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**Dongwu Cement International Limited**  
**東吳水泥國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 695)

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**FINANCIAL HIGHLIGHTS**

- During the Reporting Period, the Group's revenue amounted to approximately HK\$307,263,000, representing a decrease of approximately HK\$65,075,000 or 17.5% from approximately HK\$372,338,000 for the year ended 31 December 2022.
- The gross profit margin of the Group decrease from approximately 0.9% for the year ended 31 December 2022 to approximately -1.5% for the Reporting Period.
- For the year ended 31 December 2023, (loss) attributable to equity holders of the Company decrease to approximately HK\$(36,525,000) during the Reporting Period from approximately HK\$(40,468,000) for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Dongwu Cement International Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the relevant comparative figures for the corresponding period of 2022.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2023*

	<i>Notes</i>	<b>2023</b> <i>HKD'000</i>	2022 <i>HKD'000</i>
<b>Revenue</b>	5	<b>307,263</b>	372,338
Cost of sales		<u>(311,750)</u>	<u>(368,961)</u>
<b>Gross (loss)/profit</b>		<b>(4,487)</b>	3,377
Distribution expenses		<b>(2,714)</b>	(3,077)
Administrative expenses		<b>(50,728)</b>	(59,461)
Other income and other gain/(loss), net		<u><b>13,981</b></u>	<u>2,810</u>
<b>Operating loss</b>		<b>(43,948)</b>	(56,351)
Finance income		<b>10,256</b>	8,840
Finance expenses		<b>(8,556)</b>	(6,701)
Finance income – net		<b>1,700</b>	2,139
Share of results of associates		<u><b>678</b></u>	<u>2,392</u>
<b>Loss before income tax expense</b>	6	<b>(41,570)</b>	(51,820)
Income tax credit	8	<u><b>392</b></u>	<u>8,747</u>
<b>Loss for the year</b>		<u><b>(41,178)</b></u>	<u>(43,073)</u>
<b>Other comprehensive income for the year, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u><b>(14,483)</b></u>	<u>(58,376)</u>
Other comprehensive income, net of tax		<u><b>(14,483)</b></u>	<u>(58,376)</u>
<b>Total comprehensive income for the year</b>		<u><b>(55,661)</b></u>	<u><b>(101,449)</b></u>

	<i>Notes</i>	<b>2023</b> <b><i>HKD'000</i></b>	2022 <i>HKD'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(36,525)	(40,468)
Non-controlling interests		<u>(4,653)</u>	<u>(2,605)</u>
		<b><u>(41,178)</u></b>	<b><u>(43,073)</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		(52,358)	(99,303)
Non-controlling interests		<u>(3,303)</u>	<u>(2,146)</u>
		<b><u>(55,661)</u></b>	<b><u>(101,449)</u></b>
<b>Loss per share</b>			
– Basic and diluted ( <i>HKD per share</i> )	7	<b><u>(0.066)</u></b>	<b><u>(0.073)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>Notes</i>	<b>2023</b> <b>HKD'000</b>	2022 <i>HKD'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>220,625</b>	194,137
Goodwill	<i>9</i>	<b>61,589</b>	13,064
Intangible assets		<b>22,046</b>	6,767
Deposit paid for purchase of machineries and intangible assets		<b>1,812</b>	3,106
Deposit paid for acquisition of property		<b>24,716</b>	25,361
Investments in associates		<b>34,798</b>	43,339
Deferred tax assets		<b>5,313</b>	5,790
Financial assets at fair value through profit or loss		<u>–</u>	<u>112,715</u>
Total non-current assets		<b><u>370,899</u></b>	<b><u>404,279</u></b>
<b>Current assets</b>			
Inventories		<b>211,580</b>	44,028
Trade and other receivables	<i>10</i>	<b>61,158</b>	51,834
Short-term bank deposits		<b>450,385</b>	466,640
Pledged bank deposits		<b>37,785</b>	60,200
Cash and bank balances		<b><u>21,895</u></b>	<u>7,662</u>
Total current assets		<b><u>782,803</u></b>	<u>630,364</u>
<b>Current liabilities</b>			
Lease liabilities		<b>83</b>	1,032
Trade and other payables	<i>11</i>	<b>178,210</b>	223,619
Contract liabilities	<i>12</i>	<b>17,206</b>	15,175
Income tax payables		<b>5</b>	–
Borrowings	<i>13</i>	<b><u>141,806</u></b>	<u>178,439</u>

		2023	2022
	<i>Notes</i>	<b>HKD'000</b>	<i>HKD'000</i>
Total current liabilities		<u>337,310</u>	<u>418,265</u>
<b>Net current assets</b>		<u><b>445,493</b></u>	<u><b>212,099</b></u>
<b>Total assets less current liabilities</b>		<u><b>816,392</b></u>	<u><b>616,378</b></u>
<b>Non-current liabilities</b>			
Lease liabilities		–	794
Borrowings	<i>13</i>	<b>120,835</b>	–
Deferred income		<b>23,278</b>	–
Deferred tax liabilities		<u><b>35,540</b></u>	<u>35,307</u>
Total non-current liabilities		<u><b>179,653</b></u>	<u>36,101</u>
<b>Net assets</b>		<u><b>636,739</b></u>	<u><b>580,277</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	<b>5,520</b>	5,520
Reserves		<u><b>529,335</b></u>	<u>581,693</u>
		<u><b>534,855</b></u>	<u>587,213</u>
<b>Non-controlling interests</b>		<u><b>101,884</b></u>	<u>(6,936)</u>
<b>Total equity</b>		<u><b>636,739</b></u>	<u><b>580,277</b></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2023

