks and opportunities that have a significant impact on the Group's business, report the same to the Board and provide important reference for the annual ESG targets;
- Hold special meetings as needed in addition to regular meetings to discuss and evaluate ESG related issues in a cross-departmental manner;
- Monitor the formulation of the annual sustainable development report, evaluate the progress of the Group's ESG initiatives, and facilitate the implementation of relevant measures;
- Periodically review the terms of reference and assess its performance.

Composition of the Working Group:

- The Chairman shall serve as the chairman of the Working Group;
- Other team members include senior management of financial department, office, cement laboratory, production technology department, safety and environment department, supply department, sales department and other functional departments;
- The Chief Financial Officer and the Company Secretary serve as secretary-generals of the Working Group.

For details of its environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" in this report.

Compliance of Laws and Regulations

The Company is aware of the importance of complying with relevant laws and regulations. The Company has distributed system and human resources to guarantee our constant compliance with provisions and codes, and build good relationship with supervision authorities through effective communication. During the Reporting Period, to the knowledge of the Directors, the Company has complied with SFO, Listing Rules and all other relevant legislations and regulations which have significant impacts on the Company.

Important Relationship with Employees, Clients and Suppliers

The relationships between the Group and employees, customers and suppliers have a material impact on performance and constant development of the Group. Therefore, the Group has established a sound and stable relationship with employees, customers and suppliers.

The Group regards its employees as the most important and valuable assets. The objective of human resources management is to motivate and recognize outstanding staffs with competitive remuneration package and comprehensive performance assessment, and assist the staff to develop their career and get promotion within the Group by providing suitable training and opportunities. Through a variety of incentive mechanism and organizing various activities, the Company has formed an enterprise culture, centering on able person doing more work and getting more pay for more work, competition out who ever needs upward, unity and harmony and innovation. The Group encouraged employees to actively participate in the management of the enterprise and adopts reasonable suggestion, so as to enable all staff to build up an awareness of treating factory as home and be proud of the factory, thereby fully leveraging on the staff's enthusiasm and subjective initiative.

The Group has always adhered to the principle of customer first, and identified customer's demand by collecting, analyzing and processing customer date to improve customer satisfaction. For consultation and suggestion from customer by way of interviewing, letter, telephone, fax and so on, there is specially-assigned person to answer, record and collect. Through a variety of activities, the Company grasped the market dynamics and customer requirements timely. If found any complaints, improvement suggestions, implicit requirements or expectations from customer, it should be immediately reported to relevant departments for making necessary improvement measures and implementation with an aim to ensure the improvement of customer satisfaction.

DIRECTORS' REPORT

The Group has established a cooperation relationship of joint collaboration and win-win with its suppliers, and jointly explored markets to expand market demands and share and reduce operating cost of the early stage of the product through the integration of resources and competitive advantages. The Group clearly specifies procurement requirements and exchange information to make the transparency of the procurement process and improve the efficiency of supply chain and the reaction ability, therefore maximizing the interests on both sides. Please refer to note 14 for more details about the employees, remuneration policy and pension plan of the Group

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 19 May 2022 to Wednesday, 25 May 2022 (both days inclusive), during which period no transfer of shares will be registered. For determining Shareholders' entitlement to attend and vote at the annual general meeting to be held on Wednesday, 25 May 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 18 May 2022.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statement of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in note 27 to the consolidated financial statement of this annual report.

Share Capital

As at 31 December 2021, the authorised share capital of the Company was HK$100,000,000, including issued capital of HK$5,520,000 divided into 552,000,000 Shares with nominal value of HK$0.01 per share. During the Reporting Period, the Company did not issue any new shares.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity of this annual report.

Distributable Reserves

The Group's reserves available for distribution to Shareholders was approximately HK$216,159,000 (31 December 2020: approximately HK$216,514,000) as at 31 December 2021.

Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted within the Listing Rules as of the Latest Practicable Date.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or applicable laws of the Cayman Islands where the Company was incorporated.

Tax Reduction

Pursuant to the laws of the Cayman Islands, the Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations by virtue of their interest in the Shares and there is no taxation in the nature of inheritance tax and estate duty.

Charge on the Assets and Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities, guarantees or any litigation against the Group (2020: nil).

Subsidiaries and Associates

Details on the business performance of the Company's major subsidiaries and associates respectively are set out in note 20 to the consolidated financial statement of this annual report.

Directors

The directors of the Company during the year ended 31 December 2021 were as follows:

Chairman and Executive Director	Mr. Liu Dong
Chief Executive Officer and Executive Director	Mr. Wu Junxian
Non-executive Director	Mr. Tseung Hok Ming
	Ms. Xie Yingxia
	Mr. Chen Xuanlin
Independent Non-executive Directors	Mr. Cao Kuangyu
	Ms. Yu Xiaoying
	Mr. Suo Suo

There is no financial, business, family or other material/relevant relationship amongst the Directors.

Independence

The Company has received from each of the independent non-executive Directors (namely Mr. Cao Kuangyu, Ms. Yu Xiaoying and Mr. Suo Suo) an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of the independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines.

Emolument Policy and Long-Term Incentive Plan

The Company adopts different emolument policies for executive Directors and non-executive Directors:

Emolument Policy for Executive Directors

1. A proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

2. The performance-related elements of remuneration should be designed to align the executive Directors' interests with those of Shareholders and to give the Directors incentives to perform at the highest levels.

3. Factors for defining performance-based remuneration:

    (a) Eligibility for long-term incentive schemes, e.g. share option schemes, subject to performance criteria which reflect the Company's performance

    (b) Examples of performance indicators:

        (i) share price

        (ii) net earnings figure

Emolument Policy for Non-Executive Directors

1. Levels of emolument of non-executive Directors should reflect the time commitment and responsibilities of the role.

2. Non-executive Directors should have the opportunity to have part of their remuneration in shares on condition that share options should be granted in accordance with the Listing Rules.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar positions. The fees and any other reimbursement or emolument payable to the Directors are set out in details in this annual report.

DIRECTORS' REPORT

Directors' Service Contracts

Each of the executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. All the non-executive Director and the independent non-executive Directors had signed letters of appointments with the Company for a term of three years with effect from their respective dates of appointment. The appointments of Directors are subject to the provisions of re-election and retirement by rotation under the Articles of Association.

In accordance with the Articles of Association, Mr. Liu Dong, Mr. Wu Junxian and Ms. Yu Xiaoying will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Emoluments and Five Highest Paid Individuals of the Company

All of the Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the remuneration committee.

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in note 14 to the consolidated financial statement.

For the years of 2021 and 2020, senior management of the Company comprises 7 and 7 individuals, respectively. The emoluments of senior management of the Company fell within the following bands:

	Number of individuals Year ended 31 December	
Emolument band	**2021**	2020
Nil to HK$1,000,000	**5**	5
HK$1,000,001 to HK$2,000,000	**2**	2
	7	7

Directors' Material Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance in which the Directors (or an entity connected with a Director) had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Reporting Period.

Contract of Significance

No contract of significance was entered into between the Company, or any of its subsidiaries and any of the controlling Shareholder or any of its subsidiaries subsisted at the end of the financial year or at any time during the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

At any time during the Reporting Period, none of the Company or any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their respective spouses or children under the age of eighteen, were granted any right to subscribe for the interests or debentures of the Company or any other body corporate, or had exercised any such rights.

Directors' Interests in Competing Business

None of the Directors or controlling Shareholders of the Company had interests in business which competes or may compete with the Group's business.

Connected Transactions

During the year ended 31 December 2021, the Group did not enter into any connected transactions or continuing connected transactions which need to be disclosed in its annual report pursuant to the provisions in respect of connected transaction disclosure requirements under Rule 14A.49 of the Listing Rules, and details for other connected transactions or continuing connected transactions are set out in note 38 to the consolidated financial statements for the year.

Pension Scheme

The employees of members of the Group in the PRC are members of Social Insurance Scheme (the "**Social Insurance Scheme**") (such as pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and housing fund) operated by the PRC government. The Group is required to make contributions to the Social Insurance Scheme based on certain percentage of the salaries of its employees to fund the benefits. The Social Insurance Scheme is operated and administered by the relevant local government authorities and is non-refundable, and the Company has no access nor any discretion after making the aforesaid contributions, therefore there were no such forfeited contributions within the meaning of paragraph 26(2) of Appendix 16 to the Listing Rules for the financial years ending 31 December 2020 and 31 December 2021. Accordingly, none of the Group's forfeited contributions under the Social Insurance Scheme can be used to offset future contributions or reduce current and future contribution levels.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. There are no forfeited contributions within the meaning of paragraph 26(2) of Appendix 16 to the Listing Rules for the financial years ending 31 December 2020 and 31 December 2021. Accordingly, the Group does not have any forfeited contributions under the MPF Scheme that can be used to offset future contributions or reduce the level of current and future contributions.

During the year ended 31 December 2021, the social insurance scheme contributions made by the Group amounted to approximately HK$6,197,000.

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2021, the interests of the Directors, chief executive or their respective associates in the Shares and underlying Shares of the Company and its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO are as follows:

Name	Capacity	Long position/Short position	Number of Shares held	Approximate percentage of shareholding interest
Mr. Tseung Hok Ming *(note 1)*	Interest of a controlled corporation	Long position	297,500,000	53.89%
Mr. Chen Xuanlin	Beneficial owner	Long position	25,650,000	4.65%

note:

1. *Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of Part XV of the SFO. Goldview is also an associated corporation of the Company.*

Save as disclosed in the above, as at 31 December 2021, so far as is known to the Directors, no Directors or chief executive of the Company or their respective associates had or were deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations by virtue of Part XV of the SFO which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

As at 31 December 2021, none of the Directors and chief executive of the Company (including their respective spouses and children under the age of 18) had or were granted any rights to subscribe for the securities and share options of the Company and its associated corporations, nor had they exercised any such rights.

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

As at 31 December 2021, so far as is known to the Directors, the person(s), not being the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register kept under section 336 of the SFO are set out below:

Name	Capacity	Long position/Short position	Number of Shares held	Approximate percentage of shareholding interest
Goldview[1]	Beneficial owner	Long position	297,500,000	53.89%
Mr. Huang Yingbiao	Beneficial owner	Long position	67,130,000	12.16%

note:

1. *Goldview is wholly-owned by Mr. Tseung Hok Ming, a non-executive Director. Accordingly, Mr. Tseung is deemed to be interested in the same Shares of the Company held by Goldview by virtue of Part XV of the SFO.*

Save as disclosed in the above, as at 31 December 2021, so far as is known to the Directors, no other persons had any interests or short positions in the Shares and underlying Shares of the Company which had to be disclosed to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Share Option Scheme

On 28 May 2015 ("**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"), which was approved at the annual general meeting held on the same date. The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the "**Share Option Scheme Period**"), after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of the options remaining outstanding and exercisable on the expiry of the Share Option Scheme Period.

The purpose of the Share Option Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Pursuant to the terms of the Share Option Scheme, the Board shall have the right to determine and select all directors (whether executive or non-executive and whether independent Director or not), any employee (whether full time or part-time), any consultant or adviser (whether an employment or contractual or honorary basis and whether paid or unpaid) of the Company or the Group, who, in the absolute opinion of the Board, have contributed to the Company or the Group ("**Eligible Persons**") to whom the options may be granted. Any of the Eligible Persons to an offer for the grant of options under the Share Option Scheme shall be determined by the Board from time to time on the basis of the contribution to the development and growth of the Group. Unless otherwise determined by the Board in the relevant offer letter to a grantee, there is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by the grantee before it can be exercised. The maximum number of Shares which may be issued pursuant to the Share Option Scheme on the Adoption Date will be 55,200,000 Shares, which represents 10% of the issued share capital of the Company as at the date of approval of the proposed adoption of Share Option Scheme by the Shareholders at the AGM held on 28 May 2015 and represents 10% of the total issued share capital of the Company as at the date of this report.

The maximum number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme or any other share option schemes that the Company adopts must not exceed 30% of the Shares of the Company in issue from time to time. Any option lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the scheme mandate limit. Unless approved by Shareholders in general meeting, the total number of Shares issued and to be issued upon grant of options by each under the Share Option Scheme in any 12-month period must not exceed 1% of the Shares of the Company in issue at such time.

Subject to any condition or restriction in connection with the exercise of the option which may be imposed by the Board when granting the option and other provisions of the Share Option Scheme, there is no minimum period for which an option must be held before it can be exercised and the option may be exercised by the Grantee (or his or her legal personal representative) at any time during the option period (the option period shall not be more than ten years from the grant date). All of the outstanding options shall lapse if the option period expires, the holders loss of office or cease to be the member of the Group.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK$1 in favor of the Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by the Company.

The subscription price (the "**Subscription Price**") in respect of any particular option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

No options under the Share Option Scheme have been granted and no options remain outstanding and unexercised during the year ended 31 December 2021.

As of the Latest Practicable Date, the remaining life of the Share Option Scheme is about 3 years and 0 month.

Purchase, Sale or Redemption of Listed Securities

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

Management Contracts

Save for labor contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers of the Group respectively during the year ended 31 December 2021 is as follows:

	Percentage of the Group's total sales (%)		**Percentage of the Group's total purchases (%)**
The largest customer	12.19	The largest supplier	18.02
Five largest customers in aggregate	41.18	Five largest suppliers in aggregate	60.27

None of the Directors or their respective associates or any Shareholder holding more than 5% equity interest in the Company had any interest in any of the Group's five largest customers or five largest suppliers.

DIRECTORS' REPORT

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by BDO Limited ("BDO"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution on re-appointment of BDO as the external auditor of the Company will be proposed at the forthcoming annual general meeting for Shareholders' approval.

Material Litigation and Arbitration

During the Reporting Period, 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.

Permitted Indemnity Provisions

The Articles of Association of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

Chairman
Liu Dong
31 March 2022

CORPORATE GOVERNANCE REPORT

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 investor confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 of the Listing Rules as its own code on corporate governance.

During the Reporting Period and up to the Latest Practicable Date, the Company has complied with the code provisions of the Corporate Governance Code.

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, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

Board of Directors

Duties and Divisions

The Board acts for the interest of all Shareholders and is responsible for the general meeting. The Board is mainly responsible for executing the resolutions of the general meeting, overseeing and supervising all material matters of the Company, including developing and approving the overall strategy for management and operation, operation plan and investment proposals, reviewing organization structure, the systems of internal control and risk management and the financial performance regularly, determining dividend policies, developing, reviewing and monitoring policies and practices on corporate governance of the Company and the code of conduct applicable to employees and Directors, reviewing and monitoring the training and continuous professional development of Directors and senior management, policies and practices of the Company on compliance with legal and regulatory requirements, reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report, monitoring operational activities and performance of senior management, so as to protect and enhance the interests of the Company and its Shareholders. In respect of overseeing specific aspects in the Company's affairs, the Company has established 3 committees of the Board, i.e. the audit committee, the remuneration committee and the nomination committee. The Board has delegated various authorities to each of the committee of the Board, particulars of which are set out in the terms of reference for each committee.

The Board makes decisions on matters with specific responsibilities, and the management is authorized to execute and manage the daily affairs of the Company.

During the Reporting Period and up to the Latest Practicable Date, the Board had, among other things, considered and approved the annual budget, management performance and the latest performance as compared with the annual budget as well as the business reports of the management, the annual results for the year ended 31 December 2021, monitored the operation of our Group's key business and assessed the internal control and financial matters of the Group.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The names and profiles of these Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Board Meetings

The Board shall meet regularly and hold at least four Board meetings each year, so as to discuss the overall strategies and operational and financial performances of the Group. For the year ended 31 December 2021, the Board held 4 meetings in accordance to the operational and business development of the Group, including 2 regular meetings and 2 provisional meetings. The attendance of each Director is detailed as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Executive Directors		
Mr. Liu Dong	4/4	100%
Mr. Wu Junxian	4/4	100%
Non-executive Director		
Mr. Tseung Hok Ming	4/4	100%
Ms. Xie Yingxia	4/4	100%
Mr. Chen Xuanlin	4/4	100%
Independent Non-executive Directors		
Mr. Cao Kuangyu	4/4	100%
Ms. Yu Xiaoying	4/4	100%
Mr. Suo Suo	4/4	100%

During the Reporting Period, the Board held each regular meeting with prior notices of 14 days, to ensure that all Directors have the opportunity to propose matters to be discussed into the agenda. Reasonable notice were given for provisional Board meetings, to enable all Directors to attend in their conveniences.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. All the non-executive Director and the independent non-executive Directors had signed letters of appointments with the Company for a term of three years with effect from their respective dates of appointment. The appointments of Directors are subject to the provisions of re-election and retirement by rotation under the Articles of Association.

In accordance with the Articles of Association, Mr. Liu Dong, Mr. Wu Junxian and Ms. Yu Xiaoying will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

Mr. Liu Dong serves as the Chairman of the Company.

The duties of the Chairman include: (a) approve and monitor the strategies and policies of the Company, annual budget and business planning, assess the performance of the Company, and oversee the management of the Company; (b) lead and monitor the duties of the Board to ensure the efficiency of the Board, perform due responsibilities, and discuss on all significant and appropriate issues in a timely manner; (c) ensure that all Directors are timely informed of the issues proposed at the Board meetings in due course, and all Directors are timely informed of sufficient and accurate information; and (d) examine and monitor the implementation of resolutions by the Board.

Mr. Wu Junxian serves as the Chief Executive Officer of the Company.

The duties of the Chief Executive Officer include: (a) manage the Group's businesses and coordinate the overall business operations; (b) participate in the formulation and implementation of the Group's policies and strategies approved by the Board, including facilitating the implementation of the Board resolutions, the annual operation plans and the investment plans of the Company; (c) with the assistance from the senior management team, submit the annual budget for the consideration and approval of the Board; (d) formulate the basic management systems of the Company, terms of reference, position standards and professional management procedures of each department as well as the performance assessing standards of the management of each level; and (e) fulfill other authorities granted by the Articles of Association of the Company and the Board.

Independent Non-executive Director

During the Reporting Period and up to the Latest Practicable Date, the Company had complied with the provisions of the Listing Rules regarding independent non-executive directors.

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision.

Each independent non-executive Director signed a letter of appointment with the Company for a term of three years since their respective dates of appointment. The Company has received an annual confirmation of independence from each of the three independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors to be independent.

Time Commitment of the Directors

Besides attending formal meetings to learn more about the Company's business, the Directors of the Company could attend affairs of the Company through various channels, including debriefing to the Company's management, reviewing the operating information provided regularly by the Company and paying on-site visits to the Company's business, in order to gain a full understanding of the Company's business and perform their duties effectively. Having been through serious review, the Board is of the opinion that the Directors of the Company had dedicated sufficient time and efforts to perform their duties during the year.

Directors' Continuous Training

Pursuant to the Corporate Governance Code, all Directors should participate in the continuous professional training to improve and enrich their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, each of the Directors (being Mr. Liu Dong, Mr. Wu Junxian, Mr. Tseung Hok Ming, Ms. Xie Yingxia, Mr. Chen Xuanlin, Mr. Cao Kuangyu, Ms. Yu Xiaoying and Mr. Suo Suo) has (i) attended the directors' training held by competent professionals engaged by the Company, in relation to, among other things, responsibilities of directors, continuous responsibilities of the listed company on information disclosure, corporate governance and the latest amendment to the Listing Rules; and (ii) went through information on the Listing Rules and other latest information on regulatory requirements. The training records of each Director are kept and updated by the company secretary of the Company.

Directors' Insurance

The Company has always emphasized the importance of risk prevention of our Directors liabilities and continued to purchase liability insurance for all the Directors.

Board Committees

The Board established the Audit Committee, the nomination committee and the remuneration committee. The Board committees have been provided with sufficient resources for performing their duties, and are able to seek independent professional advice under proper situation after proposing reasonable requests at the expense of the Company.

Audit Committee

The Company established the Audit Committee on 28 May 2012 in accordance with the requirements of Rule 3.21 of the Listing Rules and the Corporate Governance Code. The written terms of reference of the Audit Committee were formulated in compliance with the Corporate Governance Code. The Audit Committee is comprised of three members, namely, Ms. Yu Xiaoying, Mr. Suo Suo and Mr. Cao Kuangyu, all of whom are independent non-executive Directors. Ms. Yu Xiaoying is the chairlady of the Audit Committee. The primary duties of the Audit Committee include reviewing and supervising the Company's financial reporting processes and internal control systems, nominating and monitoring external auditors and providing advice and comments to the Directors.

For the year ended 31 December 2021, the Audit Committee held 4 meetings to discuss with the management the accounting standards and practices adopted by the Group, arrange audit initiation meeting, and to approve the results and financial statements of the Company for the year ended 31 December 2020 as well as the interim results and financial statements of the Company for the six months ended 30 June 2021, respectively.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Ms. Yu Xiaoying *(chairman)*	4/4	100%
Mr. Suo Suo	4/4	100%
Mr. Cao Kuangyu	4/4	100%

Remuneration Committee

The Company established the remuneration committee on 28 May 2012 in compliance with the requirements of Corporate Governance Code. The written terms of reference of the remuneration committee were formulated in compliance with the Corporate Governance Code. The remuneration committee is comprised of three members, namely, Mr. Suo Suo, Ms. Yu Xiaoying and Mr. Cao Kuangyu, all of whom are Independent non-executive Directors. Mr. Suo Suo is the chairman of the remuneration committee. The primary duties of the remuneration committee include evaluating the performance of executive Directors and senior management and determining their remuneration packages and making recommendations on the remuneration of non-executive Directors.

For the year ended 31 December 2021, the remuneration committee held 1 meeting to consider and review the employee's salary and benefit, as well as the remuneration policies and structure of Directors and senior management of the Company.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Mr. Suo Suo *(Chairman)*	1/1	100%
Ms. Yu Xiaoying	1/1	100%
Mr. Cao Kuangyu	1/1	100%

Nomination Committee

The Company established the nomination committee on 28 May 2012 in compliance with the requirements of Corporate Governance Code. The written terms of reference of the nomination committee were formulated in compliance with the Corporate Governance Code. The nomination committee is comprised of three members, namely, Mr. Suo Suo, Ms. Yu Xiaoying and Mr. Cao Kuangyu, all of whom are independent non-executive Directors. Mr. Suo Suo is the chairman of the nomination committee. The primary duties of the nomination committee include reviewing the structure, size, composition and diversity (including but not limit to gender, age, cultural and educational background, professional experience, skills and knowledge) of the Board; making recommendations on any proposed changes to the Director and senior management to complement the Company's corporate strategy; identifying individuals suitably qualified to become Directors; making recommendations to the Board on appointment or re-appointment of the Directors; in identifying suitable individuals, considering individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board; reviewing the board diversity policy, as appropriate; and assessing the independence of the independent non-executive Directors.

For the year ended 31 December 2021, the nomination committee held 1 meeting to consider and review the structure and composition of the Board, assess the independence of independent non-executive Directors, nominate the Directors to be retired by rotation and review the board diversity policy.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Mr. Suo Suo *(Chairman)*	1/1	100%
Ms. Yu Xiaoying	1/1	100%
Mr. Cao Kuangyu	1/1	100%

Board Diversity Policy

According to the latest amendments to the Listing Rules on board diversity, the Board formulated and adopted the board diversity policy ("**Board Diversity Policy**"). The Company recognizes the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of Board diversity. The Company will also take into consideration factors based on its own business scope and specific needs from time to time in determining the optimum composition of the Board. The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The nomination committee reviewed the board composition pursuant to the above policy and the requirement of the Listing Rules and was of the opinion that the board members of the Company comply with the Board diversity as required by the Listing Rules in respect of age, educational background and professional experience. For details on the composition of the Board, please refer to section headed "Board Composition" and "Biographical Details of Directors and Senior Management" in this annual report.

Company Secretary

Ms. Sun Xin was appointed as a joint company secretary of the Company on 28 May 2012, and has been the company secretary of the Company since 21 March 2014. Details of the profiles of Ms. Sun Xin are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

According to Rule 3.29 of the Listing Rules, Ms. Sun Xin took no less than 15 hours of relevant professional training for the year ended 31 December 2021.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for making enquiries to the Board

Any Shareholder who has enquiries or advice may deliver to the Board through mail at Room 4308, 43/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, or e-mail to admin@dongwucement.com.

Procedures for putting forward proposals at general meetings

Shareholders can feel free to put forward proposals relating to the operations, strategy and/or management of the Group for discussion at general meetings. Such proposals shall be submitted to the Board or the company secretary by written requisition through mail at Unit 08, 43/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, or e-mail to admin@dongwucement.com. Pursuant to the Articles of Association of the Company, Shareholders who proposed to submit proposals should convene an extraordinary general meeting in accordance to the procedures as set out in the "Procedures for Shareholders to convene an extraordinary general meeting" above.

In respect of recommendation on proposing certain candidate to be elected as a Director, please refer to (i) the procedures as set out in the Articles of Association of the Company published on the websites of the Company and the Stock Exchange; and (ii) the "procedures for shareholders to propose a person for election as a director of the Company" on the website of the Company.

General Meeting

During the Reporting Period, the Company convened an annual general meeting on 28 May 2021 to approve (among others) the audited consolidated financial statements of the Group for the year ended 31 December 2020, the reports of Directors and auditor and the re-election of Directors who subject to retirement by rotation. All Directors of the Company have attended the annual general meeting. All the Directors have attended the annual general meeting. The attendance of each Director is detailed as follows:

	Attended general meetings/convened meetings	Attendance rate
Executive Directors	1/1	100%
Mr. Liu Dong	1/1	100%
Mr. Wu Junxian	1/1	100%
Non-executive Director		
Mr. Tseung Hok Ming	1/1	100%
Ms. Xie Yingxia	1/1	100%
Mr. Chen Xuanlin	1/1	100%
Independent Non-executive Directors		
Mr. Cao Kuangyu	1/1	100%
Ms. Yu Xiaoying	1/1	100%
Mr. Suo Suo	1/1	100%

Nomination of Director

According to Article 85 of the Articles of Association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, provided that a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting is given, stating his intention to propose such person for election and also a notice signed by the person to be proposed is given, stating his willingness to be elected, both of which shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting for such election) the period for lodging of such notice(s) shall commence on the day after the despatch of the notice of the general meeting for such election and end no later than seven (7) days prior to the date of such general meeting.

CORPORATE GOVERNANCE REPORT

Internal Control

The Board is responsible for maintaining an effective internal control system to safeguard the assets and the interests of Shareholders of the Group, and regularly reviewing and monitoring the effectiveness of internal control and risk management system to ensure an adequate and sufficient system. The Group implemented internal control system to minimize the risks encountered by the Group, and functioned it as a management tool of daily business operation management. The system only provides reasonable, rather than absolute, guarantee against misstatements or losses.

The Company has adopted a set of guides and policies on internal control, including manuals on corporate governance, to improve the existing internal control system, covering corporate governance, risk management, operation, legal affairs, finance and audit.

During the Reporting Period, the Company has maintained high-level corporate governance. The Board has conducted annual review on the implemented systems and procedures, covering finance, operation, legal compliance control, and risk management functions.

For the year ended 31 December 2021, the Board considered the internal control system of the Company was adequate and effective, save as described below, the Company complied with the Corporate Governance Code provisions in relation to internal control as set out in the Corporate Governance Code. The Audit Committee will constantly review and assess the effectiveness of the internal control system of the Group, and report the results to the Board. The Board would conduct review and assessment of the internal control system of the Group at least once a year, so as to ensure that it is free from any major supervisory deficiency.

Pursuant to Corporate Governance Code, the Company shall have sufficient number of independent nonexecutive directors. The Company failed to comply with the relevant Corporate Governance Code provisions during the reporting period. However, the Company at the end of the Reporting Period and currently has sufficient independent non-executive directors to comply with the relevant Corporate Governance Code provisions.

Directors' Responsibilities in Respect of Financial Statements

The Directors acknowledge that they are responsible for giving honest, clear, and plain assessment on the performance, position and prospect of the consolidated financial statements as set out in annual and interim reports of the Group in accordance with the statutory requirements and the applicable accounting standards. The Directors also acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2021. Having made all reasonable enquiries, the Directors confirm, to the best of their knowledge, information and belief, that they were unaware of any significant uncertainties relating to the events or situations that may seriously cause doubt on continuing operation of the Company on an ongoing basis. To prepare the financial statements for the year ended 31 December 2021, the Directors have adopted appropriate accounting policies and applied consistently, and made prudent and reasonable judgments and estimates.

Risk Management and Internal Control

In order to ensure efficient operation and efficiency of our business as well as compliance with relevant laws and regulations, the Group emphasizes the importance of establish a sound internal control system. Further, the system is an integral part in mitigating the risks borne by the Group. The Group's internal control system is designed to provide reasonable but not absolute assurance against material misstatement or loss; to manage but not eliminate risks of failure in operational systems or failure to achieve business objectives; and to achieve business objectives. The Board continues to review the internal control system, enabling it an effective and viable system that can provide reasonable assurance, protect our important assets and identify business risks. According to the information available to the Board and its observation, the Board believes that the Group's existing internal control is satisfactory. The Group strives to identify, control and manage risks related to its business activities and implement effective and viable control system, including management structure with specific written terms of reference, sound cash management system as well as regular review on the Group's performance carried out by the Audit Committee and the Board. The Board has reviewed the effectiveness of the internal control system of the Group. It is of the opinion that the internal control system adopted during the year ended 31 December 2021 was sound and effective, and is sufficient to safeguard the investment benefits of the Shareholders and the Company's assets.

Main features of the risk management and internal control systems

The Board is responsible for overseeing the risk management and internal control systems of the Group on an ongoing basis. The main duties are as follows:

(a) to set the strategic goal of risk management, evaluate and determine the nature and extent of risk it is willing to take in achieving strategic objectives;

(b) to ensure that an appropriate and effective risk management and internal control systems is established and maintained; and

(c) to review the effectiveness of the risk management and internal control systems at least once a year.

Meanwhile, the Board authorizes the Audit Committee to oversee the financial reporting system, internal control and risk management procedure. The main duties are as follows:

(a) to review the Company's financial control, and, unless expressly under the handling of an otherwise established risk committee under the Board or the Board itself, to review the Company's internal control, risk management systems and other major financial matters;

(b) to review the annual report prepared by the management and certified by the external auditor of the Company, among which, the external auditor shall evaluate the effectiveness of the Company's internal control set out in the financial report and set forth the duties of the management to establish and maintain an effective risk management and internal control systems;

(c) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have an effective system in place. The discussion should include the adequacy of resources of the Company's accounting, financial reporting, risk management and internal control function, staff qualifications and experience, and the sufficiency of training programmes and budget in this regard;

(d) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(e) to ensure the co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(f) to review the Group's financial and accounting policies and practices, and to monitor the Company's financial operation and core business status;

(g) to review the external auditor's Letter of Statement on Audit provided to the management, any material queries raised by the external auditor to the management about accounting records, financial accounts or systems of control and management's response;

(h) to ensure that the Board will provide a timely response to the issues raised in the Letter of Statement on Audit provided by the external auditor to the management;

(i) to report to the Board on the matters set out in the Corporate Governance Code under Appendix 14 of the Listing Rules;

(j) to review the following arrangements made by the Company: the employees of the Company may, in confidence, raise concerns about potential improper behaviors arising from financial reporting, internal control, risk management or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigations of such matters and appropriate actions;

(k) to timely ascertain the reasons of resignation of the executive Director, general manager, financial controller or head of internal audit/head of credit control of the Company upon their resignations;

(l) to prepare draft reports or summary of work reports for the prescribed period, the former shall be submitted to the Board for review and the latter shall be included in the Group's quarterly, interim and annual reports;

(m) to consider the proposal of the Board in relation to the appointment, replacement or removal of any member of the Audit Committee and the auditors;

(n) to review regularly the following matters with the Company's financial officer and the external auditor:

(i) all major deficiencies and serious defects in the internal control measures of financial report during the setting or implementation may adversely impact the Company's capability of recording, handling, summarizing and reporting of financial information; and

(ii) any fraudulent acts in respect of the management or other employees who play an important role in the internal control over the Company's financial report, regardless of the seriousness of such frauds;

(o) to act as the key representative body to oversee the Company's relationship with its external auditor; and

(p) to consider other matters as authorized by the Board.

The Company has also set up the internal audit function, which reports directly to the Audit Committee and is responsible for making analysis and independent assessment as to whether the risk management and internal control systems is sufficient and effective.

Procedures on identifying, assessing and management material risks

The risk management procedures of the Group are as follows:

Project initiation – to initiate risk management and prepare for relevant activities.

Risk identification – to identify the current risk exposure.

Risk analysis – to conduct two-dimension risk analysis, including the extent of influence and possibility of occurrence.

Risk response – to select the proper risk response and develop strategies to mitigate risks.

Control measures – to propose up-to-date internal control measures and policy and process.

Risk control – to continuously monitor the identified risks and implement relevant internal control measures to ensure the effective operation of risk response strategies.

Risk management report – to conclude the findings of risk assessment and analysis and internal audit, formulate and report an action plan.

Procedures on handling and disseminating inside information and internal control measures

The Group handles and disseminates inside information in accordance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. In addition, the Company keeps the Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements. The Board has reviewed the risk management and internal control systems for the year ended 31 December 2021 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of Company for the year ended 31 December 2021 were effective and adequate.

Auditor's Remuneration

BDO Limited was the independent auditor of the Company. For the year ended 31 December 2021, the remuneration payable by the Company to BDO Limited is set out below:

Services rendered by the auditor	**Remuneration** *(HK$'000)*
Annual audit service	1,545,000
Non-audit services (for review of the interim results of the Group)	169,000
	1,714,000

Investor Relationship

The Company leverages on various formal channels of communication to ensure a fair and transparent disclosure on the business and financial performance. The information of the Company will be published on its website at www.dongwucement.com. The interim and annual reports, circulars and notices of the Group will be uploaded on the websites of the Stock Exchange and the Company and hard copies of the same will be dispatched to the Shareholders.

The website of the Company provides information such as e-mail address, correspondence address and telephone number for public enquiries, as well as information on the business activities of the Company.

The annual general meeting of the Company provides a communicative opportunity between the Board and the Shareholders. The notice for the annual general meeting and related documents will be dispatched to the Shareholders in accordance to the Listing Rules, and will be published on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

This report is the sixth Environmental, Social and Governance ("ESG") Report of Dongwu Cement International Limited (the "Company" or "Dongwu Cement", together with its subsidiaries, the "Group" or "We"), which presents the Group's management approach and performance in ESG during the reporting period from 1 January 2021 to 31 December 2021, to facilitate stakeholders' further understanding of the Group's sustainability strategies.

Reporting Guidelines and Principles

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("HKEX"), fulfilling the reporting obligation of "Comply or Explain" and adhering to the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency", which are described as below:

Materiality

- We identify issues that have significant economic, environmental and social impact arising from the Company's operation, and issues of ESG that have material impact on stakeholders' evaluation and decision by conducting communications with stakeholders and respond to them in this report.

Quantitative

- The data presented in this report has been reviewed and analysed representing year over year changes. For the standard used in calculating environmental key performance indicators, please refer to the "Performance Data Summary" in this report.

Balance

- We disclose the positive and negative impacts arising from the Group's operation, as well as our work and performance on each material ESG issue for review by our stakeholders.

Consistency

- In order to maintain comparability of information, the disclosure statistics in this report are consistent with the past and are presented in a meaningful comparative manner unless otherwise stated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Boundary

This report mainly discloses the environmental and social performance of the Group's cement related business. The information and data in the report cover "Suzhou Cement Co., Ltd.", a subsidiary of the Group's cement segment. For the corporate governance section, please refer to pages 37 to 50 of the Annual Report. For an overview of the disclosure of various indicators, please refer to the content index at the end of this report.

Feedback

This report is published in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail. Your comments and suggestions play an important role in our continuous improvement of the disclosure. We welcome your feedback at any time through the following methods:

Dongwu Cement International Limited
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Tel: (852) 2520 0978
Fax: (852) 2520 0696
Email: admin@dongwucement.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Message from the Chairman

Dear Stakeholders,

In 2021, we actively promoted the ESG management to facilitate the Group's sustainable development with our solid growth at the same time. The Group is well aware that excellence in product quality and services are the foundation for sustainable development. We continued to improve our product quality and customer service management with both the quality conformity rate and the strength conformity rate of our ex-factory cement of 100%. In addition, we actively responded to customer complaints and ensured that they were addressed in a timely manner, achieving a 100% complaint handling and customer satisfaction increased to 96.3% compared with the previous year.

Adhering to the environmental management policy of "prevent pollution, save energy, lower consumption and comply with relevant laws and regulations", the Group invested RMB15 million in energy conservation renovation of firing system during the year, which can save approximately 5,000 tonnes of energy consumption for standard coal and reduce 130,000 tonnes of carbon dioxide per year, thus effectively reducing the environmental impact caused by production and operation. In addition, under the leadership of Environmental Protection Leading Group and Energy Conservation and Emission Reduction Group, we achieved a 15% reduction in nitrogen oxide emissions compared to 2020.