	Equity attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Other reserves	Translation reserve	Retained earnings	Total		
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
<b>As at 1 January 2022</b>	5,520	460,321	4,516	216,159	686,516	(4,790)	681,726
Loss for the year	–	–	–	(40,468)	(40,468)	(2,605)	(43,073)
Exchange difference arising on translation of financial statements of foreign operations	–	–	(58,835)	–	(58,835)	459	(58,376)
Total comprehensive income	–	–	(58,835)	(40,468)	(99,303)	(2,146)	(101,449)
<b>At 31 December 2022 and 1 January 2023</b>	5,520	460,321	(54,319)	175,691	587,213	(6,936)	580,277
Loss for the year	–	–	–	(36,525)	(36,525)	(4,653)	(41,178)
Exchange difference arising on translation of financial statements of foreign operations	–	–	(15,833)	–	(15,833)	1,350	(14,483)
Total comprehensive income	–	–	(15,833)	(36,525)	(52,358)	(3,303)	(55,661)
Appropriations to statutory reserves	–	22	–	(22)	–	–	–
Addition through business combination	–	–	–	–	–	112,123	112,123
<b>At 31 December 2023</b>	<u>5,520</u>	<u>460,343</u>	<u>(70,152)</u>	<u>139,144</u>	<u>534,855</u>	<u>101,884</u>	<u>636,739</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	<b>2023</b> <b><i>HKD'000</i></b>	2022 <i>HKD'000</i>
<b>Cash flows from operating activities</b>			
Loss before income tax expense		<u>(41,570)</u>	<u>(51,820)</u>
Adjustments for:			
Depreciation of property, plant and equipment	<i>6</i>	<b>23,049</b>	25,014
Depreciation of right-of-use assets	<i>6</i>	<b>1,399</b>	1,347
Amortisation of intangible assets	<i>6</i>	<b>1,199</b>	874
Provision for/(reversal of provision for) impairment on trade receivables, net	<i>6</i>	<b>160</b>	(3,016)
Provision for impairment on other receivables, net	<i>6</i>	<b>89</b>	31
Gain on lease modification		<b>(141)</b>	–
Government grants		<b>(2,442)</b>	–
Loss on disposal of property, plant and equipment		<b>420</b>	–
Exchange loss, net		<b>267</b>	35
Change in fair value of financial assets at fair value through profit or loss		<b>(5,762)</b>	–
Finance income		<b>(10,256)</b>	(8,840)
Finance expenses		<b>8,556</b>	6,701
Share of results of associates		<b>(678)</b>	(2,392)
Operating loss before working capital changes		<b>(25,710)</b>	(32,066)
Decrease in inventories		<b>889</b>	18,927
Decrease in trade and other receivables		<b>9,955</b>	135,943
(Decrease)/increase in trade and other payables and contract liabilities		<b>(98,542)</b>	9,930
Increase in deferred income		<b>1,127</b>	–
<b>Cash (used in)/generated from operating activities</b>		<b>(112,281)</b>	132,734
Income tax paid		<b>(14)</b>	(8,259)
Net cash (used in)/generated from operating activities		<b><u>(112,295)</u></b>	<b><u>124,475</u></b>

<i>Notes</i>	<b>2023</b> <i>HKD'000</i>	2022 <i>HKD'000</i>
<b>Cash flows from investing activities</b>		
Interest received	<b>10,256</b>	8,840
Acquisition of subsidiaries, net of cash acquired	<b>(20,919)</b>	–
Purchases of property, plant and equipment	<b>(14,072)</b>	(12,825)
Purchases of intangible assets	<b>(244)</b>	(8)
Proceeds from redemption of investment in financial assets at fair value through profit or loss	<b>116,063</b>	–
Purchase of financial assets at fair value through profit or loss	–	(116,020)
Dividend received from an associate	<b>8,148</b>	–
Proceed from disposal of property, plant and equipment	<b>478</b>	–
Deposit refunded for purchase of intangible assets	<b>1,901</b>	–
Placement of short-term deposits	<b>(452,233)</b>	(480,325)
Release of short-term deposits	<b>456,645</b>	384,956
Placement of pledged bank deposits	<b>(37,940)</b>	(61,965)
Release of pledged bank deposits	<b>58,911</b>	57,983
Deposit paid for purchase of machineries	<b>(1,461)</b>	(3,197)
Deposit paid for acquisition of property	–	(26,105)
Net cash generated from/(used in) investing activities	<b>125,533</b>	(248,666)
<b>Cash flows from financing activities</b>		
Interest paid	<b>(7,790)</b>	(5,965)
Proceeds from borrowings	<b>247,319</b>	191,085
Repayments of borrowings	<b>(239,605)</b>	(138,064)
Repayment of principal portion of the lease liabilities	<b>(707)</b>	(655)
Net cash (used in)/generated from financing activities	<b>(783)</b>	46,401
<b>Net increase/(decrease) in cash and bank balances</b>		
Cash and bank balances at beginning of the year	<b>7,662</b>	90,292
Effect of exchange rate changes on cash and bank balances	<b>1,778</b>	(4,840)
<b>Cash and bank balances at end of the year</b>	<b>21,895</b>	7,662



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The Company is an investing holding company. The Group is principally engaged in the production and sales of cement, the research and development in biotechnology, the production and sales of magnetic materials and other application products and the trading business. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, People's Republic of China (the "PRC").

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

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

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

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

Other than the amendments to HKAS 1 and HKFRS Practice Statement 2, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

#### ***Disclosure of Accounting Policies (Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements)***

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

**(b) Revised HKFRSs that have been issued but are not yet effective**

The following amended HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-Current Liabilities with Covenants <sup>1</sup>
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

**3. BASIS OF PREPARATION**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

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

**(c) Use of estimates and judgements**

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

**(d) Functional and presentation currencies**

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

The Company's functional currency is Hong Kong Dollars ("**HKD**") since majority of the activities of the Company are conducted in HKD. The majority of the Group's operations are carried out in Renminbi ("**RMB**"). The consolidated financial statements are presented in HKD as the shareholders and potential investors of the Company can have more accurate picture of the Group's financial performance.

**4. SEGMENT INFORMATION**

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

**Reportable segment:**

- Production and sale of cement
- Research and development in biotechnology
- Production and sale of magnetic materials and other application products
- Trading business

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

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

## Year ended 31 December 2023

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

#### 4. SEGMENT INFORMATION (Continued)

Year ended 31 December 2022

	Production and sale of cement <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Total <i>HKD'000</i>
<b>Time of revenue Recognition</b>			
At a point in time	371,737	–	371,737
Transferred over time	<u>601</u>	<u>–</u>	<u>601</u>
Segment revenue	<u>372,338</u>	<u>–</u>	<u>372,338</u>
Segment results	<u>(36,782)</u>	<u>(7,461)</u>	(44,243)
Unallocated expenses			(7,577)
Income tax credit	<u>8,747</u>	<u>–</u>	<u>8,747</u>
Loss for the year			<u>(43,073)</u>
<b>As at 31 December 2023</b>			
Segment assets	<u>867,291</u>	<u>25,159</u>	892,450
Deposit paid for acquisition of property			25,361
Financial assets at fair value through profit or loss			112,715
Unallocated assets			<u>4,117</u>
Total assets			<u>1,034,643</u>
Segment liabilities	<u>385,779</u>	<u>2,795</u>	388,574
Unallocated liabilities			<u>65,792</u>
Total liabilities			<u>454,366</u>

## Other segment information

### Year ended 31 December 2023

	Production and sale of cement <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Production and sale of magnetic materials and other application products <i>HKD'000</i>	Unallocated <i>HKD'000</i>	Total <i>HKD'000</i>
Depreciation of property, plant and equipment	22,604	399	775	670	24,448
Amortisation of intangible assets	-	827	372	-	1,199
(Reversal of provision for)/provision for impairment on trade and other receivables, net	149	(9)	112	(3)	249
Government grants	(141)	(100)	(2,201)	-	(2,442)
Finance expenses	4,366	43	3,178	969	8,556
Finance income	(10,187)	(1)	(64)	(4)	(10,256)
Share of results of associates	415	-	-	263	678
Additions to property, plant and equipment	4,235	27	3,139	7,809	15,210
Carrying amount of investment in associates	<u>31,507</u>	<u>-</u>	<u>-</u>	<u>3,291</u>	<u>34,798</u>

### Year ended 31 December 2022

	Production and sale of cement <i>HKD'000</i>	Research and development in biotechnology <i>HKD'000</i>	Unallocated <i>HKD'000</i>	Total <i>HKD'000</i>
Depreciation of property, plant and equipment	25,121	754	486	26,361
Amortisation of intangible assets	-	874	-	874
(Reversal of provision for)/provision for impairment on trade and other receivables, net	(2,992)	6	1	(2,985)
Government grants	(2,548)	(166)	-	(2,714)
Finance expenses	5,671	52	978	6,701
Finance income	(8,837)	(2)	(1)	(8,840)
Share of results of associates	2,392	-	-	2,392
Additions to property, plant and equipment	18,443	1,882	-	20,325
Carrying amount of investment in associates	<u>40,231</u>	<u>-</u>	<u>3,108</u>	<u>43,339</u>

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer within the scope of HKFRS 15. There were no inter-segment sales for both years. Revenue derived from the single largest external independent customers from the Group's production and sale of cement segment amounted to approximately HKD35,705,000 (2022: HKD47,062,000), which represent 11.62% of the Group's revenue for the year ended 31 December 2023 (2022: 12.64%).

## 5. REVENUE

An analysis of revenue is as follows:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
<u>Sale of products</u>		
Sale of Composite Portland cement strength class 32.5R	63,128	80,964
Sale of Ordinary Portland cement strength class 42.5	202,780	290,773
Sale of motor machines and parts	3,201	–
Sale of rare earth materials	2,802	–
Sale of metals	30,311	–
	<u>302,222</u>	<u>371,737</u>
<u>Provision of processing services</u>		
Solid waste processing income	221	601
Metal processing income	4,820	–
	<u>5,041</u>	<u>601</u>
	<u>307,263</u>	<u>372,338</u>

## 6. LOSS BEFORE INCOME TAX EXPENSE

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Cost of inventories sold	303,357	368,961
Depreciation of property, plant and equipment	23,049	25,014
Depreciation of right-of-use assets	1,399	1,347
Amortisation of intangible assets	1,199	874
Provision for/(reversal of provision for) impairment on trade receivables, net	160	(3,016)
Provision for impairment on other receivables, net	89	31
Short term lease expense	367	275
Employee expenses (including directors' remuneration)		
– wages and salaries	25,262	21,126
– pension scheme contribution	7,320	7,351
Auditors' remuneration		
– audit services	1,412	1,369
– non-audit services	151	162

## 7. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HKD36,525,000 (2022: HKD40,468,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2022: 552,000,000).

As there were no dilutive options and other dilutive potential ordinary shares in issue for the years ended 31 December 2023 and 2022, diluted loss per share is the same as basic loss per share.