Employee health and safety is the prerequisite for all our work. We guaranteed the safety and health of employees with measures such as conducting occupational safety and health training and organizing safe production inspection. Benefitting from the above measures, we achieved zero major casualty and zero occupational disease. In the future, we will continue to improve relevant measures to ensure a safe and healthy working environment for our employees.

Upholding the principles of honesty, integrity, fairness and justice, the Group eliminated all corrupt in its operation and internal control. By establishing anti-corruption working group and conducting anti-corruption training, we took various measures to prevent, punish and eliminate corruption. We adhered to the principles of taking from society and giving back to society. Upon maintaining our own sound operation, we devoted into social philanthropy and donated RMB0.3 million to Wujiang Charity Association (Foundation) (吳江區慈善總會(基金會)) to help solving the urgent problems of disadvantaged social groups and people in need.

The publication of ESG Report is an important part of the Group's commitment to sustainable development and also a major channel of communication with the society. In the future, we will continue to incorporate environment, social and governance-related risks into the Group's major decision-making process. On behalf of the Board, I would like to express my sincere gratitude to all stakeholders and community, who we are expected to work together in the future, jointly promoting the sustainable development of the industry and society.

Liu Dong
Chairman of the Board
Dongwu Cement International Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

In order to ensure the smooth implementation of ESG work, each department strictly complies with relevant laws and regulations and our internal regulation, always holds itself to high standards in production and management, spares no effort to achieve various targets for quality, environment and occupational health and safety, while also conducting review regular on a regular basis. We have established an effective governance framework with the strategic direction related to ESG formulated by the Board and the management structure monitor headed by the general manager and supported by various functional departments, to manage and evaluate ESG performance and related policies, including the process of formulating material issues. The Board acknowledges its responsibility to ensure the authenticity of this report and has reviewed it. To the best of its knowledge, this report covers all relevant material issues and makes objective and accurate disclosure on ESG performance. The Board has confirmed its content is true and complete.

The Quality, Environmental and Occupational Health and Safety Management System

General manager

The head of the quality, environmental and occupational health and safety management system

Representatives at management and staff levels

To coordinate and harmonize the works of relevant parties for ensuring the constant and effective operation of the quality, environmental and occupational health and safety management system

Functional departments

To coordinate and carry out relevant tasks

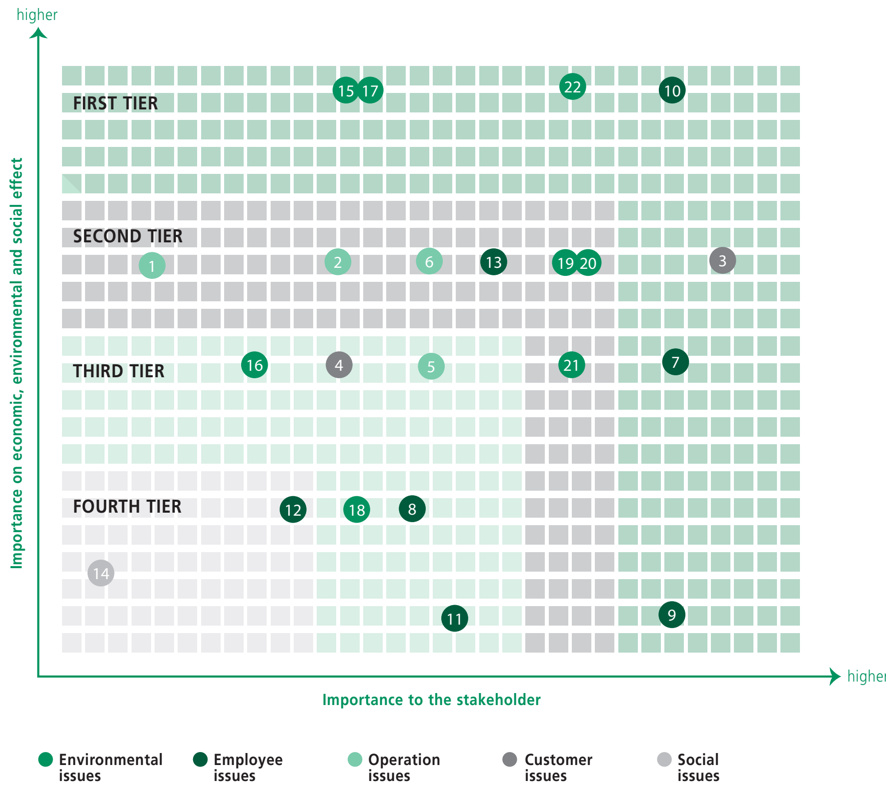
- Finance Department
- Office
- Laboratory
- Production Technology Department
- Safety and Environment Department
- Supply Department
- Sales Department

ESG Management Approach

The ESG management approach of the Group provides effective guidance for our daily operations. The Group has formulated the "Quality, Environmental and Occupational Health and Safety Management Handbook" (the "Management Handbook") in strict compliance with relevant ESG laws and regulations and international requirements, to regulate the Group's quality, environmental and occupational health and safety management related work. The Group continues to improve its ESG management measures by obtaining various domestic and international management system certifications. The Group's occupational health and safety management system, quality management system and environmental management system have already obtained ISO 45001, ISO 9001 and ISO 14001 certifications.

Stakeholder Engagement

The Group values the needs and expectations of stakeholders, and maintains regular communication with its stakeholders through various means. During 2021, we invited the Board of Directors of the Group and various stakeholders to carry out the materiality assessment through the process of the Global Reporting Initiative (GRI), that is, the four steps of identification, prioritization, validation and review, forming a materiality matrix, and identifying a total of 7 materiality topics.



FIRST TIER	SECOND TIER	THIRD TIER	FOURTH TIER
3 Product Quality and Safety	1 Anti-corruption	4 Customer Satisfaction	12 Employee Diversity and Equal Opportunity
7 Personnel Management	2 Supplier Management	5 Intellectual Property	14 Community Contribution
9 Employee Training and Promotion	6 Commercial Ethics	8 Employees' Compensation and Benefits	
10 Occupational Safety and Health	13 Child Labor and Forced Labor	11 Communication with Employees	
15 Waste Gas Management and Emission Reduction	19 Energy Management and Conservation	16 Greenhouse Gas Emission	
17 Hazardous Waste Management and Emission Reduction	20 Water Resource Management and Conservation	18 General Waste Management and Emission Reduction	
22 Environmental Compliance	21 Response to Climate Change		

Environment
Employee
Operation
Customer Service
Community Contribution

Response to Materiality Topics

The following table presents actions taken during the year on substantive issues, with additional management practices and commitments described in the corresponding sections.

Materiality Topics	Dongwu Cement's actions in 2021	Corresponding sections
Product Quality and Safety	• Overall customer satisfaction rate of 96.3% • 100% customer complaint handling rate • 100% passing rate of ex-factory cement	Operational Excellence
Personnel Management	• Higher-than-industry-average salary and benefits • Various salary subsidies such as holiday allowance and high temperature allowance	People Oriented
Employee Training and Promotion	• Various training courses • Employees with excellent performance were given priority in career paths and benefit	People Oriented
Occupational Safety and Health	• Regular production safety inspections • 0 major injuries and fatalities • 0 occupational disease incidence rate	People Oriented
Waste Gas Management and Emission Reduction	• Energy-saving renovation for the firing system • 20% reduction in NO_x emissions as compared to 2020	Environmental Protection
Hazardous Waste Management and Emission Reduction	• No hazardous waste generated during the production process • Strengthening equipment repair and maintenance to extend the life of consumables and reduce waste	Environmental Protection
Environmental Compliance	• Compliance with relevant laws and regulations • Accepted environmental supervision and assessment to ensure compliance with emission standards	Environmental Protection

Operational Excellence

The Group is committed to providing customers with quality and safe products and becoming a brand that customers can rely on. Facing the growing market competition, the Group understands that excellent product quality and customer satisfaction are the foundation for the Group to achieve sustainability.

Product Quality Management

Adhering to the value orientation of quality first, the Group strictly controls product quality. The Group has passed the certification of ISO 9001:2015 Quality Management System and the review of GB 175-2007 "Common Portland Cement" standards. The Group has established relevant internal policies such as the "Product Inspection and Measurement Control Procedures" and the "Control Procedures for Non-compliance and Corrective and Preventive Measures", which clearly stipulate and strictly manage the control of cement raw materials and the key links of the production process. The Group also complied with the laws and regulations such as the "Quality Management Procedures for Cement Enterprises" and the "Basic Conditions of Cement Enterprises Laboratory" to ensure the compliance management of the quality control process.

PRODUCTION TECHNOLOGY DEPARTMENT

- Strictly control the quality of products in the production stage, ensuring that the strength of semi finished products (clinker) meets the standard in accordance with GB/T 21372 2008 "Portland Cement Clinker".
- Conducting regular inspection,maintenance and repair of production equipment.

CEMENT LABORATORY

- Conduct quality inspection on incoming goods, semi finished products and finished products, screen out and classify unqualified products, and properly handle them in accordance with the Control Procedures for Non compliance and Corrective and Preventive Measures.
- Responsible for the overall control of monitoring and measuring equipment, supervision and inspection of the monitoring and management of the company's system.

Our products are sold in bulk cement or under the registered brand “ ” with Ex-factory Cement Quality Certificate, which includes the requirements of the Common Portland Cement standards. In response to the discovery and confirmation of unqualified ex-factory products or serious quality problems in the use of products, the following measures were taken:

➢ Rework unqualified products to meet the requirements;
➢ Downgrade its use under authorization or accept it with concession;
➢ Notify relevant customers to stop using, isolate or return unqualified products.

100% of quality conformity rate of our ex-factory cement

100% of strength conformity rate of our ex-factory cement

Upon the disposal of unqualified products, they are required to be re-inspected subject to the “Control Procedures for Product Monitoring and Measurement” with records kept. During the year, there was no recall of sold or shipped products for safety and health reasons.

The Group prudently complies with the relevant laws and regulations such as the “Advertising Law of the People’s Republic of China” in marketing and selling products, and prohibits all advertisements containing false or misleading contents. During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling, and privacy matters relating to products and services provided and methods of redress.

Customer Service

Customer Satisfaction

The Group has always adhered to the principle of customer first and continuously improved customer service. We actively communicate with customers through periodic phone calls, letters, visits and product exhibitions, etc. to understand customer needs. Every year, the Sales Department sends customers a “Customer Satisfaction Questionnaire”, which is scored in respect of product quality, service quality, product price and lead time, so as to fully understand the customer’s satisfaction with the Company’s products and services, and timely receive feedback to identify room for improvement.

Customer Satisfaction **96.3%**
Deliverability and Product Quality Score of up to **98**

During the year, the Group achieved a customer satisfaction rate of 96.3% and achieved the target customer satisfaction rate of more than 90%, which was of 0.2% increase comparing to the previous year. In particular, the Group’s delivery capability and product quality were well-received with an average score of 98.

Customer Complaint Handling

The Group pays close attention to the demands of customers and actively handle customers' complaints. The Consumer Department is responsible for collecting complaints from customers and suppliers. After receiving complaints from customers, special personnel will be assigned to follow up and timely corrective measures will be taken to ensure timely solution of customer complaints. During the year, we have achieved our goal of 100% complaint handling rate. We formulated follow-up rectification plans based on customers' feedbacks and continuously improved service quality to maximize the satisfaction of customers and related parties' requirements.

Information Security and Privacy

The Group attache great importance to the customer information security and protection of privacy, strictly abides by the "Information Security Law of the People's Republic of China" and other relevant laws and regulations, and implements the privacy security for all stakeholders and the Group. We require our internal employees to sign confidentiality agreements to avoid leakage of important information including the Group's technology-related information. For customers' privacy and business secrets, we designated the employees who are responsible for the relevant customers for information collection and filing and set appropriate access permissions. We handle customer information carefully and protect customer privacy. In case of any information leakage within or outside the Group, we will take remedial measures in a timely manner to minimize the impact. During the year, the Group was not aware of any information security issues or infringement of customer privacy.

Supply Chain Management

A stable supply chain is the foundation for the Group's operation. The Group actively maintains close communication with the suppliers through visits, telephone consultation, supplier meetings etc., establishes procurement rules and regulations, and conducts annual review on suppliers to ensure supply quality and stable production.

Supplier Selection and Assessment

When engaging suppliers, the Group not only considers the suppliers' corporate qualifications, their samples and relevant examining reports and other related factors, but also considers the suppliers' performance in environmental protection, occupational health and safety, etc., so as to avoid social and environmental risks in the supply chain. The Group has formulated relevant internal documents such as the "Purchase Control Procedures" to clarify the standardized operation of screening, assessment, tracking and evaluation. As the main departments for supplier selection and evaluation, the Supply Department and the Procurement Department not only carry out regular tracking and evaluation of suppliers, but also conduct irregular assessment of suppliers. In addition to routine sample testing and quality management assessment, strict review on compliance with the rights and interests of employees and the occupational safety and health that were newly introduced to suppliers will be carried out. Only suppliers that pass the review can be included in the "List of Qualified Suppliers". During the reporting period, the Group had 19 qualified suppliers, all of whom were from mainland China.

Admission and Selection

- Assessment of environmental risk and social risk
- Assessment of corporate environmental responsibility, employees' right and occupational health and safety

Evaluation and Assessment

- Regular evaluation of the suppliers, including annual re-evaluation
- Irregular assessment of the suppliers, according to market conditions

Policies and Documents

- Purchase Control Procedure
- Management Procedures on the Influence Exerted on Interested Parties

Supply quality control

The Group sets out our requirements for supply quality in the relevant systems. In the event of non-conforming products, the relevant materials will be returned, and we will discontinue our cooperation with them when there are two or more non-conforming cases. In addition, we have formulated the "Internal Control Standards for Quality of Raw Materials", under which the Laboratory will conduct inspection on the raw materials purchased. In case of quality problems, the Supply Department will communicate with the suppliers and follow up the records, and conduct on-site inspection if necessary. The Supply Department is also required to verify the suppliers in a timely manner in accordance with the "Control Procedure for Inspection and Measurement of Products".

Green Procurement

Green procurement is one of the ways for the Group to practice sustainable development. We prioritize the procurement and use of raw materials that are conducive to environmental protection. We formulated the "Catalogue for the Elimination of Obsolete Mechanical and Electrical Equipment (Products) with High Energy Consumption" and the "Industrial Structure Guidance Catalogue". When purchasing equipment, we endeavor to choose low-energy-consumption equipment products and equipment encouraged by the state, and strictly prohibit the purchase of outdated equipment to reduce the impact on the environment.

Intellectual Property Protection

The Group attaches equal importance to protection of the intellectual properties that are closely related to our operations. To ensure the orderly development of intellectual property protection work, we implement relevant intellectual property management methods and protection measures in accordance with the "Hong Kong Intellectual Property Law". We add relevant intellectual property protection provisions to the contractual terms, and the Legal Department of the Group handles all operational contracts to avoid any possible infringement of the ownership of the intellectual achievement of individuals or enterprises and to reduce losses to customers, suppliers and the Group. The Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to infringement of intellectual property rights by the Group during the year.

Honest Operation

The Group has always been adhering to the principles of integrity and fairness in its operation and internal control. We strictly implement the internal "Prevention of Commercial Bribery Management Policy" to ensure that all employees are accurately aware of the regulations and operation measures of the system, and timely disclose and prevent improper or illegal acts. We also create an honest and law-abiding corporate culture by organizing anti-corruption training.

During the year, the Company organized anti-corruption training for all management staff, and the general manager Wu Junxian introduced how to prevent, control, punish and eliminate corrupt behaviours and our zero tolerance policy for corruption, and asked all levels of management staff to strictly perform their corresponding duties in anti-corruption campaign so as to build a cage of institutions that prevents corruption and create a moral defenses against corruption to form a corporate culture of anti-corruption and integrity promotion.

We have formulated "Anti-Corruption Work Plan" and established an anti-corruption team comprising of the general manager of the Company (as team leader), the chief financial officer (as deputy team leader) and responsible persons from each department as members. The team is responsible for the investigation and verification of corruption issues, such as the punishment on those responsible and the rewards to whistle-blowers.

Project Management	• Open tender for large value projects • Management approves the amount of different service contracts by level
Supplier Management	• Consolidated review and evaluation of qualified vendors by multiple related departments • Verification, approval and signatures required prior to procurement
Personnel Management	• Set up an audit team and a reporting channel for all business partners and employees to report in a timely manner • WeChat work groups are established to encourage employees to report information to their supervisors in a timely manner • Employees are required to report potential conflict of interest situations to management in a timely manner

The Group strictly complies with relevant anti-corruption laws and regulations[1]. During the year, we were not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud, and money laundering, nor were we involved in any corruption cases.

[1] *Please refer to the Relevant Laws and Regulations section of this report for anti-corruption-related laws and regulations.*

Environmental Protection

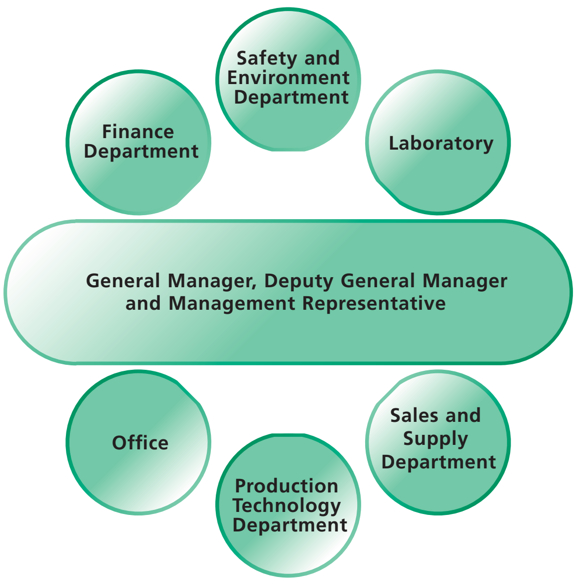
The Group acknowledges that it is the inevitable approach to improve production efficiency and achieve long-term sustainable development through maximizing the utilization of various resources and minimizing the impact of operations on environment as practicable as much.

Environmental Management

The cement production process consumes a large number of various resources and generates wastes and pollutant emissions, including dust and air, which in turn affects the environment. Since the establishment, the Group has been applying the management principle of "pollution preventing, energy-saving, consumption reducing, legal operating" to each course of production so as to constantly reduce environmental pollution during its operations. At the same time, the Group also attained energy saving and consumption reducing by improving its process technology.