## 8. INCOME TAX CREDIT

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 2023 and 2022. For the PRC subsidiaries approved as High and New Technology Enterprise or Advance Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the year ended 31 December 2023 (2022: Nil). No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

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

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Current tax		
– Current year	<b>19</b>	–
– Under provision in respect of prior years	<u>–</u>	<u>1,035</u>
	<b>19</b>	1,035
Deferred tax	<u>(411)</u>	<u>(9,782)</u>
Income tax credit	<u><b>(392)</b></u>	<u>(8,747)</u>

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Loss before income tax expense	<u>(41,570)</u>	<u>(51,820)</u>
Tax calculated at the PRC profits tax rate of 25% (2022: 25%)	(10,392)	(12,955)
Effect of different tax rates in other jurisdictions	1,053	644
Tax effect of expenses not deductible for tax purposes	3,539	5,240
Tax effect of tax loss not recognised	5,541	1,865
Tax effect of income not assessable for tax purposes	(170)	(754)
Tax at concessionary rate	699	–
Under provision in respect of prior years	–	1,035
Accrual of withholding tax liability	<u>(662)</u>	<u>(3,822)</u>
Income tax credit	<u><u>(392)</u></u>	<u><u>(8,747)</u></u>

## 9. GOODWILL

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Gross carrying amount		
As at 1 January	13,064	14,205
Addition through business acquisition	48,359	–
Exchange differences	<u>166</u>	<u>(1,141)</u>
As at 31 December	<u><u>61,589</u></u>	<u><u>13,064</u></u>
Accumulated impairment losses		
As at 1 January and 31 December	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
<b>Net carrying amount</b>		
As at 1 January	<u><u>13,064</u></u>	<u><u>14,205</u></u>
As at 31 December	<u><u>61,589</u></u>	<u><u>13,064</u></u>

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Everhealth CGU ( <i>note (a)</i> )	<b>12,732</b>	13,064
Chengzheng CGU ( <i>note (b)</i> )	<b>48,857</b>	–
	<b><u>61,589</u></b>	<u>13,064</u>

*Note (a):*

Goodwill arose from a business acquisition during the year ended 31 December 2020 and it was solely allocated to the CGU, namely Orient Everhealth and its 65% equity owned subsidiary, Suzhou Everhealth in the research and development in biotechnology segment.

The Group performed its annual impairment test with a valuation performed by an independent qualified professional valuer. The Group considers the relationship between its market capitalisation and its book value, assumptions reflective of prevailing market condition.

The recoverable amount of the CGU, in which the goodwill, property, plant and equipment, and the intangible assets have been included that generate cash flows together in the respective CGU for the purpose of impairment assessment as at 31 December 2023, 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 2.22% (2022: 2.0%), which does not exceed the long-term growth rate for the biotechnology industry in the PRC. Discount rate used of 21.86% (2022: 21.76%) 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.

*Note (b):*

Goodwill arose from a business acquisition during the year ended 31 December 2023 and it was solely allocated to the CGU, namely Chengzheng Group and its subsidiaries, in the production and sale of magnetic materials and other application products segment.

The Group performed its annual impairment test with a valuation performed by an independent qualified professional valuer. The Group considers the relationship between its market capitalisation and its book value, assumptions reflective of prevailing market condition.

The recoverable amount of the CGU, in which the goodwill, property, plant and equipment, certain non-refundable deposits, and the intangible assets have been included that generate cash flows together in the respective CGU for the purpose of impairment assessment as at 31 December 2023, 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 2.22%, which does not exceed the long-term growth rate for the rare earth industry in the PRC. Discount rate used of 19.87% is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience.

#### 10. TRADE AND OTHER RECEIVABLES

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Trade and bills receivables from third parties	31,181	43,385
<i>Less: Provision for impairment (note (iii))</i>	<u>(330)</u>	<u>(176)</u>
<b>Trade and bills receivables, net (note (i))</b>	<u><b>30,851</b></u>	<u>43,209</u>
Prepayments and deposits (note (ii))	48,140	33,083
Other receivables	8,872	4,100
<i>Less: Provision for impairment on other receivables (note (iii))</i>	<u>(177)</u>	<u>(91)</u>
<b>Prepayments, deposits and other receivables</b>	<u><b>56,835</b></u>	<u>37,092</u>
<b>Total trade and other receivables</b>	<u><b>87,686</b></u>	<u>80,301</u>
<i>Less: Non-current portion</i>		
Deposits paid for purchase of machineries and intangible assets (Note (ii))	(1,812)	(3,106)
Deposit paid for acquisition of property (Note (ii))	<u>(24,716)</u>	<u>(25,361)</u>
<b>Current trade and other receivables</b>	<u><u><b>61,158</b></u></u>	<u><u>51,834</u></u>

(i) **Trade and bills receivables**

Credit terms given to its customers generally range from 30 to 90 days (2022: 30 to 90 days). For major customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1,000,000 and RMB50,000,000 with a credit period of up to 365 days, and (ii) any outstanding 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:

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Within 90 days	<b>20,292</b>	38,692
From 91 days to 180 days	<b>5,522</b>	4,117
From 181 days to 1 year	<b>5,037</b>	258
From 1 year to 2 years	–	142
	<b>30,851</b>	43,209

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

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Neither past due nor impaired ( <i>note (a), (b)</i> )	<b>22,302</b>	40,157
1 to 90 days past due	<b>3,512</b>	2,652
91 to 180 days past due	<b>5,037</b>	–
181 to 1 year past due	–	400
	<b>30,851</b>	43,209

Notes:

- (a) The balances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.
- (b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience adjusted to current and forward-looking factors to the debtors and economic environment, the directors are of the opinion that these balances are not considered in default as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

**(ii) Prepayments and deposits**

As at 31 December 2023, included in the Group's prepayments and deposits were mainly represented by the prepayments and deposits amounted to HKD20,402,000, HKD1,812,000, HKD24,716,000 and nil (31 December 2022: HKD4,311,000, HKD1,163,000, HKD25,361,000 and HKD1,943,000) paid to the suppliers for raw material purchases, purchase of machineries, purchase of property and right of use of licence respectively.