Management Structure

We have set up an "environmental protection leading group" led by the general manager, guided by the deputy general managers and the management representatives, and coordinated among various departments, workshops, and offices to contribute to manage the environmental impact more effectively. We carried out various inspections, internal audits and management reviews to ensure legal discharging of the Group; we also clarified the division of labour among personnel at all levels and focused on environmental protection management to improve the efficiency in environmental protection. The Group's environmental management system had passed the ISO 14001: 2015 certification, based on which, the Group achieved its goal in energy saving and consumption reducing through improving its firing technology in 2021, and we also strengthened the maintenance of environmental protection facilities to reduce pollutant emissions and successfully increased the amount of solid wastes processed by cement kilns in collaboration.



Environmental Protection Leading Group

Environmental Management Objective and Progress

Objective	Progress of the 2021
100% solid waste classification and collection rate	Achieved
100% pollutant emission compliance rate	Achieved
100% noise emission compliance rate	Achieved
100% solid waste classification and collection rate	Achieved
100% solid waste treatment rate	Achieved

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identification of Potential Risks

According to Environmental Factors Identification and Evaluation Procedures, the Group established an expert evaluation team consisting of the deputy general managers, responsible personnels of each department and workshop and other relevant personnel to evaluate the environmental factors identified by each department. In 2021, the Group has identified a total of 1,313 environmental factors and 29 key environmental factors. In the future, we will continue to inspect and rectify equipment and environmental hygiene, and strengthen the management of hazardous chemicals to ensure that risk management and control comply with the requirements of laws and regulations. During the year, the Group is not aware of any violations of laws and regulations relating to emissions of air and greenhouse gases, discharges to water or land and generation of hazardous or non-hazardous wastes that have a material impact on the Group.

Climate change

The Group had developed a climate change policy, which was the responsibility of the Company's management team, including the energy management team, to promote various energy saving and emission reduction measures and set carbon reduction targets, as well as to identify and manage climate change risks and opportunities, and to progressively reach strategies that are consistent with global best practices, thereby mitigating the impact of climate change on its business. DongWu Cement's climate change policy includes, but is not limited to:

Mitigation

- Reducing carbon emissions by taking scientific or general accepted practices and guided by our immediate and medium-term committed missions, aiming to make contribution to the national "double carbon" goals;
- Report annually on the progress of achieving the objectives;
- Continuing to promote new process research to minimize the use of fossil energy in the cement production process and reduce greenhouse gas generation;
- Adopting industry best practices to improve the energy efficiency of our operations;
- Encouraging our employees, suppliers and customers to minimize carbon emissions in their daily business activities;
- Adopting green initiatives in the Group's operations, including wastes reduction, energy and water conservation measures

Adaptation

- Assessing the risks and opportunities in financial and other fields associated with climate change, and the impact of climate change on its operations;
- Ensuring that procedures and measures are in place to prevent or minimize the damage caused by climate change and to take advantage of opportunities that may arise;
- Reporting on its climate risks and opportunities in accordance with the framework of the Climate Related Financial Disclosure Working Group;
- Incorporating climate change and extreme weather events into enterprise risk management processes and business continuity plans

Policy Review

- Ensuring that relevant information and resources are available to enable monitoring and regular review of the impact of climate change on their employees and business operations;
- Regularly reviewing this climate change policy

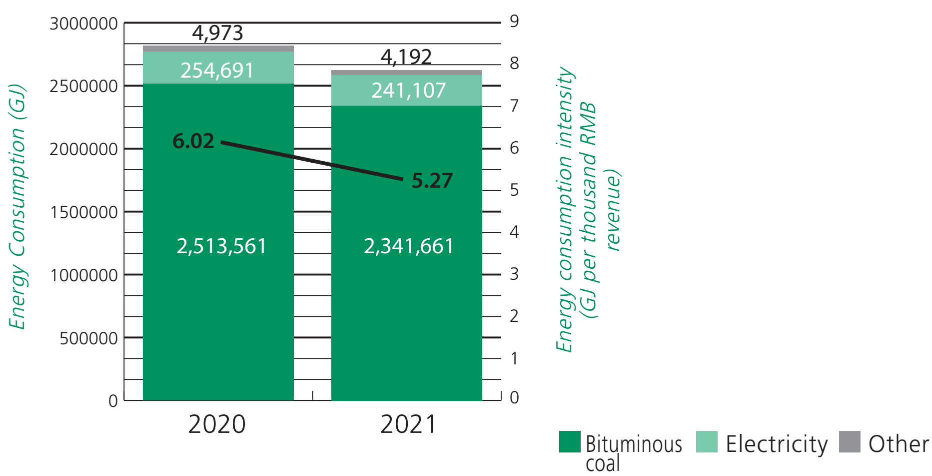
Energy Management

The Group strictly complied with the "Energy Conservation Law of the People's Republic of China", and thus established an internal "Energy Management Handbook" and successfully passed the national energy system certification and evaluation. The Group has set up an "Energy Leadership Group", which is composed of the deputy general manager and responsible personnel of various departments. It is required to work with various energy use departments to compile the "Energy Objectives and Targets Management Plan" for the following year, in December each year, and determine energy saving measures, use of resources and other matters for the following year. In addition, the Energy Leadership Group is responsible for receiving the latest energy policies from superiors and delivering such movements to employees to ensure smooth implementation of energy control measures. In 2021, the Energy Leadership Group leaded to carry out energy saving management, such as improving energy saving technology for the firing system, and strengthened the management of on-site production to eliminate waste of energy.

Energy Consumption

During the year, the Group's main energy consumption came from the use of electricity, bituminous coal, petrol and diesel. The total energy consumption was 2,591,152.63 GJ, and the energy consumption intensity was 5.27 GJ per thousand RMB revenue. With the implementation of energy-saving and renovation, we have achieved our energy efficiency target of saving 4.00 million kWh with a decrease in the total energy consumption of approximately 7% compared with 2020.

Energy Consumption and Intensity

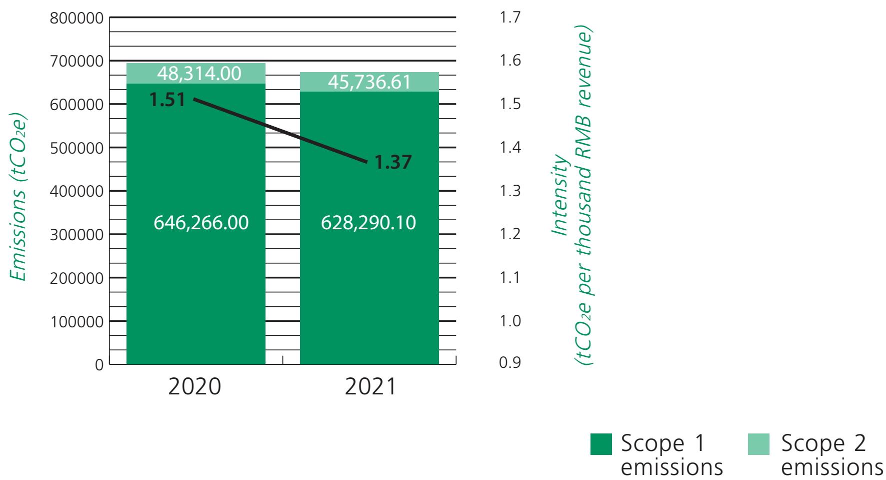


Greenhouse Gas (GHG) Emissions

In accordance with the Notice on the Organization of Greenhouse Gas Emission Reporting for Key Enterprises and Public Institutions (Fa Gai Qi Hou No.12014163) Issued by the National Development and Reform Commission, Interim Measures for the Administration of Carbon Emission Trading and other documents, the Group follows the relevant guidance in the three batches of the Accounting Methods and Reporting Guidelines for Corporate Greenhouse Gas (Trial) published by the Nation to calculate and report the annual greenhouse gas emissions, which provides a scientific reference for the Group's energy conservation and emission reduction work.

During the year, the Group's greenhouse gas emissions amounted to 674,026.71 tCO_2e, representing a year-on-year decrease of approximately 3%. Direct emission (Scope 1) was 628,290.10 tCO_2e, which were generated from fuel combustion emissions, raw material decomposition emissions, non-fuel carbon calcination emissions and vehicles' fuel combustion in the production process, representing a year-on-year decrease of approximately 3%. Indirect emission (Scope 2) amounted to 45,736.61 tCO_2e, representing a year-on-year decrease of approximately 5%. The emission intensity was 1.37 tCO_2e per thousand RMB revenue.

GHG Emission and Intensity



During the year, the Group developed the Climate Change Policy, which sets out our measures and strategies to address climate change, with a view to making a modest contribution to the cope with climate change.

Improvement of Energy Conservation and Emission Reduction Process

The cement industry has always been the key management and control target of the country to promote energy conservation and emission reduction work. To this end, we have actively adopted energy-saving processes to minimize the consumption of necessary resources in cement production so as to reduce the impact on the environment. During the year, the Group invested RMB15.00 million in energy-saving technology renovation of the firing system. Upon the completion of such project, the Group will be able to achieve annual electricity saving of 4.00 million kWh and coal saving of 5,000 tonnes, which will greatly reduce production costs and have significant environmental and economic benefits.

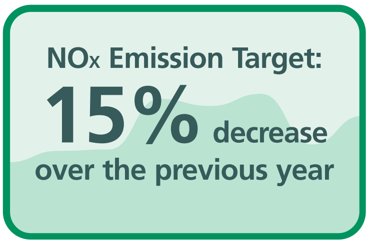
Water Resources Management

The water resources consumed by the Group were sourced from urban tap water, which are mainly for cement production and office operations. In 2021, water consumption was 18,638 tonnes, with an intensity of 0.038 tonne per thousand RMB revenue. All waste water is mainly used for greening after treatment. The Group has achieved the water efficiency goals of zero sewage discharge and 100% recycling of water consumption in the workshop. During the year, there was no issue in water sourcing of the Group.

Emission Control

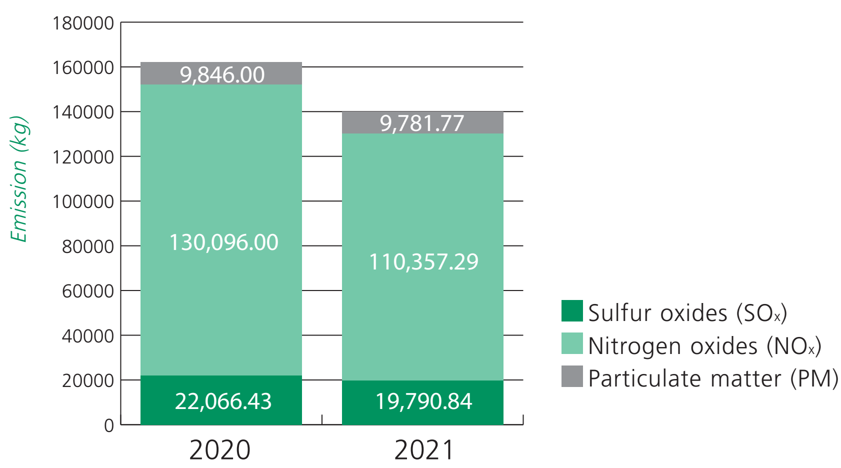
Air Emissions

The air pollutants emitted by the Group's daily operations is mainly sulphur oxides (SO_x), nitrogen oxides (NO_x) and particulate matter (PM) from kiln and vehicles. In addition to the introduction of advanced environmentally-friendly production processes during the production process to reduce flue gas, we also carried out annual inspections of vehicle exhaust to ensure meeting the national emission standards.



Air Emissions	Unit	Stationary Source Emission (Kiln Exhaust)	Mobile Source Emission (Vehicle Exhaust)	Total
Sulfur oxides (SO_x)	Kg	19,790.42	0.42	19,790.84
Nitrogen oxides (NO_x)	Kg	110,243.64	113.64	110,357.29
Particulate matter (PM)	Kg	9,770.88	10.88	9,781.77

Air Emission



The Group started to fully implement ultra-low emission from 2020, striving to control the emission concentration below 100mg/m^3. On this basis, we further proceed to reduce air emissions. The renovation of the firing system carried out during the year will not only reduce energy consumption, but also sulphur dioxide and nitrogen oxide emissions. Through the purification of the electrostatic precipitator and the removal device, the kiln waste gases have met the standards such as the "Integrated Emission Standard for Air Pollutants" and "Standards for Air Pollution Emission from Cement Plants". During the year, the Group was not aware of any violations of laws and regulations relating to emissions of exhaust and greenhouse gases, discharges to water or land and generation of hazardous or non-hazardous wastes that have a significant impact on the Group. For heavy pollution weather in autumn and winter caused by atmospheric pollutants, the Group has developed the following in-depth emission reduction measures:

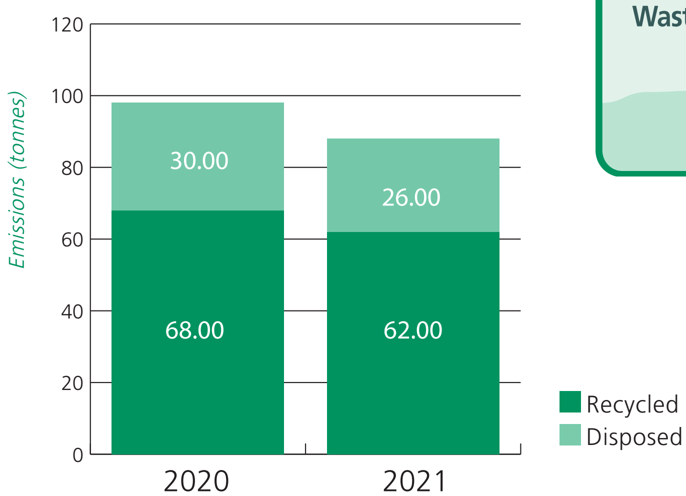
Major Emission Reduction Measures

- Store as much low sulphur and low ash smoke coal as possible
- Optimisation of production processes with emphasis on refinement of operations
- Strengthen the inspection of emission control facilities to ensure their normal operation and improve the efficiency of emission control
- The emission limits for the main pollutants are based on the "Ultra-low Emission Standards for Air Pollutants in the Cement Industry in Hebei Province" (DB13/2167-2020).
- Increase the frequency of sunlight and spraying by fog cannon at dust emission points to reduce disorganised emissions
- Stop using National IV and below heavy goods vehicles (including gas) for transportation
- Strengthen supervision and inspection efforts to ensure proper protection of autumn and winter campaigns and major events

Waste Disposal

The Group's cement production and operation processes do not generate any hazardous waste, but only non-hazardous waste, including solid waste and domestic waste. We engaged qualified third-party to collect and dispose domestic waste, while domestic waste is collected and disposed of by the sanitation department. Adhering to the principle of repairing and utilizing old or discarded things, we strengthen the daily repair and maintenance of production equipment to extend the useful life of consumables to achieve the goal of waste reduction. During the year, 86 tonnes of non-hazardous waste was generated, representing a year-on-year decrease of 12%, with recycling accounting for approximately 72% of total waste. The Group's production and operation also require the use of plastic film woven bags as packaging materials, and the consumption during the year was 123 tonnes.

Waste Discharge



Waste reduction target:
10%

Wastewater Management

The Group understands the importance of water resources to sustainability, and has adopted a closed-circuit water recycling system to achieve water conservation. Through the system in which the water used in the workshop has reached 100% recycling rate in the circulating pool, while the domestic sewage treatment device treats and purificates the unrecyclable sewage and then uses it for greening in the plant area, the Group has achieved zero sewage discharge. During the year, we generated approximately 7,580 liters of wastewater, all of which was recycled and used.

Closed-loop circulating water system

Noise Management

Noise is not only disruptive to people's life and work, but also cause hearing damage. The Group strictly comply with the "Emission Standard for Industrial Enterprises Noise at Boundary Sound-absorbing Equipment", to ensure that the noise is always below the permitted limit. Meanwhile, We use qualified sound-deadening materials, regularly check the use of equipment and machinery and clean them to reduce the impact noise on its surrounding. During the year, the Group met the noise emission goals target.

Green Operations

The Group takes various measures to encourage employees to save resources and energy in the office, practice the concept of saving resources, protecting the environment, and promoting sustainability.

- Regularly monitor the consumption volume of paper, toner cartridges and ink cartridges in the office
- Encourage employees to separate waste sources and recycle waste
- Promote green information and electronic communication to implement "**paperless system**" and "**systematization**" concepts
- Place environmental tips to improve employee's awareness of environmental protection
- Utilize double-side printing, and single-side printing is only available for official and confidential documents

In addition to green conservation in the office and factory areas, We also attach importance to greenig in factory areas. At present, the green area of the Company is approximately 40,000 square meters, accounting for more than 30% of the factory area.

- The planting of trees such as paulownia and cypress trees on both sides of the road and around the factory area, as well as the planting of lawn and trees in a large area of open space in the southwest of the factory take the diversity of vegetation into full consideration. A complex multi-level greening system of combining "trees, shrubs, flowers and grasses" is adopted, with a reasonable distribution of tall and low plants, making the factory area green throughout the year and a beautiful environment
- A certain amount of greenbelts around noise and waste gas sensitive points in the factory area being constructed to achieve noise reduction and dust absorption
- Hiring a professional landscaping company to maintain the Company's greenery regularly

Response to Major Environmental Accidents

The Group strictly complies with laws and regulations such as the "Environmental Protection Law of the People's Republic of China", the "Emergency Management Measure for Environmental Emergencies", and has formulated internal system documents such as the "Emergency Management Plan for Environmental Emergencies", the "Emergency Preparation and Corresponding Control Procedures" and the "Accident Handling and Control Procedures" to improve the emergency response mechanism for environmental emergencies so as to avoid damage to the ecological environment as a result of environmental emergencies. We also organized employees to carry out fire, water and oil pollution accident to enhance their emergency response capability, and to ensure we can effectively deal with the related environmental pollution and minimize losses.

People-Oriented

The Group places the rights, health, and safety of its employees as its first priority and strives to create a fair, just, humanized, and dynamic working environment.

Health and Safety

Employees' health and safety is a prerequisite and a guarantee for all our work. The Group has obtained the ISO 45001: 2018 Occupational Health and Safety Management System Certification, and continues to improve and perfect its occupational safety and health management system based on the actual situation of its production and operation, make the best efforts to supervise safety production, actively implement safety training and education, and strive to protect the health and safety of each employee.

The Group has established a set of efficient and systematic operation procedures, covering procurement, emergency preparation and response, accident handling, flammable and explosive products' fire control, non-compliance and corrective preventive measures, and waste management, supervised and managed by the Safety and Environment Department to reduce occupational safety and health risks in all aspects of business operations. In order to control occupational health and safety hazards, we conducted risk identification and assessment during the year, identified a total of 1,051 hazards and 26 key hazards, and strived to control risks and enhance management.

Safe Production

In order to prevent and reduce the occurrence of production accidents, we strengthen the supervision and management of safety production, conduct regular inspections and maintenance on our production equipment to ensure employees' health and safety. During the year, we organized monthly inspections on equipment, safety, environmental hygiene, occupational health, labour discipline, lubricants of special equipment and main engine for timely identifying and rectifying any problem related to equipment, environment and safety problem. We strengthen the safety production measures, clearly standardize the necessary products for safety production, strengthen the distribution and use of labour protection supplies and strictly manage the warehouses hazardous chemicals. Meanwhile, we also require our laboratory inspectors and speciality staff with certificates to ensure the safety and compliance of production and operation and the implementation of safe production. In the past three years, the number of deaths in service of the Group was zero.

Occupational safety and health target and the progress of 2021

Relevant Responsible Departments	Safety Management Objectives	Progress of the Year 2021
Safety and Environmental Department	Zero incident rate of major casualty	Achieved
	Zero fire incident rate	Achieved
	Zero occupational disease incident rate	Achieved
	Less than 1% general work-related injury	Achieved
	100% protective equipment distribution rate	Achieved
	100% certificates rate for special type of work	Achieved

Safety Education

The Group attaches great importance to employees' safety education and ingrains safety awareness in the minds of employees through preparation, improvement and distribution of internal safety management system documents. We formulated a training implementation plan at the beginning of the year, to provide corresponding safety training for the personnel in important, critical and special positions in quality, environment and safety through a combination of internal and external trainings. At the same time, we actively carried out activities of safe production month, organized online safety training, and conducted safe production knowledge examinations, etc., to continuously enhance the safety awareness of our employees. During the year, we recorded a total of 489 participants in safety training with a total of 226 training hours.

In order to enhance the emergency management capabilities, the Group formulated an emergency drill plan during the year, clearly defining the organizational structure and duties of emergency response team, and conducted emergency drills for safety incidents to continuously enhance the emergency awareness and rescue capabilities of our employees. In 2021, we have organized a number of emergency drills with topics such as fire, drowning, electric shock and chemical spill.

Employment Practices

The Group strives to create a fair, respectful and diversified working environment and prohibits discrimination in any form. We treat all employees equally, regardless of their identity, race, and gender, and provide equal treatment and promotion opportunities. The Group strictly complies with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and other relevant laws and regulations, and has formulated policies such as the "Human Resources Procedures" and the "Human Resources Management System" to protect the legitimate rights and interests of employees. During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, prevention of child and forced labor, and other benefits and welfare and there were no cases of child labor and forced labor.

Employee recruitment process

The Employing Department fills in the "Staff Recruitment Demand List" according to the actual personnel needs and submits the list to human resources office for recruitment upon approval by the deputy general manager and the general manager

The human resources office selects relevant recruitment channels according to department requirements and conducts preliminary interviews with candidates

Candidates who pass the preliminary interview will further selected by the director of each department and the outstanding one will be interviewed and selected by the deputy general manager or the general manager

After selection, the personnel of human resources office will notify the employee to conduct physical examination and prepare relevant personal information for induction

After induction, the human resources office will enter into the labor contract with the employee and inform him/her of the Company's relevant rules and regulations with three-level safety training conducted by the workshop manager, and then he/she will be assigned to the demand department

The Group attaches great importance to the legal compliance of the recruitment process, and attracts outstanding talents in line with the Group's development strategy with the principle of "comprehensive assessment, meritocracy, and internal selection before external recruitment". The staff recruitment process is set out in the Management Regulations on Staff Recruitment to select elite talents with potential. In addition, the Group seriously states that only employees aged 16 or above are employed. During recruitment, we carefully check whether the applicant's identity card is consistent with the information in the application form and strictly prohibit child labor and forced labor. When a violation is discovered, the use of child labor and forced labor will stopped immediately and will be reported to the local labor authority. Physical examination will be arranged and if there is any disease, treatment will be provided promptly and the Company will bear the expenses. Employees are also free to leave the Group, and the relevant departments will conduct exit interviews to understand the employees' views on the Group and formulate improvement measures to rectify unreasonable areas.

The Group provides employees with remuneration packages that are higher than the industry average. Apart from basic compensation which consists of three parts, namely, basic salary, overtime pay and performance bonus, we also provide various compensation subsidies such as festival allowance and high temperature allowance. We provide employees with five social insurances and one housing fund in accordance with the law, including pension insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident fund. Employees are entitled to paid leaves such as marriage leave, maternity leave, and statutory holidays,

Staff Training

The Group places great emphasis on staff training. In terms of the training content, we focus on the environment, quality, and occupational safety and health training, as well as training for special positions; while in terms of the training method, we conduct training activities with different themes for employees in different departments by internal and external trainings. After training, we adopt methods such as on-site questioning and evaluation as well as practical assessment to ensure the practical learning of employees. According to statistics, we carried out 9 targeted trainings, covering 303 person-time, with a total of 92 hours, and achieve 100% coverage in training during the year of 2021. We actively listen to the opinions from our employees and provide diversified training that suits their career as well as the development path of the Group, so that we can grow with employees.

Key Training Contents in 2021

Type of Training	Training related to product quality	Special position training	Training related to environment management
Training Courses	• Training on product quality supervision • Dissemination of Laboratory Quality Management Manual	• Training on mandatory measuring instruments and safety management of special equipment • Training on safe production	• Cloud classroom training on enterprise environmental management • Training on the implementation report of pollution discharge permit and environmental management ledger
Training Contents	• Rights and obligations of enterprises in sampling inspection of product quality • Detailed explanation of the management system of "Laboratory Quality Management Manual"	• Skills training and training on the use of production equipment in special departments • Special equipment management	• Training on safe production of environmental protection facilities of enterprises, training on environmental emergency management for hazardous waste generation units • Explanation of the completion of quarterly implementation reports and environmental management ledger after obtaining the pollution discharge permit
Training Purpose	• Acquiring product quality supervision related knowledge and clarifying the importance of product quality	• Collective training for employees in special positions, strictly requiring them to master the latest technical operation and emergency methods, and further enhance the production and inspection of key areas	• Acquiring knowledge of safe production of environmental facilities and environmental management

In addition, the Group conducts monthly and annual assessments every months and years to evaluate employees' work efficiency, operating ability, work attitude, and professional knowledge. We offer employees with outstanding year-end assessment results with higher priority in promotion and better benefits and welfare.

Safe Production Training

Environmental Management Training

Energy Management Training

Corporate Management Training

Social Investment

The Group realizes its social value by fulfilling its corporate social responsibility. We understand that the Company's operation needs to contribute to society and generate positive impacts, so we are committed to long-term social investment and develop together with the community.

In 2021, the Group has actively participated in the Spring charity fundraising activity and donated RMB300,000 to the Wujiang District Charity Federation (Foundation) (吳江區慈善總會 (基金會)) to further help the underprivileged groups and solve their most important and urgent problems. It assist Wujiang District Charity Federation (Foundation) in the poverty alleviation projects, such as renovation of dilapidated houses, aid for education, aid for serious diseases, "hand in hand to give warmth (手拉手送溫暖)" and other projects for poor rural families, with an aim to help the weak, the poor and the sick.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Relevant Laws and Regulations

Regarding different aspects of sustainable development, the Group strictly complies with the applicable laws and regulations of our nation and set out below:

ASPECTS	LAWS AND REGULATIONS	RELEVANT SECTIONS
Emissions	Environmental Protection Law of the People's Republic of China Water Pollution Prevention and Control Law of the People's Republic of China Atmospheric Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Pollution from Environment Noise Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes Ambient Air Quality Standard Integrated Emission Standards for Air Pollutants Integrated Wastewater Discharge Standard Emission Standard for Industrial Enterprise Noise at Boundary Air Pollution Emission Standards from Cement Plants	Environmental Protection – Environmental Management
Use of Resources	Energy Conservation Law of the People's Republic of China	Environmental Protection – Resource Conservation
The Environment and Natural Resources	Environmental Protection Law of the People's Republic of Chin Emergency Response Law of the People's Republic of China	Environmental Protection – Response to Major Environmental Accidents

ASPECTS	LAWS AND REGULATIONS	RELEVANT SECTIONS
Health and Safety	Production Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Special Equipment Safety Law of the People's Republic of China Regulation of the People's Republic of China on Prevention and Control of Pneumoconiosis Fire Control Law of the People's Republic of China Regulations of Jiangsu Province on Firefighting and Prevention Regulation on work-related Injury Insurance of Jiangsu Province	People-Oriented – Health and Safety
Employment Labor Standards	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Provisions on the Prohibition of Using Child Labor of the People's Republic of China Social Insurance Law of the People's Republic of China Law of the People's Republic of China on the Protection of Women's Rights and Interest Law of the People's Republic of China on the Protection of Disabled Persons	People-Oriented – Employment Practices

ASPECTS	LAWS AND REGULATIONS	RELEVANT SECTIONS
Product Responsibility	Quality Management Procedures of Cement Enterprise Basic Conditions of Cement Enterprise Laboratory Product Quality Law of the People's Republic of China Advertising Law of the People's Republic of china Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Copyright law of the People's Republic of China Personal Data (Privacy) Ordinance of Hong Kong Hong Kong Intellectual Property Law	Operational Excellence – Product Quality Management Operational Excellence – Privacy and Intellectual Property Protection
Anti-corruption	Criminal Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Prevention of Bribery Ordinance of Hong Kong	Operational Excellence – Honest Operation

Performance Data Summary

		2020	2021
Environment	**Resource consumption**		
	Energy consumption (GJ)	2,773,225	2,591,152
	Energy consumption intensity (GJ per thousand RMB revenue)	6.02	5.27
	Electricity (kWh)	70,747,582	66,974,089
	Bitumite (Tonnes)	119,160	109,834
	Petrol (Liters)	18,686	18,400
	Diesel (Liters)	122,255	110,064
	Water resource (Tonnes)	18,347	18,638
	Water recourses consumption intensity (Tonnes per thousand RMB revenue)	0.040	0.038
	Emission		
	Greenhouse gas emission (tCO2e)		
	Scope 1: direct carbon emission	646,266	628,290
	Scope 2: indirect carbon emission	48,314	45,736
	Total	694,580	674,027
	Greenhouse gas emission intensity (tCO2e per thousand RMB revenue)	1.51	1.37
	Exhaust emission (Kg)		
	NO_x	130,097	110,357
	SO_x	22,066	19,790
	PM	9,846	9,782
	Mercury	65.98	5.57
	Ammonia	6,038	5,465
	Fluoride[2]	1,566	1,353
	Waste (Tonnes)		
	Hazardous waste	No hazardous waste was generated from the operation of the Group.	
	Non-hazardous waste		
	Generated	98	86
	Recycled	68	62
	Disposed	30	26
	Sewage (Liters)		
	Generated	7,600	7,580
	Recycled	7,600	7,580
	Packaging materials (Tonnes)		
	Compound plastic bags	125	123

2 *Including dust and gas fluoride*

		2020	2021
Employee	**Total headcount**		
	By geographical distributions		
	Hong Kong	0	0
	Mainland China	215	214
	By age		
	≤30	18	14
	31-50	101	102
	≥51	96	98
	By gender		
	Male	166	161
	Female	49	53
	By employment type		
	Full-time	215	214
	Part-time	0	0
	By function		
	Management	35	35
	General employees	180	179
	Employee turnover rate (%)		
	By geographical		
	Hong Kong	0	0
	Mainland China	15	6
	By age		
	≤30	5	21
	31-50	5	5
	≥51	5	5
	By gender		
	Male	13	7
	Female	2	4
	Employee new hire (%)		
	By geographical		
	Hong Kong	0	0
	Mainland China	13	4
	By age		
	≤30	2	29
	31-50	6	3
	≥51	5	2
	By gender		
	Male	9	6
	Female	4	0

		2020	2021
Occupational Safety and Health	**Performance of occupational safety and health**		
	Number of work-related accidents	0	0
	Number of work-related injuries	0	0
	Number of work-related death	0	0
	Lost days due to work-related injury	0	0
	Training on occupational safety and health		
	Total person-times training	462	460
	Total training hours	194	186
Development and Training	**Average training hours per employee**		
	By gender		
	Male	4.07	4.05
	Female	5.45	5.48
	By Function		
	Management	5.31	5.26
	General employees	4.20	4.25
	Percentage of employees trained (%)		
	By gender		
	Male	100	100
	Female	100	100
	By Function		
	Management	100	100
	General employees	100	100
Suppliers	**Suppliers distribution**		
	Hong Kong	0	0
	Mainland China	22	19
Society	**Community investment**		
	Donation (HKD)	430,000	367,620

ESG Content Index

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
A. Environmental	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Protection – Environmental Management, Emission Control
Aspect A1: Emissions	KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection – Emission Control
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emission Control
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group's operations do not involve the generation of hazardous waste
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emission Control
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them	Environmental Protection – Emission Control
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection – Emission Control

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.		Environmental Protection – Resources Conservation
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Resources Conservation
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Resources Conservation
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Resources Conservation
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Resources Conservation
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Protection – Resources Conservation
Aspect A3: Environmental and Natural Resources	**General Disclosure** Policies on minimising the issuer's significant impacts on the environment and natural resources.		Environmental Protection – Environmental Management, Resources Conservation, Emission Control, Green Office
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection – Resources Conservation, Emission Control, Green Office
Aspect A4: Climate Change	**General Disclosure** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Environmental Protection – Climate Change, Resources Conservation, Green Office
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
B. Social			
Aspect B1: Employment	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.		People-Orientated – Employment Practices
	KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	Performance Data Summary
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary
Aspect B2: Health and Safety	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		People-Orientated – Health and Safety
	KPI B2.1	Number and rate of work-related fatalities during the past three years (including the reporting year).	People-Orientated – Health and Safety
	KPI B2.2	Lost days due to work injury.	Performance Data Summary
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People-Orientated – Health and Safety

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		People-Oriented – Staff Training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Data Summary
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary
Aspect B4: Labour Standards	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		People-Oriented – Employment Practices
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-Oriented – Employment Practices
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No non-compliance during the year

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain.		Operational Excellence – Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	Performance Data Summary
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operational Excellence – Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operational Excellence – Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operational Excellence – Supply Chain Management

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect B6: Product Responsibility	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Operational Excellence – Product Quality Management, Customer Satisfaction, Privacy and Intellectual Right Protection
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no recall due to safety and health reasons during the year
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	
	KPI B6.3	Description of practices relating to observing and protecting intellectual rights.	Operational Excellence – Privacy and Intellectual Right Protection
	KPI B6.4	Description of quality assurance process and recall procedures.	Operational Excellence – Product Quality Management
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operational Excellence – Privacy and Intellectual Right Protection

Key Performance Indicator	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect B7: Anti-corruption	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Operational Excellence – Honest Operation
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no corruption lawsuits during the year.
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operational Excellence – Honest Operation
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operational Excellence – Honest Operation
Aspect B8: Community Investment	**General Disclosure** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		People-Orientated – Community Investment
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	People-Orientated – Community Investment
	KPI B8.2	Resources contributed to the focus area.	People-Orientated – Community Investment

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF DONGWU CEMENT INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Dongwu Cement International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 94 to 174, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(Continued)*

Impairment assessment of trade receivables

Refer to Notes 5(c), 23 and 35(c) to the consolidated financial statements.

The gross carrying amounts of the Group's gross trade receivables as at 31 December 2021 was approximately HKD72,294,000 and provisions for impairment loss thereon was approximately HKD3,377,000.

Management applied judgement in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision of impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

We have identified the impairment assessment of trade receivables as a key audit matter because of significance of the carrying amount of trade receivables to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgement by management in identification of impairment indicators and the determination of the amount of impairment loss.

Our response:

Our key audit procedures in relation to management's impairment assessment of trade receivables included:

– Understanding and validating the credit control procedures performed by the management, including its procedures on periodic review of aged receivables and assessment on expected credit loss allowance of receivables;

– Evaluating the reasonableness of the methodologies adopted in the valuation models;

– Evaluating the reasonableness of the assumptions and inputs adopted, including the historical settlement pattern, correspondence with the customers, evidence from external sources including market research regarding the relevant forward-looking information such as macroeconomic factors; and

– Testing on a sample basis, the subsequent settlement of trade receivables against bank receipts.

– Comparing management's inputs used in the computation of historical credit loss rates to actual impairment loss recorded in prior years and reviewing data used by management in determining forward-looking adjustments.

– Checking the arithmetic accuracy of the ECL allowance computation.