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Trade receivables:		
Beginning of year	176	3,377
Provision for the year	296	39
Balance recovered for the year	(136)	(3,055)
Exchange differences	(6)	(185)
	<u>330</u>	<u>176</u>

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Other receivables:		
Beginning of year	91	67
Provision for the year	89	31
Exchange differences	(3)	(7)
	<u>177</u>	<u>91</u>

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

#### 11. TRADE AND OTHER PAYABLES

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Trade payables	<b>43,611</b>	73,300
Bill payables	<b>70,715</b>	85,420
Salary and bonus payables	<b>5,215</b>	4,834
VAT payables ( <i>note (a)</i> )	<b>577</b>	1,577
Amounts due to related parties	<b>8,222</b>	44,136
Other payables	<b>27,900</b>	14,352
Consideration payables	<b>21,970</b>	–
	<b><u>178,210</u></b>	<u>223,619</u>

The credit period granted by the Group's principal suppliers in cement segment is ranged from 30 to 90 days (2022: 30 to 90 days).

As at 31 December 2023, bank deposit of HKD37,785,000 (2022: HKD60,200,000) are pledged as security for bill payables.

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

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Within 30 days	<b>7,938</b>	12,841
From 31 to 90 days	<b>11,488</b>	36,264
From 91 days to 180 days	<b>10,649</b>	15,566
From 181 days to 1 year	<b>9,774</b>	6,216
From 1 year to 2 years	<b>994</b>	1,020
Over 2 years	<b>2,768</b>	1,393
	<b><u>43,611</u></b>	<u>73,300</u>

*Notes:*

- (a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2022: 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.

## 12. CONTRACT LIABILITIES

	<b>2023</b>	2022
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
Advance from customers arising from:		
– Sales of cement products	<b>16,292</b>	15,175
– Sales of magnetic materials and other application products	<b>914</b>	–
	<b><u>17,206</u></b>	<u>15,175</u>

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

### ***Sales of cement products***

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

### ***Sales of magnetic materials and other application products***

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



***Movements in advance from customers***

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Balance as at 1 January	15,175	15,876
– Revenue recognised for the balances included in the contract liabilities at the beginning of the year	(14,850)	(15,029)
– Addition through business acquisition	1,361	–
– Increase for the cash received for the balances where revenue is not yet recognised during the year	15,896	15,620
– Exchange differences	(376)	(1,292)
	<u>17,206</u>	<u>15,175</u>

**13. BORROWINGS**

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Bank borrowings ( <i>note (a)</i> )	114,025	100,317
Bank borrowings, secured ( <i>note (b)</i> )	137,916	–
Other loan, unsecured ( <i>note (c),(d),(e),(f),(g)</i> )	10,700	78,122
	<u>262,641</u>	<u>178,439</u>
Total borrowings		
Carrying amount of borrowings repayable:		
On demand or within one year	141,806	178,439
More than one year, but not exceeding two years	20,157	–
More than two years, but not exceeding five years	55,035	–
More than five years	45,643	–
	<u>262,641</u>	<u>178,439</u>
Current portion	141,806	178,439
Non-current portion	120,835	–
	<u>262,641</u>	<u>178,439</u>
Total	<u>262,641</u>	<u>178,439</u>

*Notes:*

- (a) As at 31 December 2023, bank borrowings of approximately HKD114,025,000 (2022: HKD100,317,000) with fixed interest rates ranged from 4.20% to 4.95% (2022: 4.40% to 5.30%) per annum was secured by corporate guarantees from the Company.
- (b) As at 31 December 2023, bank borrowings of approximately HKD137,916,000 (2022: nil) with fixed interest rates ranged from 4.20% to 8.10% (2022: nil) per annum was secured by equity interest of subsidiaries, land use rights of amount HKD2,392,000 and property, plant and equipment of amount HKD8,263,000 of the Group.
- (c) As at 31 December 2023, the Group's other loans included a loan of HKD10,700,000 (2022: HKD10,700,000) with a fixed interest rate of 9% per annum from a third party.
- (d) As at 31 December 2022, the Group's other loans included a loan of HKD890,000 with a fixed interest rate of 13% per annum from another third party, which was fully repaid during the year.
- (e) As at 31 December 2022, the Group's other loans included an interest-free loan of HKD3,600,000 from a company under control of Mr. Tseung, which was fully repaid during the year.
- (f) As at 31 December 2022, the Group's other loans included an interest-free loan of HKD62,782,000 from Dongtong Environment and Technology, an associate of the Group, which was fully repaid during the year.
- (g) As at 31 December 2022, the Group's other loans included an unsecured interest-free loan of HKD150,000 provided by Mr. Tseung, which was fully repaid during the year.

#### 14. SHARE CAPITAL

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

## 15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023 (2022: Nil).

No final dividends were declared by the Board for the year ended 31 December 2023 (2022: Nil).

## 16. RELATED PARTY TRANSACTIONS

### (a) Key management compensation

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Basic salaries and benefits in kind	<u>4,646</u>	<u>3,296</u>

There are eleven key management personnel of the Group with remuneration fell within the band of nil to HKD1,000,000 and one fell within the band of HKD1,000,001 to HKD1,500,000 in 2023 (2022: twelve within the band of nil to HKD1,000,000).

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 HKD1,500,000 to a subsidiary of the Company and subject to the lender's overriding right of repayment on demand. The borrowing of approximately HKD150,000 due to Mr. Tseung as at 31 December 2022 was fully repaid during the year.