INDEPENDENT AUDITOR'S REPORT

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Choi Kit Ying
Practising Certificate Number P07387

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HKD'000	2020 HKD'000 (Re-presented)
Revenue	7	**589,461**	558,345
Cost of sales		**(478,230)**	(435,941)
Gross profit		**111,231**	122,404
Distribution expenses		**(5,840)**	(5,881)
Administrative expenses		**(44,797)**	(37,835)
Other income	8	**2,241**	10,919
Other gain	9	**89**	102
Operating income		**62,924**	89,709
Finance income		**12,256**	3,825
Finance expenses		**(5,863)**	(2,197)
Finance income – net	10	**6,393**	1,628
Share of results of associates		**4,212**	4,654
Profit before income tax expense	11	**73,529**	95,991
Income tax expense	15	**(29,523)**	(35,248)
Profit for the year from continuing operations		**44,006**	60,743
Discontinued operation			
Gain for the year from a discontinued operation, after tax		**–**	105
Profit for the year		**44,006**	60,848
Other comprehensive income for the year, net of tax			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of financial statements from functional currency to presentation currency		**19,042**	33,628
Other comprehensive income, net of tax		**19,042**	33,628
Total comprehensive income for the year		**63,048**	94,476

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HKD'000	2020 HKD'000 (Re-presented)
Profit/(loss) for the year attributable to:			
Owners of the Company			
– From continuing operations		**46,541**	60,743
– From a discontinued operation		**–**	136
		46,541	60,879
Non-controlling interests			
– From continuing operations		**(2,535)**	–
– From a discontinued operation		**–**	(31)
		(2,535)	(31)
		44,006	60,848
Total comprehensive income for the year attributable to:			
Owners of the Company			
– From continuing operations		**65,669**	93,837
– From a discontinued operation		**–**	136
		65,669	93,973
Non-controlling interests			
– From continuing operations		**(2,621)**	–
– From a discontinued operation		**–**	503
		(2,621)	503
		63,048	94,476
Earnings per share from continuing and discontinued operations			
– Basic and diluted *(HKD per share)*	*13*	**0.084**	0.110
Earnings per share from continuing operations			
– Basic and diluted *(HKD per share)*	*13*	**0.084**	0.110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	At 31 December 2021 HKD'000	At 31 December 2020 HKD'000 (Re-presented)	At 1 January 2020 HKD'000 (Re-presented)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**217,394**	210,240	191,204
Goodwill	18	**14,205**	13,910	–
Intangible assets	19	**8,273**	8,907	456
Deposit paid for purchase of machineries	23	**6,425**	10,067	–
Investments in associates	21	**44,597**	40,841	34,132
Financial assets at fair value through profit or loss		**–**	–	124,377
Total non-current assets		**290,894**	283,965	350,169
Current assets				
Inventories	22	**67,868**	35,806	31,553
Trade and other receivables	23	**196,714**	165,938	307,610
Short-term bank deposits	24	**406,654**	372,062	55,608
Pledged bank deposits	25	**61,252**	–	–
Cash and cash equivalents	25	**90,292**	111,637	92,521
		822,780	685,443	487,292
Assets of a discontinued operation classified as held for sale		**–**	–	71,524
Total current assets		**822,780**	685,443	558,816
Current liabilities				
Lease liabilities	17	**524**	3,480	71
Trade and other payables	26	**244,111**	194,503	182,088
Income tax payables		**7,632**	13,597	21,536
Borrowings	27	**136,675**	78,237	41,868
		388,942	289,817	245,563
Liabilities of a discontinued operation classified as held for sale		**–**	–	38,046
Total current liabilities		**388,942**	289,817	283,609
Net current assets		**433,838**	395,626	275,207
Total assets less current liabilities		**724,732**	679,591	625,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	At 31 December 2021 HKD'000	At 31 December 2020 HKD'000 (Re-presented)	At 1 January 2020 HKD'000 (Re-presented)
Non-current liabilities				
Lease liabilities	17	**578**	823	–
Deferred tax liabilities	28	**42,428**	40,370	30,030
Total non-current liabilities		**43,006**	41,193	30,030
Net assets		**681,726**	638,398	595,346
EQUITY				
Equity attributable to owners of the Company				
Share capital	29	**5,520**	5,520	5,520
Reserves		**680,996**	635,047	581,125
		686,516	640,567	586,645
Non-controlling interests		**(4,790)**	(2,169)	8,701
Total equity		**681,726**	638,398	595,346

On behalf of the Board

Liu Dong
Director

Wu Junxian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		Equity attributable to owners of the Company						
	Notes	Share capital HKD'000	Other reserves HKD'000 (Note 30)	Translation reserve HKD'000	Retained earnings HKD'000	Total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
As at 1 January 2020 (Re-presented)		5,520	425,232	(47,706)	203,599	586,645	8,701	595,346
Profit/(loss) for the year		–	–	–	60,879	60,879	(31)	60,848
Exchange difference arising on translation of financial statements of foreign operations		–	–	33,094	–	33,094	534	33,628
Total comprehensive income		–	–	33,094	60,879	93,973	503	94,476
Disposal of subsidiaries	*32(a)*	–	–	–	(31)	(31)	(9,204)	(9,235)
Acquisition of subsidiaries	*33*	–	–	–	–	–	(2,169)	(2,169)
Appropriations to statutory reserves	*30(a)*	–	7,913	–	(7,913)	–	–	–
Dividends declared and paid in respect of the interim period	*12*	–	–	–	(40,020)	(40,020)	–	(40,020)
At 31 December 2020 and 1 January 2021 (Re-presented)		5,520	433,145	(14,612)	216,514	640,567	(2,169)	638,398
Profit/(loss) for the year		–	–	–	46,541	46,541	(2,535)	44,006
Exchange difference arising on translation of financial statements of foreign operations		–	–	19,128	–	19,128	(86)	19,042
Total comprehensive income		–	–	19,128	46,541	65,669	(2,621)	63,048
Appropriations to statutory reserves	*30(a)*	–	6,876	–	(6,876)	–	–	–
Compensation from the shareholder for incomplete acquisition	*30(d)*	–	20,300	–	–	20,300	–	20,300
Dividends declared and paid in respect of the interim period	*12*	–	–	–	(40,020)	(40,020)	–	(40,020)
At 31 December 2021		5,520	460,321	4,516	216,159	686,516	(4,790)	681,726

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HKD'000	2020 HKD'000 (Re-presented)
Cash flows from operating activities			
Profit before income tax expense from continuing operations		**73,529**	95,991
Profit before income tax expense from a discontinued operation		**–**	105
		73,529	96,096
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**26,085**	21,705
Depreciation of right-of-use assets	*16*	**2,743**	3,922
Amortisation on other intangible assets	*19*	**899**	–
Provision for impairment on trade receivables, net		**1,979**	160
(Reversal of provision for)/provision for impairment on other receivables, net		**(479)**	229
(Reversal of provision for)/provision for impairment on loan receivables, net		**(2,019)**	736
Write-off interest derived from loan receivables		**–**	59
Write-off money lenders licence		**–**	488
Exchange gain	*8*	**(71)**	(2,252)
Gain on disposal of property, plant and equipment	*9*	**–**	(102)
Gain on disposal of subsidiaries	*32(b)*	**(89)**	(105)
Finance income	*10*	**(12,256)**	(3,825)
Finance expenses	*10*	**5,863**	2,197
Interest from perpetual bond		**–**	(2,974)
Share of results of associates		**(4,212)**	(4,654)
Interest income from loan receivables	*8*	**–**	(80)
Operating profit before working capital changes		**91,972**	111,600
Increase in inventories		**(30,825)**	(2,172)
(Increase)/decrease in trade and other receivables		**(46,311)**	73,113
Increase in trade and other payables		**44,682**	13,135
Cash generated from operating activities		**59,518**	195,676
Income tax paid		**(29,063)**	(36,026)
Withholding tax paid		**(5,431)**	–
Net cash generated from operating activities		**25,024**	159,650

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HKD'000	2020 HKD'000 (Re-presented)
Cash flows from investing activities			
Interest received		**12,256**	3,825
Acquisition of subsidiaries, net of cash acquired		**–**	(38,497)
Disposal of subsidiaries, net of cash disposed	*32*	**1**	(28)
Purchases of property, plant and equipment	*16*	**(32,382)**	(23,372)
Purchases of intangible assets	*19*	**(87)**	–
Increase in investment in an associate		**(3,327)**	–
Proceeds from redemption of perpetual bond		**–**	136,210
Proceeds from disposal of property, plant and equipment		**–**	128
Dividend received from an associate		**4,692**	–
Repayment from third parties (loan receivables)	*23*	**60,342**	146,560
Loans to third parties (loan receivables)	*23*	**(30,171)**	(30,281)
Placement of short-term deposits		**(404,448)**	(424,927)
Placement of pledged bank deposits		**(60,315)**	–
Release of short-term deposits		**378,139**	109,012
Deposit paid for purchase of machineries		**(6,425)**	(10,160)
Net cash used in investing activities		**(81,725)**	(131,530)
Cash flows from financing activities	*39*		
Interest paid		**(3,919)**	(2,197)
Cash dividend paid	*12*	**(40,020)**	(40,020)
Proceeds from borrowings		**121,219**	65,879
Repayments of borrowings		**(45,430)**	(31,772)
Repayment of principal portion of the lease liabilities		**(2,260)**	(3,317)
Net cash generate from/(used in) financing activities		**29,590**	(11,427)
Net (decrease)/increase in cash and cash equivalents		**(27,111)**	16,693
Cash and cash equivalents at beginning of the year		**111,637**	92,521
Effect of exchange rate changes on cash and cash equivalents		**5,766**	2,423
Cash and cash equivalents at end of the year		**90,292**	111,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. General Information

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

The Company is an investing holding company. The Company and its subsidiaries as mentioned in Note 20 are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cement. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, People's Republic of China (the "PRC").

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(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 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
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[5]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts[4]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41[2]

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

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

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

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

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

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

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

Amendments to HKAS 8 "Definition of Accounting Estimates"

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

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

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

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

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

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

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

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

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

Amendments to HKAS 16, Proceeds before Intended Use

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

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

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

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

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" *(Continued)*

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

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

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

Amendments to HKFRS 3, Reference to the Conceptual Framework

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

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

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

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

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

HKFRS 17 "Insurance Contracts"

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

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

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

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

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

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

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

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

3. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(d) Functional currency and changes in presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

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

4. Significant Accounting Policies

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(a) ***Business combination and basis of consolidation*** *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) ***Subsidiary***

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position (Note 31), investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. Significant Accounting Policies *(Continued)*

(c) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(n)), and whenever there is an indication that the unit may be impaired.

4. Significant Accounting Policies *(Continued)*

(d) Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Properties and plant	20 years
Machinery	5-20 years
Motor vehicles	4-5 years
Furniture, fittings and equipment	3-10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposals of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. Significant Accounting Policies *(Continued)*

(f) Intangible assets

Acquired intangible assets are recognised initially at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives as follows:

Technical know-how	10 years

Method of amortisation are reviewed annually. Intangible assets are tested for impairment as described in Note 4(n).

(g) Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The useful life of the right-of-use assets is over the term of lease of 2 to 50 years.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. The right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

4. Significant Accounting Policies *(Continued)*

(g) ***Leases*** *(Continued)*

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; and (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(h) ***Financial instruments***

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. Significant Accounting Policies *(Continued)*

(h) ***Financial instruments*** *(Continued)*

(i) Financial assets *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. Significant Accounting Policies *(Continued)*

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and necessary to make the sale.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. Significant Accounting Policies *(Continued)*

(j) Revenue recognition *(Continued)*

(i) Sales of cement products

Customers obtain control of the cement products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the cement products. There is generally only one performance obligation. Invoices are generally payable within 90 days. The Group's contracts with customers from the sale of cement products generally do not provide customers a right of return and volume rebate.

(ii) Solid waste processing income

Revenue is recognised over time as those services are provided. Invoices for solid waste processing income are generally issued on a monthly basis and are usually payable within 90 days.

(iii) Other income

Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

Contract assets and liabilities

Contract asset is recognised when (i) the Group completes the construction works under such services but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

(k) Income taxes and deferred tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. Significant Accounting Policies *(Continued)*

(k) Income taxes and deferred tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(l) Foreign currency

Transactions entered into by the group entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve. The presentation currency of the consolidated financial statements changed from RMB to HKD (note 3(d)).

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. Significant Accounting Policies *(Continued)*

(m) Employee benefits

(i) Pension schemes

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

(ii) Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(n) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets, investment in associates and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. Intangible assets and goodwill with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired.

If the recoverable amount (i.e. the greater of the fair value less cost to sell and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant Accounting Policies *(Continued)*

(n) Impairment of non-financial assets (Continued)

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(q) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Board for their decisions about resources allocation to the Group's business component and for their review of the performance of those components. The business components in the internal financial information reported to the Board are determined following the Group's major product lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its HKFRSs financial statements, except that administrative expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude cash and bank balances, and corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude current liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

4. Significant Accounting Policies *(Continued)*

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. Significant Accounting Policies *(Continued)*

(s) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is highly probable and expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

If the Group has classified an asset or disposal group as held for sale, but the criteria for classified as held for sale are no longer met, the Group shall cease to classify the asset or disposal group as held for sale and measure them at the lower of:

(a) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and

(b) its recoverable amount at the date of the subsequent decision not to sell.

If the Group ceases to classify a component of the Group as held for sale, the results of operations of the component previously presented in a discontinued operation shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

5. Critical Accounting Judgements and Key Sources of Estimates Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Carrying value of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are carried at cost less accumulated depreciation or amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value-in-use of an asset or the CGU to which an asset relates. In estimating the recoverable amounts of assets or CGUs, various assumptions, including fair value of CGU, estimated costs of disposal, are made. If future events do not correspond to such assumptions, the recoverable amounts are revised, and this may have an impact on the Group's results of operations or financial position.

(b) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. Such estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

(c) Estimated impairment of trade and other receivables

The Group maintains a provision for impairment of trade and other receivables arising from the inability of its customers and debtors to make the required repayments. The Group makes its estimates mainly based on the ageing of its trade receivable balances, debtors' creditworthiness, historical default experience and other forward looking factors. If the financial condition of its debtors was to deteriorate so that actual impairment loss might be higher than expected, the Group would revise the basis of making the impairment. As at 31 December 2021, provision for impairment on trade receivables and other receivables amounted to HKD3,377,000 (2020: HKD1,339,000) and HKD67,000 (2020: HKD542,000) respectively.

5. Critical Accounting Judgements and Key Sources of Estimates Uncertainty *(Continued)*

(d) Estimated write-down of inventories

The Group writes down inventories to net realisable value based on an assessment of the recoverability of inventories. The assessment of write-downs requires the management's judgement and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed.

(e) Income taxes

The Group is mainly subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax charges based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(f) Impairment of goodwill and intangible assets with indefinite useful lives

Determining whether goodwill is impaired requires an estimation of recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The Group determines whether the intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the fair value less costs of disposal. Estimating the fair value less costs of disposal requires the Group to make an estimate of the fair value and costs of disposal. Further details are included in Note 19 to the consolidated financial statements.

6. Segment Information

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

Continuing reportable segment:

– Production and sale of cement

– Research and development in biotechnology

Discontinued reportable segment:

– Provision of sewage and sludge treatment operations and construction services

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

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

6. Segment Information *(Continued)*

Year ended 31 December 2021

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

6. Segment Information *(Continued)*

Year ended 31 December 2020

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

6. Segment Information *(Continued)*

Other segment information

Year ended 31 December 2021	Production and sale of cement *HKD'000*	Research and development in biotechnology *HKD'000*	Unallocated *HKD'000*	Total *HKD'000*
Depreciation of property, plant and equipment	25,379	1,651	1,798	28,828
Amortisation of intangible assets	–	899	–	899
(Reversal of provision for)/ provision for on trade and other receivables, net	1,979	(196)	(283)	1,500
Reversal of provision for loan receivables, net	(2,019)	–	–	(2,019)
Government grants	(1,125)	(970)	–	(2,095)
Finance expenses	4,146	14	1,703	5,863
Finance income	(12,221)	(34)	(1)	(12,256)
Share of results of associates	4,212	–	–	4,212
Addition to property, plant and equipment	32,096	286	1,459	33,841
Carrying amount of investment in associates	41,218	–	3,379	44,597

6. Segment Information *(Continued)*

Other segment information *(Continued)*

Year ended 31 December 2020	Production and sale of cement *HKD'000*	Research and development in biotechnology *HKD'000*	Discontinued operation Provision of sewage and sludge treatment operation and construction services *HKD'000*	Unallocated *HKD'000*	Total *HKD'000*
Depreciation of property, plant and equipment	22,196	–	–	3,431	25,627
Provision for on trade and other receivables, net	190	200	–	29	389
Provision for loan receivables, net	734	–	–	–	734
Government grants	213	–	–	268	481
Finance expenses	1,901	–	–	296	2,197
Finance income	(3,824)	–	–	(1)	(3,825)
Share of results of associates	4,212	–	–	–	4,654
Addition to property, plant and equipment	23,372	2,509	–	7,064	32,945
Carrying amount of investment in associates	40,841	–	–	–	40,841

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

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

7. Revenue

An analysis of revenue is as follows:

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

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

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

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Receivables		
– Trade and bills receivables, net *(Note 23)*	**68,917**	77,812
Contract liabilities *(Note 26)*	**(15,876)**	(11,700)

The contract liabilities mainly relate to the advance consideration received from customers. HKD11,700,000 (2020: HKD18,786,000) of the contract liabilities as of 1 January 2021 has been recognised as revenue for the year ended 31 December 2021 from performance obligations satisfied in current year.

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. Other Income

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Tax refund *(note(a))*	–	5,051
Government grants *(note(b))*	2,095	481
Interest income from loan receivables	–	80
Interest income from perpetual bond	–	2,973
Exchange gain, net	71	2,252
Others	75	82
	2,241	10,919

Notes:

(a) This is refund of value added tax ("VAT") received by the Group during the year ended 31 December 2020. Pursuant to the notice regarding policies relating to VAT on Products Made through the List of Comprehensive Utilisation of Resources and Certain Other Services issued by the Ministry of Finance and the State Administration of Taxation (財政部、國家稅務總局關於資源綜合利用產品和勞務增值稅優惠目錄的通知) promulgated on 12 June 2015, the Group's PRC subsidiary, Suzhou Dongwu Cement Co., Ltd., is eligible for VAT refund for utilising recycled materials as raw materials for producing cement. VAT refund is recognised as other income upon the receipt of tax refund approval from the tax bureau.

(b) The amount refers to the government's subsidy for encouraging biotechnology development and saving energy and reducing pollution emissions. The Group does not have other unfulfilled obligations relating to this subsidy received.

9. Other Gain

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Gain on disposals of property, plant and equipment	–	102
Gain on disposal of subsidiaries *(Note 32)*	89	–
Total	89	102

10. Finance Income – Net

	2021 *HKD'000*	2020 *HKD'000* (Re-presented)
Finance expenses:		
– Bank and other loan	**(5,763)**	(1,841)
– Lease liabilities *(Note 17)*	**(100)**	(296)
– Bill discount	**–**	(60)
	(5,863)	(2,197)
Finance income:		
– Bank deposits	**12,256**	3,825
Net finance income	**6,393**	1,628

11. Profit Before Income Tax Expense

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

	2021 *HKD'000*	2020 *HKD'000* (Re-presented)
Cost of inventories sold	**478,230**	435,941
Depreciation of property, plant and equipment	**26,085**	21,705
Depreciation of right-of-use assets	**2,743**	3,922
Amortisation of intangible assets	**899**	–
Provision for impairment on trade receivables, net	**1,979**	160
(Reversal of provision for)/provision for impairment on other receivables, net	**(479)**	229
(Reversal of provision for)/provision for impairment on loan receivables, net	**(2,019)**	734
Write-off interest derived from loan receivables	**–**	59
Write-off on money lenders licence *(Note 19a)*	**–**	488
Short term lease expense	**468**	86
Employee expenses (including directors' remuneration)		
– wages and salaries	**23,417**	24,312
– pension scheme contribution	**6,197**	3,719
Auditors' remuneration		
– audit services	**1,600**	1,308
– non-audit services	**169**	170

12. Dividends

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

13. 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 HKD46,541,000 (2020: HKD60,879,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2020: 552,000,000).

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

From a discontinued operation

Basic and diluted earnings per share for the year from a discontinued operation is nil per share (2020: HKD0.0002 per share), based on the profit for the year from a discontinued operation of nil (2020: HKD137,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2020: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the year from continuing operations is HKD0.084 per share (2020: HKD0.110), based on the profit for the year from continuing operations of HKD46,541,000 (2020: HKD60,743,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2020: 552,000,000).