Borrowing of approximately HKD62,782,000 due to Dongtong Environment and Technology, an associate of the Group, as at 31 December 2022 was fully repaid during the year.

Other payables included amounts due to companies under the control of Mr. Tseung, of HKD8,222,000 (2022: HKD44,136,000). The balances are unsecured, interest-free and repayable on demand.

Other than the above disclosed, there are no material transactions among the Group and its related parties for the year ended 31 December 2023 (2022: Nil).

**(b) Significant related party transactions**

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

	<i>Note</i>	<b>2023</b> <b><i>HKD'000</i></b>	2022 <i>HKD'000</i>
Revenue received from			
– an associate	<i>(i)</i>	<u><u>221</u></u>	<u><u>601</u></u>
Dividend received from			
– an associate		<u><u>8,148</u></u>	<u><u>–</u></u>

*Note:*

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Overview

### *Cement Segment*

In 2023, the cement industry suffered the severest challenges. Affected by the sluggish cement demand due to in-depth adjustments of the real estate industry, the total cement demand trended downward throughout the year. Against the backdrop of multiple adverse factors such as intensified market competition, high cost of upstream raw materials, depression of downstream real estate enterprises and stricter constraints on environmental protection energy efficiency, various cement enterprises were faced with intensified price competition rather than cooperation in order to maintain their market share, which resulted in fluctuations in the bottom cement price.

The gross domestic product for the year amounted to RMB126,058.2 billion in China, representing a growth of 5.2% over the corresponding period of last year in terms of constant price (2022: 3%). The major macro-economic data stayed in a reasonable range in 2022, however, several indicators related to cement consumption showed an obvious decline; investments in fixed assets, real estate and infrastructures decreased significantly. According to the National Bureau of Statistics (NBS), the fixed asset investment in China (excluding rural households) from January to December 2023 reached RMB50,303.6 billion, representing a year-on-year growth of 3.0% (2022: 5.1%). The fixed asset investment (excluding rural households) increased by 0.09% (2022: 0.49%) in December over the corresponding period of last year. In 2023, the real estate development investment in China reached RMB11,091.3 billion, representing a decrease of 9.6% over the corresponding period of last year (2022: 10.0%). In 2023, the area under construction by real estate developers was 8,383.64 million square meters, representing a decrease of 7.2% over the corresponding period of last year. Among them, the residential construction area was 5,898.84 million square meters, representing a decrease of 7.7%. The area of new property construction was 953.76 million square meters, representing a decrease of 20.4%. (Source: NBS). In 2023, the overall demand for cement was characterized by “sluggish demand, lower expectation and weakening of off-peak season characteristics”. In 2023, the total cement demand still trended downwards in the face of sluggish cement demand of the real estate industry, although the infrastructure construction and manufacturing industry still maintained stable and upward development trends during in-depth adjustments of the real estate industry. According to the NBS, the cement production in China in 2023 was 2.023 billion tons with a year-on-year decrease of 0.9% (on the same basis), representing a decrease of 9.9 percentage points over the corresponding period of last year. The cement production reached the lowest level since 2011. In terms of regions, cement production in South China declined significantly, among which, the decline in Central-south and East China was the most significant.

In 2023, the national cement market price dropped after rising, and encountered radical adjustments. According to the statistical data of Digital Cement of China Cement Association, the average cement market price for the whole year was RMB394 per tonne, representing a significant year-on-year decrease of 15%, which was at the lowest level in the past six years. The main reasons for the annual minor fluctuations around cement bottom prices: on one hand, the market demand remained sluggish; on the other hand, with the continuous shift of the sales strategy of the enterprise between competition and cooperation, and fierce price competition, the bottom adjustments of cement price became the main theme. (Source: Digital Cement).

In terms of regions, Northeast China recorded the largest price decline, down by 21.8% year-on-year. The cement price in East China in which the Group is located recorded a year-on-year decrease of 16%, with a downward trend after rising in the previous period. The market price was average in the first half, but suffered a drastic decline due to the fierce price competition in the third quarter. Therefore, most enterprises suffered from losses or were on the verge of losses. According to Digital Cement, the ex-factory price of bulk P.O42.5 dropped to RMB220/tonne. (Source: Digital Cement). In 2023, the cement segment of the Group continuously suffered from operating losses affected by multiple adverse factors such as the intensified market competition, high cost of upstream raw materials, depression of downstream real estate enterprises and stricter constraints on environmental protection energy efficiency. As at 31 December 2023, the Group recorded revenue of approximately HK\$265,908,000 from the sales of cement products, representing a decrease of approximately HK\$105,829,000 or approximately 28.5% compared with that of approximately HK\$371,737,000 for the year ended 31 December 2022.

### ***Biomedical Segment***

As a new therapeutic method, CAR-T cell therapy offers breakthrough efficacy and cure potential for cancer patients. The first CAR-T cell therapy was approved in 2017. Throughout the past few years, the CAR-T industry is still under development and improvement all over the world. The CAR-T cell therapy is still in early stage of development as a whole, despite the fact that the CAR-T cell therapy has achieved good performance in the market due to its unique mechanism of action and excellent clinical efficacy.

The clinical trials for ROR1 CAR-T cell therapy under the research and development (“R&D”) under the Group’s biomedical segment had already been initiated at the Union Hospital, Tongji Medical College, Huazhong University of Science and Technology to evaluate the safety and preliminary efficacy of the drug in the treatment of ROR1 positive advanced ovarian cancer. However, owing to the impact of the pandemic in slowing down the R&D progress, the R&D work has been progressing later than expected and no breakthrough progress has been made yet. In addition, the Company’s current development focus has shifted to the rare earth segment and expects to reduce its investment in the biomedical segment in the future. Besides, after several years of R&D, the Group believes that the development of CAR-T drugs proves to be more difficult than expected, which increases risks of uncertainty in the R&D process.