14. Directors' and Senior Management's Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the Listing Rules and Section 383 of the Hong Kong Companies Ordinance, (Cap. 622) and the Companies (Disclosure of Information about Benefits of directors) Regulation (Cap. 622G) were as follows:

Name	Fees	Salary, allowance and other benefits	Employer's contribution to pension scheme and discretionary bonus	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Year ended 31 December 2021				
Executive directors				
Mr. Liu Dong	–	240	–	240
Mr. Wu Junxian *(note(iv))*	–	349	–	349
Non-executive director				
Mr. Tseung Hok Ming ("Mr. Tseung")	240	–	–	240
Ms. Xie Yingxia	240	–	–	240
Mr. Chen Xuanlin *(note(vi))*	600	–	18	618
Independent non-executive directors				
Mr. Cao Kuangyu	180	–	–	180
Mr. Yu Xiaoying *(note(ii))*	222	–	–	222
Mr. Suo Suo *(note(vi))*	180	–	–	180
	1,662	589	18	2,269

14. Directors' and Senior Management's Emoluments and Five Highest Paid Individuals *(Continued)*

(a) ***Directors' emoluments*** *(Continued)*

Name	Fees	Salary, allowance and other benefits	Employer's contribution to pension scheme and discretionary bonus	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Year ended 31 December 2020				
Executive directors				
Mr. Liu Dong	–	240	–	240
Mr. Ling Chao *(note(iii))*	–	100	–	100
Mr. Wang Jun *(note(iii))*	–	250	7	257
Mr. Chan Ka Wing *(note(iii))*	–	245	7	252
Mr. Wu Junxian *(note(iv))*	–	204	–	204
Non-executive director				
Mr. Tseung Hok Ming	240	–	–	240
Ms. Xie Yingxia	120	120	–	240
Mr. Chen Xuanlin *(note(vi))*	100	–	3	103
Independent non-executive directors				
Mr. Cao Kuangyu	180	–	–	180
Mr. Cao Guoqi *(note(v))*	150	–	–	150
Mr. Lee Ho Yiu Thomas *(note(i))*	15	–	–	15
Mr. Yu Xiaoying *(note(ii))*	200	–	–	200
Mr. Suo Suo *(note(vi))*	30	–	–	30
	1,035	1,159	17	2,211

Notes:

(i): Resigned on 10 January 2020

(ii): Appointed on 19 February 2020

(iii): Resigned on 28 May 2020

(iv): Appointed on 28 May 2020

(v): Resigned on 27 October 2020

(vi): Appointed on 27 October 2020

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2021 (2020: Nil).

14. Directors' and Senior Management's Emoluments and Five Highest Paid Individuals *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 included two of the directors of the Company (2020: one).

Emoluments paid and payable to the remaining three (2020: four) individuals for the year ended 31 December 2021 were as follows:

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Salaries and other benefits	**1,430**	2,990
Employer's contribution to pension scheme	**133**	72
	1,563	3,062

Emoluments paid to the above non-director highest paid individuals three of them fell within the band of Nil – HKD1,000,000 (2020: three within Nil – HKD1,000,000 and one within HKD1,000,001 – HKD1,500,000).

During the year, no emolument was paid by the Group to the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

15. Income Tax Expense

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

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

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

15. Income Tax Expense *(Continued)*

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

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

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

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

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

16. Property, Plant and Equipment

	Properties and plant *HKD'000*	Machinery *HKD'000*	Motor vehicles *HKD'000*	Furniture, fittings and equipment *HKD'000*	Right-of-use assets *HKD'000* *(note(a))*	Total *HKD'000*
Year ended 31 December 2021						
Opening net book amount	102,705	78,914	1,606	5,434	21,581	210,240
Additions	1,031	30,178	953	220	1,459	33,841
Disposal of subsidiaries *(note 32(b))*	–	–	–	–	(2,313)	(2,313)
Depreciation	(12,416)	(11,843)	(546)	(1,280)	(2,743)	(28,828)
Exchange differences	1,998	1,954	41	97	364	4,454
Closing net book amount	93,318	99,203	2,054	4,471	18,348	217,394
At 31 December 2021						
Cost	245,072	338,800	4,635	18,960	26,751	634,218
Accumulated depreciation	(151,754)	(239,597)	(2,581)	(14,489)	(8,403)	(416,824)
Net book amount	93,318	99,203	2,054	4,471	18,348	217,394
Year ended 31 December 2020 (Re-presented)						
Opening net book amount	105,562	65,925	1,031	1,783	16,903	191,204
Additions	2,246	15,763	872	4,491	7,064	30,436
Disposals	–	–	(26)	–	–	(26)
Depreciation	(12,850)	(7,462)	(329)	(1,064)	(3,922)	(25,627)
Addition through business acquisition *(Note 33)*	1,162	710	–	146	491	2,509
Exchange differences	6,585	3,978	58	78	1,045	11,744
Closing net book amount	102,705	78,914	1,606	5,434	21,581	210,240
At 31 December 2020 (Re-presented)						
Cost	238,967	301,768	3,591	18,349	33,464	596,139
Accumulated depreciation	(136,262)	(222,854)	(1,985)	(12,915)	(11,883)	(385,899)
Net book amount	102,705	78,914	1,606	5,434	21,581	210,240

16. Property, Plant and Equipment *(Continued)*

Note (a)

Right-of-use assets	**Land use rights** *HKD'000*	**Land and buildings** *HKD'000*	**Total** *HKD'000*
At 1 January 2020 (Re-presented)	16,834	69	16,903
Addition	–	7,064	7,064
Depreciation	(490)	(3,432)	(3,922)
Addition through business acquisition *(Note 33)*	–	491	491
Exchange differences	1,039	6	1,045
At 31 December 2020 and 1 January 2021 (Re-presented)	17,383	4,198	21,581
Addition	–	1,459	1,459
Depreciation	(488)	(2,255)	(2,743)
Disposal of subsidiaries *(note 32(b))*	–	(2,313)	(2,313)
Exchange differences	361	3	364
At 31 December 2021	17,256	1,092	18,348

The Group's land use rights are located in the PRC on the lease of 50 years and used for cement production. The land and buildings leased for the Group's own use.

17. Lease Liabilities

Leasehold land and buildings	**2021** *HKD'000*	2020 *HKD'000* (Re-presented)
At 1 January	**4,303**	71
Addition	**1,459**	7,064
Addition through business acquisition	**–**	491
Disposal of subsidiaries *(note 32(b))*	**(2,402)**	–
Interest expenses	**100**	296
Lease payments	**(2,360)**	(3,626)
Exchange differences	**2**	7
At 31 December	**1,102**	4,303

Future lease payments are due as follows:

	Minimum lease payments 31 December 2021 *HKD'000*	**Interest 31 December 2021** *HKD'000*	**Present value 31 December 2021** *HKD'000*
Not later than one year	540	16	524
After one year but within two years	583	5	578
	1,123	21	1,102

	Minimum lease payments 31 December 2020 *HKD'000* (Re-presented)	**Interest 31 December 2020** *HKD'000* (Re-presented)	**Present value 31 December 2020** *HKD'000* (Re-presented)
Not later than one year	4,087	607	3,480
After one year but within two years	824	1	823
	4,911	608	4,303

18. Goodwill

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Gross carrying amount		
As at 1 January	**13,910**	–
Addition through business acquisition *(Note 33)*	**–**	13,910
Exchange difference	**295**	–
As at 31 December	**14,205**	13,910
Accumulated impairment losses		
As at 1 January and 31 December	**–**	–
	–	–
Net carrying amount		
As at 1 January	**13,910**	–
As at 31 December	**14,205**	13,910

Goodwill arose from a business combination during the year ended 31 December 2020 and it was solely allocated to the CGU, namely Orient Everhealth and Suzhou Everhealth (see Note 33 for details).

The Group performed its annual impairment test with a valuation performed by an independent qualified professional valuer. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. The carrying amount of goodwill relating to the CGU is approximately HK$14,205,000 (2020: approximately HK$13,910,000).

The recoverable amounts of the CGU, in which the goodwill and the intangible assets in note 19 have been allocated, of approximately HK$51,440,000 as at 31 December 2021 has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.0% (2020: 2.6%), which does not exceed the long-term growth rate for the biotechnology industry in the PRC. Discount rate used of 19.41% (2020: 19.0%) is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience. As at 31 December 2021, the carrying amount of the CGU was approximately HK$25,768,000. Accordingly, it was concluded that the recoverable amount exceeds the carrying amount by approximately HK$25,672,000.

19. Intangible Assets

	Money lenders licence *HKD'000* *note (a)*	Technical know-how *HKD'000* *note (b)*	Total *HKD'000*
Cost			
As at 1 January 2020 (Re-presented)	456	–	456
Additions through business acquisition *(Note 33)*	–	8,907	8,907
Write-off	(488)	–	(488)
Exchange difference	32	–	32
As at 31 December 2020 and 1 January 2021 (Re-presented)	–	8,907	8,907
Additions	–	87	87
Exchange difference	–	189	189
As at 31 December 2021	–	9,183	9,183
Amortisation and impairment			
As at 1 January 2020 and 31 December 2020 and 1 January 2021 (Re-presented)	–	–	–
Charge for the year	–	(899)	(899)
Exchange difference	–	(11)	(11)
As at 31 December 2021	–	(910)	(910)
Net book value			
As at 31 December 2021	–	8,273	8,273
As at 31 December 2020 (Re-presented)	–	8,907	8,907

19. Intangible Assets *(Continued)*

Note:

(a) The money lenders licence was considered by the directors of the Company as having indefinite useful lives because it was expected that the money lenders licence could be renewed continuously at minimal cost and it would contribute net cash inflows for the Group in the foreseeable future. The money lenders licence would not be amortised until its useful life was determined to be finite. Instead it would be tested for impairment annually and whenever there was an indication that it might be impaired.

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

(b) Technical know-how are recognised during the acquisition of subsidiaries (see Note 33 for details). They represent 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 respectively.

20. Particulars of Subsidiaries

The particulars of the Company's subsidiaries as at 31 December 2021 and 2020 are as follows:

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered capital	Equity interest held	
				Direct	Indirect
Dongwu International Investment Limited ("Dongwu Investment")	British Virgin Islands ("BVI"), 29 November 2011	Investment holding in Hong Kong, a limited liability company	USD50,000	100% (2020:100%)	–
Times Premium International Limited ("Times Premium")	British Virgin Islands ("BVI"), 23 October 2017	Investment holding in Hong Kong, a limited liability company	USD1	100% (2020:100%)	–
Dongwu Cement (Hong Kong) Limited ("Dongwu HK")	Hong Kong, 16 December 2011	Investment holding in Hong Kong, a limited liability company	HKD1	–	100% (2020: 100%)
蘇州東吳水泥有限公司 (Suzhou Dongwu Cement Co., Ltd.*,"Dongwu Cement")	PRC, 5 June 2003	Production and sales of cement in the PRC, a limited liability company	USD29,000,000	–	100% (2020: 100%)
Dongwu Science & Technology Investment Company Limited ("Dongwu Technology")	Hong Kong, 2 October 2013	Science and technology investment in Hong Kong, a limited liability company	HKD1	–	100% (2020: 100%)

20. Particulars of Subsidiaries *(Continued)*

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered capital	Equity interest held	
				Direct	Indirect
熙華(上海)投資管理有限公司 (Xihua Shanghai Investment Management Co., Ltd.*, "Xihua Investment")	PRC, 19 November 2014	Investment management and consultation in the PRC, a limited liability company	USD10,000,000	–	100% (2020: 100%)
東方恒康生命科學有限公司 (Orient Everhealth Biomedical Company Limited*,"Orient Everhealth")	PRC, 21 June 2018	Investment holding in the PRC, a limited liability company	RMB27,500,000	–	100% (2020: nil)
蘇州恆康生命科學有限公司 (Suzhou Everhealth Biomedical Company Limited, "Suzhou Everhealth")	PRC, 25 December 2018	Research and development in biotechnology in the PRC, a limited liability company	RMB30,000,000	–	65% (2020: nil)

* The English translation of the entities names are for reference only. The official names of these entities are in Chinese.

21. Investment in Associates

	2021 *HKD'000*	2020 *HKD'000* (Re-presented)
Unlisted equity investment:		
Cost of investment	**30,964**	27,637
Share of results of associates, net of dividends received	**13,633**	13,204
Unlisted equity investment:	**44,597**	40,841

The Group has a 43.2% (31 December 2020: 43.2%) interest in an 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 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).

During the year, the Group acquired 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 entities names are for reference only. The official names of these entities are in Chinese.

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

21. Investment in Associates *(Continued)*

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.

Dongtong Environment and Technology	**2021** ***HKD'000***	2020 *HKD'000*
Non-current assets	**11,369**	13,012
Current assets	**86,489**	85,176
Current liabilities	**(2,455)**	(3,657)

	2021 ***HKD'000***	2020 *HKD'000*
Revenue	**20,996**	19,423
Profit for the year	**9,751**	10,760
Other comprehensive income for the year	**1,983**	4,759
Total comprehensive income for the year	**11,734**	15,519
Dividends received from the associate during the year	**4,692**	–

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

	2021 ***HKD'000***	2020 *HKD'000*
Net assets of Dongtong Environment and Technology	**95,403**	94,531
Proportion of the Group's ownership interest in Dongtong Environment and Technology	**43.2%**	43.2%
Carrying amount of the Group's interest in Dongtong Environment and Technology	**41,218**	40,841

21. Investment in Associates *(Continued)*

Aggregate information of an associate that is not material

	2021	2020
	HKD'000	*HKD'000*
Aggregate carrying amount	**3,379**	–
Aggregate amounts of the Group's share of the associate's:		
– Profit for the year	**–**	–
– Other comprehensive income for the year	**52**	–
– Total comprehensive income for the year	**52**	–

22. Inventories

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Raw materials	**33,909**	18,632
Work-in-progress	**23,420**	10,020
Finished goods	**10,539**	7,154
	67,868	35,806

23. Trade and Other Receivables

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Trade and bills receivables from third parties	**72,294**	79,151
Less: Provision for impairment *(note (iv))*	**(3,377)**	(1,339)
Trade and bills receivables, net *(note (i))*	**68,917**	77,812
Prepayments *(note (ii))*	**130,129**	24,332
Loan receivables *(note (iii))*	**–**	30,005
Consideration receivable *(Note 32(a))*	**–**	13,202
Other receivables	**4,160**	33,204
Less: Provision for impairment on other receivables *(note (iv))*	**(67)**	(542)
Less: Provision for impairment on loans receivables *(note (iv))*	**–**	(2,008)
Prepayments, deposits and other receivables	**134,222**	98,193
Total trade and other receivables	**203,139**	176,005
Less: Non-current portion		
Deposit paid for purchase of machineries	**(6,425)**	(10,067)
Current trade and other receivables	**196,714**	165,938

23. Trade and Other Receivables *(Continued)*

(i) Trade and bills receivables

Credit terms given to its customers generally range from 30 to 90 days (2020: 30 to 90 days). For major customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between HKD1,000,000 and HKD50,000,000 with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

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

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

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Within 90 days	**62,251**	63,319
From 91 days to 180 days	**4,002**	9,676
From 181 days to 1 year	**1,656**	1,719
From 1 year to 2 years	**804**	2,775
Over 2 years	**204**	323
	68,917	77,812

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

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Neither past due nor impaired *(note (a), (b))*	**66,253**	68,681
1 to 90 days past due	**–**	4,376
91 to 180 days past due	**–**	1,657
181 to 1 year past due	**1,656**	2,775
More than 1 year past due	**1,008**	323
	68,917	77,812

23. Trade and Other Receivables *(Continued)*

(i) Trade and bills receivables (Continued)

Notes:

(a) The balances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience adjusted to current and forward-looking factors to the debtors and economic environment, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) Prepayments

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

(iii) Loan receivables

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

23. Trade and Other Receivables *(Continued)*

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

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Trade receivables:		
Beginning of year	**1,339**	2,035
Provision for the year	**2,907**	877
Balance recovered for the year	**(928)**	(717)
Write off	**–**	(988)
Exchange differences	**59**	132
End of year	**3,377**	1,339

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Other receivables:		
Beginning of year	**542**	297
(Reversal of)/Provision for the year	**(479)**	229
Exchange differences	**4**	16
End of year	**67**	542

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

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 stated in Note 5(c).

24. Short-Term Bank Deposits

The balances as at 31 December 2021 and 2020 are all short-term bank deposits with original maturities exceeding three months. These deposits are all denominated in RMB, with an interest rate from 1.21% to 3.80% (2020: 1.21% to 3.20%) per annum.

25. Cash and Cash Equivalents/Pledged Bank Deposits

HKD84,223,000 of the Group's cash and cash equivalents was denominated in RMB as at 31 December 2021 (2020: HKD32,498,000). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 0.70% (2020: 0.03% to 0.30%) per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, bank deposit of HKD61,252,000 (2020: nil) are pledged as security for bill payables (Note 26) which carries at fixed interest rate ranged from 0.30% to 1.43% (2020: nil) per annum.

26. Trade and Other Payables

	2021 ***HKD'000***	2020 *HKD'000* (Re-presented)
Trade payables	**103,209**	75,937
Bill payables	**61,252**	40,513
Contract liabilities *(note (b))*	**15,876**	11,700
Salary and bonus payables	**5,346**	5,352
VAT payables *(note (a))*	**2,677**	6,139
Amounts due to related parties *(Note 38)*	**43,636**	44,907
Other payables	**12,115**	9,955
	244,111	194,503

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

As at 31 December 2021, bank deposit of HKD61,252,000 (2020: HKD25,390,000) (Note 25) are pledged as security for bill payables.

26. Trade and Other Payables *(Continued)*

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

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

Notes:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2020: 13%). Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

(b)

	2021 HKD'000	2020 HKD'000 (Re-presented)
Advance from customers arising from:		
– Sales of cement products	**15,876**	11,700

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

Sales of cement products

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

Movements in advance from customers

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

27. Borrowings

	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Bank borrowings *(note (a))*	**121,335**	43,687
Other loan, unsecured *(note (b),(c))*	**15,340**	34,550
Total borrowings	**136,675**	78,237
Carrying amount of borrowings repayable:		
On demand or within one year	**136,675**	78,237

Notes:

(a) As at 31 December 2021, bank borrowings of approximately HKD121,335,000 (2020: HKD43,687,000) with fixed interest rates ranged from 4.95% to 5.66% (2020: 4.95% to 5.66%) per annum was secured by corporate guarantees from the Company.

(b) As at 31 December 2021, the Group's other loans represented (i) an other loan of HKD10,700,000 (2020: HKD10,700,000) with a fixed interest rate of 9% per annum from one third party; (ii) an other loan of HKD890,000 (31 December 2020: RMB Nil) with a fixed interest rate of 13% per annum from another third party (iii) an interest-free loan of HKD3,600,000 (2020: HKD3,600,000) from a company under control of Mr. Tseung. (iv) As at 31 December 2020, an unsecured interest-free loan of approximately HKD18,600,000 was secured by personal guarantees from Mr. Tseung. During the year, the loan was disposed together with disposal of subsidiaries.

(c) As at 31 December 2021, unsecured interest-free loan of HKD150,000 (2020: HKD1,650,000) provided by Mr. Tseung (Note 38).

28. Deferred Tax Liabilities

Movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities	**Withholding tax for attributable profit relating to equity holders** *HKD'000* *(note (a))*
At 31 December 2019 and 1 January 2020 (Re-presented)	30,030
Charged to profit or loss	8,572
Exchange difference	1,768
At 31 December 2020 and 1 January 2021 (Re-presented)	40,370
Charged to profit or loss	6,617
Reversal of withholding tax upon distribution	(5,431)
Exchange difference	872
At 31 December 2021	42,428

(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.

29. Share Capital

	Number of ordinary shares	Nominal value of ordinary shares
		HKD'000
Authorised:		
Ordinary shares of HKD0.01 each as at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
Issued:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	552,000,000	5,520

30. Other Reserves

The Group	**Share premium**	**Statutory reserves** *(note (a))*	**Merger reserve** *(note (b))*	**Other reserve** *(note (d))*	**Total**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2020 (Re-presented)	132,886	56,288	236,058	–	425,232
Appropriation from retained earnings	–	7,913	–	–	7,913
At 31 December 2020 and 1 January 2021 (Re-presented)	132,886	64,201	236,058	–	433,145
Appropriation from retained earnings	–	6,876	–	–	6,876
Compensation from the shareholder for incomplete acquisition	–	–	–	20,300	20,300
At 31 December 2021	132,886	71,077	236,058	20,300	460,321

The Company	**Share premium**	**Capital reserve** *(note (c))*	**Total**
	HKD'000	*HKD'000*	*HKD'000*
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	132,886	249,558	382,444

30. Other Reserves *(Continued)*

(a) Statutory reserves

The Company's subsidiaries in the PRC are required to appropriate 10% of their profit after income tax calculated in accordance with the PRC accounting standards to the statutory reserve until the balance reaches 50% of its registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any and may be converted into paid-in capital of the PRC subsidiaries in proportion to their existing shareholding after approval from the appropriate authorities, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of paid-in capital for the PRC subsidiaries. For the year ended 31 December 2021, except one of the Company's subsidiaries in the PRC has appropriated HKD6,876,000 (2020: HKD7,913,000), others have reported loss and no appropriation to the statutory reserve (2020: Nil).

(b) Merger reserve

The Company was incorporated on 29 November 2011 and the Group's reorganisation was completed prior to 31 December 2011. This reserve as at 31 December 2020 and 2021 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

In 2011, Dongwu HK acquired the entire equity interest in Dongwu Cement from Far East International Investment Company Limited ("Far East International", a limited liability company incorporated on 29 September 2003 in Samoa, wholly-owned by the same ultimate shareholder), at a consideration of USD33,000,000 (equivalent to HKD249,558,000). The consideration payable to Far East International was regarded as a deemed distribution to equity holders of the Company. The consideration payable was novated to Goldview Development Limited ("Goldview", a limited liability company incorporated in the British Virgin Islands ("BVI") on 16 March 2004, wholly-owned by the same ultimate shareholder) and Concord Ocean Limited ("Concord", a limited liability company incorporated in the BVI on 25 October 2000, wholly-owned by the controlling shareholder) in proportion to their then respective shareholdings in the Company and subsequently Goldview and Concord gave written confirmations in relation to their unconditional and irrevocable waiver as to the Company's repayment obligation of USD33,000,000 (equivalent to HKD249,558,000). As such, the waived payable was regarded as deemed contribution from shareholders.

(d) Other reserve

In 2017, the Dongwu HK had planned to acquire the entire equity interest in a company, which owned five land parcels located in Saipan with a total site area of approximately 188,993 square metres, wholly owned by Mr. Tseung, a shareholder of the Company. The company was sold to an independent third party during the year, details of which refer to note 32(b). Pursuant to the arrangement between the independent third party and Mr. Tseung, Mr. Tseung compensated for the Group for the cost incurred for the incomplete acquisition amounted HKD20,300,000. As a result, the difference arising from the disposal amounting to HKD20,300,000 was deemed as contribution from the shareholder and credited to other reserve.

31. Statement of Financial Position of the Company

	Notes	2021 HKD'000	2020 HKD'000 (Re-presented)
ASSETS			
Non-current assets			
Investment in subsidiaries		**249,945**	249,946
		249,945	249,946
Current assets			
Amounts due from subsidiaries		**37,222**	62,868
Cash and cash equivalents		**2,498**	308
Total current assets		**39,720**	63,176
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**17,919**	23,908
Other payables		**7,809**	–
Borrowings		**16,840**	2,042
Total current liabilities		**42,568**	25,950
Net current (liabilities)/assets		**(2,848)**	37,226
Total assets less current liabilities		**247,097**	287,172
EQUITY			
Share capital	*29*	**5,520**	5,520
Other reserves	*30*	**382,444**	382,444
Accumulated losses		**(140,867)**	(100,792)
Total equity		**247,097**	287,172

On behalf of the Board

Liu Dong
Director

Wu Junxian
Director

32. Disposal of Subsidiaries

(a) During the year ended 31 December 2019, the Group entered into agreement with an independent third party to dispose of its entire interest in Biofit Group, which engaged in business of organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services in PRC, at cash consideration of RMB22,000,000 (equivalent to HKD26,648,000). 50% of the cash consideration, being RMB11,000,000 (equivalent to HKD13,324,000), was received on 16 December 2019 and recognised as deposit received for sale of Biofit Group as at 31 December 2019. As at 31 December 2020, the remaining consideration of RMB11,000,000 (equivalent to HKD13,324,000) recognised as consideration receivable and subsequently received on 23 March 2021. The disposal was completed in March 2020 and the Group recognised a gain on disposal of subsidiary of approximately HKD105,000.

Net assets of Biofit Group at the date of disposal are as follows:

	HKD'000 (Re-presented)
Property, plant and equipment	36
Contract assets, net	33,457
Trade receivables, net	2,717
Other receivables	1,940
Prepayment	38,335
Cash and cash equivalent	28
Deferred tax assets	21
Borrowings	(3,633)
Contract liabilities	(8,103)
Trade and other payables	(23,800)
Income tax payable	(5,251)
Non-controlling interests	(9,204)
Net assets disposed	26,543
Consideration received in the year ended 2019	13,324
Consideration receivable as at 31 December 2020 *(Note 23)*	13,324
Less: Net assets disposed	(26,543)
Gain on disposal of subsidiary	105

An analysis of net cash outflow of bank balances and cash in respect of disposal of subsidiary is as follows:

Net cash flow arising on disposal of subsidiaries	*HKD'000* (Re-presented)
Bank balances and cash disposed	(28)

32. Disposal of Subsidiaries *(Continued)*

(b) During the year ended 31 December 2021, the Group entered into agreement with an independent third party to dispose of its entire interest in Asia Jumbo Limited, which was an investment holding company controlling another wholly-owned subsidiary, Glory Metro Limited (together as "Disposal group"). The cash consideration is USD100 (equivalent to approximately HKD1,000). The disposal was completed in 12 August 2021 and the Group recognised a gain of approximately HKD89,000.

Net liabilities of Disposal group at the date of disposal are as follows:

	HKD'000
Right-of-use assets	2,313
Borrowings	(19,450)
Lease liabilities	(2,402)
Other payables	(849)
Net liabilities disposed	(20,388)
Consideration received as at 31 December 2021	(1)
Less: Net liabilities disposed	(20,388)
Less: Compensation from the shareholder for incomplete acquisition *(Note 30(d))*	20,300
Gain on disposal of subsidiaries	(89)

An analysis of net cash outflow of bank balances and cash in respect of disposal of subsidiary is as follows:

	HKD'000
Net cash flow arising on disposal of subsidiaries	1

33. Business Acquisition

On 31 December 2020, the Group acquired 100% of the equity interests in Orient Everhealth, for a cash consideration of RMB32,500,000 (equivalent to HKD39,006,000) from Orient Hengxin Capital Holding Group Company Limited* (東方恒信資本控股集團有限公司), a company directly controlled by Mr. Tseung. Orient Everhealth and its 65% held subsidiary, Suzhou Everhealth, are principally engaged in research and development in biotechnology. Upon the completion of above transaction, Suzhou Everhealth became an indirect non-wholly owned subsidiary of the Company.

The acquisition-related costs of HKD1,130,000 have been expensed and are included in administrative expenses.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition and goodwill arising from the acquisition were as follows:

	(Re-presented) *HKD'000*
Property, plant and equipment	2,018
Right-of-use assets	491
Other intangible assets	
– Technical know-how	8,907
Cash and cash equivalents	509
Inventories	160
Trade and other receivables	12,744
Lease liabilities	(491)
Trade and other payables	(1,411)
Non-controlling interests	2,169
Net assets acquired	25,096

	HKD'000
Cash consideration paid	39,006
Less: Fair value of net assets acquired	(25,096)
Goodwill	13,910

Net cash outflow arising on acquisition:	*HKD'000*
– Cash consideration	39,006
– Less: Cash and cash equivalents acquired	(509)
	38,497

* The English translation of the entities names are for reference only. The official names of these entities are in Chinese.

33. Business Acquisition *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to HKD12,744,000 (equivalent to RMB10,618,000), which is approximately the contractual amounts of those trade and other receivables acquired. The non-controlling interests recognised at acquisition was measured at 35% of the net asset of Suzhou Everhealth.

Goodwill arose in the acquisition provides the Group with an opportunity to expand into comprehensive healthcare and biopharmaceutical sectors, which can be seen as a way to diversify the Group's business in a realm with potential growth opportunity and enhance shareholder value.

Since the acquisition date, Orient Everhealth has not contributed any revenue and profit or loss to the Group for the year ended 31 December 2020. If the acquisition had occurred on 1 January 2020, Group's revenue and profit for the year ended 31 December 2020 would have been HKD676,290,000 and HKD62,425,000, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

34. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows:

	2021 ***HKD'000***	2020 *HKD'000* (Re-presented)
Financial assets:		
Financial assets at amortised cost		
– Trade and other receivables excluding prepayments	**73,010**	151,673
– Short-term bank deposits	**406,654**	372,062
– Cash and cash equivalents	**151,544**	111,637
Total	**631,208**	635,372
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	**136,675**	78,237
Trade and other payables excluding non-financial liabilities	**225,558**	176,664
Total	**362,233**	254,901

35. Financial Risk Management and Fair Value

The Group has various financial assets and liabilities such as cash and cash equivalents, short-term bank deposits, trade and other receivables, borrowings, trade and other payables and balances with related companies and directors.

The main risks arising from the Group's financial instruments are foreign currency risk, cash flow interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk is limited to its financial instruments denominated in HKD as majority of the Group's transactions, monetary assets and liabilities are denominated in RMB.

The carrying amounts of the Group's monetary assets and liabilities that are not denominated in RMB at the end of reporting periods are as follows:

		2021		**2020**
	Original currency in HKD	**Original currency in USD**	**Original currency in HKD**	**Original currency in USD**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
			(Re-presented)	
Trade and other receivables	200	–	1,038	–
Cash and cash equivalents	6,058	12	660	12
Trade and other payables	(47,909)	–	(44,881)	–
Borrowings	(15,340)	–	(34,550)	–
Overall net exposure	(56,991)	12	(77,733)	12

Sensitivity analysis

The following table indicates the approximate change in the Group's profit before income tax expense for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number below indicates an increase in profit or decrease in loss.

	Effect on profit for the year	
	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
HKD to RMB		
Appreciated by 3%	**(1,710)**	(2,332)
Depreciated by 3%	**1,710**	2,332

35. Financial Risk Management and Fair Value *(Continued)*

(a) ***Foreign currency risk*** *(Continued)*

Sensitivity analysis *(Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of reporting period and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

(b) ***Cash flow and fair value interest rate risk***

Other than deposits held in banks, the Group have significant interest-bearing assets. Fluctuation of deposit interest rates to financial assets does not have a significant impact to the Group's performance.

The Group's fair value interest rate risk arises primarily from short-term borrowings and lease liabilities as disclosed in Note 27 and 17, respectively. Borrowings were issued at fixed rates which expose the Group to fair value interest rate risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

	2021		2020	
	Effective interest rate *(% per annum)*	**Amount *HKD'000***	Effective interest rate *(% per annum)*	Amount *HKD'000* (Re-presented)
Financial assets				
Fixed rate receivables				
– Short-term bank deposits	**1.21%-3.80%**	**406,654**	1.21%-3.20%	372,062
– Loan receivables	**–**	**–**	6%	30,005
Financial liabilities				
Fixed rate borrowing				
– Bill payables	**0.55%**	**61,252**	0.55%	40,513
– Borrowings	**5.25%**	**136,675**	5.72%	78,237
Lease liabilities	**5.71%**	**1,102**	5.72%	4,303

35. Financial Risk Management and Fair Value *(Continued)*

(c) Credit risk

The carrying amounts of the bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2020 and 2021, the Group's bank deposits were placed in the commercial banks with high credit ratings.

The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivable is low. Based on past experience, the customer payment default rate is low. The Group has a significant concentration of credit risk in trade and bills receivables as 17.22% (2020: 15.4%) of the total trade and bills receivables was due from the Group's largest trade debtor and the amounts due from the Group's top five customers is as follows:

	As at 31 December	
	2021	2020
	HKD'000	*HKD'000*
		(Re-presented)
Balance of trade receivables (net of provision) from top five customers	**30,730**	34,835
Balance of trade and bills receivables (net of provision) *(Note 23)*	**68,917**	77,812
Percentage	**44.59%**	44.78%

It is the Group's policy to receive settlement from customers in the form of cash, cheques or endorsed bank accepted bills. Credit sales are made generally to selected customers with long-term business trading history. The issuing banks of these bank acceptance bills are either state-owned banks with investment grade ratings or local banks with good reputation. The Group considered the default risk from these bank acceptance bills is low. Therefore, the directors consider the Group's bank acceptance bills and trade receivables have no significant exposure to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on individual assessment and collective assessment. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

35. Financial Risk Management and Fair Value *(Continued)*

(c) ***Credit risk*** *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

As at 31 December 2021	**Expected loss rate *(%)***	**Gross carrying amount *(HKD'000)***	**Loss allowance *(HKD'000)***
Current (not past due)	**0.00**	**66,253**	**–**
1-90 days past due	**0.29**	**–**	**–**
91-180 days past due	**5.41**	**–**	**–**
181 days –1 year past due	**19.07**	**2,049**	**393**
Over 1 year past due	**74.75**	**3,992**	**2,984**
		72,294	**3,377**

As at 31 December 2020	Expected loss rate *(%)*	Gross carrying amount *(HKD'000)* (Re-presented)	Loss allowance *(HKD'000)* (Re-presented)
Current (not past due)	0.00	68,681	–
1-90 days past due	0.27	4,388	12
91-180 days past due	5.12	1,748	91
181 days –1 year past due	11.33	3,130	355
Over 1 year past due	73.19	1,204	881
		79,151	1,339

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience adjusted to current and forward-looking factors to the debtors and economic environment, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

35. Financial Risk Management and Fair Value *(Continued)*

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, was less than one year.

(e) Fair value

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 cash equivalents, trade and other receivables, short-term bank deposits, trade and other payables and borrowings.

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

36. Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the year.

Management regards total equity attributable to owners of the Company as capital. The amount of capital as at 31 December 2021 amounted to approximately HKD686,516,000 (2020: HKD640,567,000) which management considers as optimal having considered the projected capital expenditures and the strategic opportunities.

37. Capital Commitments

	2021 ***HKD'000***	2020 *HKD'000* (Re-presented)
Commitments for the acquisition of property, plant and equipment	**3,940**	7,342

38. Related Party Transactions

(a) Key management compensation

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

	2021 ***HKD'000***	2020 *HKD'000* (Re-presented)
Basic salaries and benefits in kind	**3,062**	5,082

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

As disclosed in Note 27, on 1 November 2018, Mr. Tseung (as the lender) entered into an interest-free loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD 1,500,000 to a subsidiary of the Company and subject to the lender's overriding right of repayment on demand. As at 31 December 2021, borrowing of approximately HKD 150,000 (2020: HKD1,650,000) was due to Mr. Tseung.

38. Related Party Transactions *(Continued)*

(a) Key management compensation (Continued)

As disclosed in Note 26, other payables included amounts due to companies under the control of Mr. Tseung, of HKD43,636,000 (2020: HKD44,907,000). The balances are unsecured, interest-free and repayable on demand.

As disclosed in Note 33, acquisition of 100% equity interests in Orient Everhealth by the Group in December 2020 for a cash consideration of HKD39,006,000 (equivalent to RMB32,500,000) was a related party transaction as the vendor was controlled by Mr. Tseung.

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

(b) Significant related party transactions

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

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

Note:

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

39. Events After the Reporting Date

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

40. Note Supporting Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities:

	Borrowings *(Note 27)* *HKD'000*	**Interest payables** *HKD'000*	**Lease liabilities** *(Note 17)* *HKD'000*
At 1 January 2020 (Re-presented)	41,868	2,561	71
Changes from cash flows:			
Proceeds from new loans	65,879	–	–
Repayment of loans	(31,772)	–	–
Interest Paid	–	(1,901)	(296)
Repayment of principal portion of the lease liabilities	–	–	(3,317)
Total changes from financing cash flows:	34,107	(1,901)	(3,613)
Addition of lease liabilities	–	–	7,492
Financial expenses	–	1,901	296
Foreign exchange adjustments	2,262	158	57
Total changes	36,369	158	4,232
At 31 December 2020 and 1 January 2021 (Re-presented)	78,237	2,719	4,303
Changes from cash flows:			
Proceeds from new loans	121,219	–	–
Repayment of loans	(45,430)	–	–
Interest Paid	–	(3,819)	(100)
Repayment of principal portion of the lease liabilities	–	–	(2,260)
Total changes from financing cash flows:	75,789	(3,819)	(2,360)
Addition of lease liabilities	–	–	1,459
Disposal of subsidiaries	(19,450)	–	(2,402)
Financial expenses	–	5,763	100
Foreign exchange adjustments	2,099	6	2
Total changes	58,438	1,950	(3,201)
At 31 December 2021	136,675	4,669	1,102

41. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board on 31 March 2022.