### ***Rare Earth Segment***

In 2023, affected by the market supply and demand relationship in the rare earth industry, the prices of major rare earth products, represented by praseodymium neodymium products, continued to trend downward since the beginning of the year, and the average price for the year decreased year-on-year. Nevertheless, from the demand side, rare earth is not only an important strategic resource but also a strategic key element in the development of high-tech and green low-carbon industries. Due to its special physical properties, it has been widely used in industrial manufacture, emerging industries, green energy and other fields. From the supply side, the rare earth resource is non-renewable, so China adopts the aggregate index control policy for rare earth mining, smelting and separation. Against the backdrop of rapid growth in demand and the supply side mainly from quota distribution, the demand for rare earth is likely to exceed the supply, which can probably support the rise in rare earth price.

After more than 30 years' development, China's permanent magnet motor industry has broken the overseas monopoly through the rare earth industry, forming the global competition pattern of permanent magnet motors dominated by China and Japan. The main driving factors are as follows: 1) *products*: permanent magnet motors enjoy such advantages as simple structure, reliable operation, light weight and high efficiency; 2) *policies*: efforts have been made to strengthen the industrial support and actively promote the application of permanent magnet materials and popularization of energy-saving motors. At present, permanent magnet motors have been successfully applied in automobiles, household appliances and industrial automation and other fields, which provides powerful support for technical innovation and market expansion. In addition, due to the significance to economic development, permanent magnet motors have been gradually applied in the petrochemical, oil gas, metallurgy, power and other industries. In future, with the more intelligent, automatic and energy-saving tendency of industrial development, permanent magnet motors will have great potential in several downstream fields and maintain the trend of rapid development.

The Company believes that the market demand for rare earth, rare earth permanent magnet materials and rare earth permanent magnet motors in the PRC will grow significantly in line with the prevailing market trend of clean energy usage and favorable policies. Against this background, the Group had acquired 62.5% equity interest in Ganzhou Chengzheng Rare Earth New Material Co., Ltd.\* (贛州誠正稀土新材料股份有限公司) (“**Ganzhou Chengzheng**”) by acquisition and capital injection during the Reporting Period. Upon completion of the transaction, the financial results of Ganzhou Chengzheng had been consolidated in the Group's financial results since 1 August 2023. For details of the acquisition, please refer to the announcement of the Company dated 9 June 2023. As Ganzhou Chengzheng has the technologies and established experience in areas such as rare earth exploration and mining, production of rare earth permanent magnetic materials and rare earth permanent magnetic motors, which will allow Company to tap into the rare earth and rare earth permanent magnets businesses in a more effective and efficient manner. The Directors are of a view that, the acquisition provides the Group with an opportunity to transition to the new energy and energy conservation industries and the rare earth permanent magnet area, thereby diversifying the Group's business and enhancing Shareholder value, which is in the interests of the Company and the Shareholders as a whole.



Since the completion of the acquisition of Ganzhou Chengzheng in late July 2023, the Group has conducted a series of optimisations in the rare earth segment, mainly include that: (1) comprehensive renovation and upgrading was carried out on the original permanent magnet material equipment and production process; the equipment and technology renovation of the permanent magnet material workshop was completed at the beginning of February 2024 and the full renovation of the production was achieved in mid-March 2024, which improved the original product distribution and process parameters, defined the new product positioning and the target market, thus improving the original economic efficiency and gradually increasing production and sales volume; (2) optimized the production line of the rare earth calcination workshop, reduced energy consumption by addition of environmentally friendly equipment, and improved production efficiency by better operating procedures; (3) in terms of permanent magnet materials and permanent magnet motors, we actively participated in provincial and municipal science and technology R&D projects to enhance our R&D capability, and in 2023, we were certified as a national high-tech enterprise, and our high-quality rare earth permanent magnet motor system was awarded the Jiangxi Science and Technology Advancement Second Prize; and we were certified as a provincial-level enterprise technology center; (4) we have adjusted and supplemented our middle and senior management to attract technical and managerial talents, and at the same time, we have reorganized and optimized the Company's business structure; and (5) we optimized our debt structure by adjusting the types of corporate bank loans.

### ***International Trading Segment***

In the second half of the year during the Reporting Period, the Group carried out international trading business and currently engaged in international trading of products including electrolytic copper. In addition, the Group has added the rare earth segment and established a subsidiary in Laos with the intention to layout raw rare earth ore-related industries, which will also contribute to the continued diversification of the product portfolio of the international trading segment in the future.

## ***Business Review***

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

### ***Revenue***

During the Reporting Period, the Group recorded a total revenue amounted to HK\$307,263,000. Among them, the cement segment recorded revenue amounted to approximately HK\$266,129,000, representing an decrease of approximately HK\$106,209,000 or 28.5% from approximately HK\$372,338,000 in the corresponding period in 2022. The decrease was mainly due to the decline in sales volume under the combined effects from cement price drops caused by intensified market competition, depression of downstream real estate enterprises and stricter constraints on environmental energy consumption during the Reporting Period.

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

	2023			2022		
	Sales	Average		Sales	Average	
	Volume	Selling	Revenue	Volume	Selling Price	Revenue
	<i>Thousand</i>	<i>Price</i>		<i>Thousand</i>	<i>HK\$/ tonne</i>	
	<i>tonnes</i>	<i>HK\$/ tonne</i>	<i>HK\$'000</i>	<i>tonnes</i>	<i>tonne</i>	<i>HK\$'000</i>
PO 32.5 Cement	<b>232</b>	<b>272</b>	<b>63,128</b>	236	343	80,964
PC 42.5 Cement	<b>707</b>	<b>287</b>	<b>202,780</b>	746	390	290,773

Categorized by product type, the sales volume of cement products in 2023 amounted to approximately 939 thousand tonnes, representing a decrease of approximately 4.4% from 2022, while the sales income of cement products was approximately HK\$265,908,000, representing a decrease of approximately 28.5% from 2022.

The rental income from cement kilns in 2023 amounted to approximately HK\$221,000, representing a decrease of approximately HK\$380,000 or 63.2% from approximately HK\$601,000 in 2022.

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

	2023		2022	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
<b>Jiangsu Province</b>	<b>228,343</b>	<b>85.87%</b>	312,612	84.09%
Wujiang District	<b>180,392</b>	<b>67.84%</b>	312,042	83.94%
Suzhou (excluding Wujiang District)	<b>47,951</b>	<b>18.03%</b>	570	0.15%
<b>Zhejiang Province</b>	<b>32,529</b>	<b>12.24%</b>	56,954	15.32%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	<b>18,948</b>	<b>7.13%</b>	30,559	8.22%
Jiaxing	<b>13,581</b>	<b>5.11%</b>	26,395	7.10%
<b>Shanghai</b>	<b>5,036</b>	<b>1.89%</b>	2,171	0.59%
<b>Total</b>	<b>265,908</b>	<b>100.00%</b>	<b>371,737</b>	<b>100.00%</b>

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

During the period from 1 August 2023 to 31 December 2023, the Group's rare earth segment recorded revenue amounted to approximately HK\$10,823,000 and the following table sets out an analysis of the revenue of the rare earths segment by type of revenue:

	<b>from 1 August 2023 to 31 December 2023 <i>HK\$'000</i></b>
Sales of motor machines	790
Sales of magnetic materials	2,410
Sales of anode materials and oxides	2,802
Electroplating and processing	1,249
Calcination service	<u>3,572</u>

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

### ***Gross Profit and Gross Profit Margin***

During the Reporting Period, the Group recorded gross loss amounted to approximately HK\$4,487,000, of which cement segment recorded gross loss amounted to HK\$2,431,000, representing a decrease of approximately HK\$5,808,000 or approximately 172% as compared to approximately HK\$3,377,000 in 2022, while the gross profit margin amounted to approximately -0.9% in 2023, representing a decrease of approximately 1.8% as compared to approximately 0.9% in 2022. The decrease was mainly due to (1) cement price drops caused by multiple factors including intensified market competition and depression of downstream real estate enterprises; (2) pressures from high cost of upstream raw materials; (3) pressures on equipment maintenance expenses caused by stricter constraints on environmental energy consumption; and (4) fixed cost per unit increase resulting from enterprises' kiln suspension for a long period during the Reporting Period.

From 1 August 2023 to 31 December 2023, the rare earth segment recorded gross loss of approximately HKD2,086,000. After the completion of the Group's acquisition of and capital injection into Ganzhou Chengzheng to the end of 2023, a series of coordinated adjustments have been made to the subsidiary engaged in the rare earth segment, including management restructuring, technical modifications, equipment maintenance and renewal to the magnetic material workshop, within 5 months up to the end of the year, after which production and sales of the rare earth segment have gradually got on the right track but have not yet formed a scale due to the short period after the acquisition. Therefore, a gross loss was recorded due to the higher fixed costs per unit, and the gross margin was approximately -19.3%.

Since October, the Group had commenced an international trading business in relation to electrolytic copper, starting a new chapter for the international trading segment. From October to December 2023, the business segment recorded gross profit of HKD29,000, generating a gross profit margin of approximately 0.1%.

### ***Other Income and Other Gain***

The Group's other income and other gain amounted to approximately HK\$13,981,000 during the Reporting Period, of which cement segment recorded other income of approximately HK\$12,073,000, representing an increase of approximately HK\$9,263,000 or approximately 330% compared to approximately HK\$2,810,000 in 2022, which is mainly due to the investment income during the year and recovery of bad debts written off in previous years.

From 1 August 2023 to 31 December 2023, rare earth segment recorded other income of approximately HK\$2,224,000, which was mainly government subsidy income.

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

The Group's sales and distribution expenses amounted to approximately HK\$2,714,000 during the Reporting Period, of which cement segment incurred sales and distribution expenses of approximately HK\$2,551,000, representing a decrease of approximately HK\$526,000 or approximately 17.1% as compared to approximately HK\$3,077,000 in 2022. The decrease was mainly due to decrease in sales volume in 2023. Sales and distribution expenses in 2023 accounted for approximately 1.0% of the revenue of the cement segment, which roughly remained flat as compared to approximately 0.8% in 2022.

During the period from 1 August 2023 to 31 December 2023, rare earth segment incurred sales and distribution expenses of approximately HK\$163,000, accounted for approximately 1.5% of the revenue of rare earth segment.

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

The Group's general and administrative expenses amounted to approximately HK\$50,728,000 during the Reporting Period, of which cement segment incurred general and administrative expenses of approximately HK\$29,402,000, representing a decrease of approximately HK\$15,913,000 or approximately 35.1% as compared to approximately HK\$45,315,000 in 2022. The decrease was primarily due to higher general and administrative expenses in 2022 as a result of the production shutdown due to the pandemic.

During the period from 1 August 2023 to 31 December 2023, rare earth segment incurred general and administrative expenses amounted to approximately HK\$5,617,000.

During the Reporting Period, biomedical segment incurred general and administrative expenses amounted to approximately HK\$4,647,000, representing a decrease of approximately HK\$2,934,000 or approximately 38.7% as compared to approximately HK\$7,581,000 in 2022, which is mainly due to the decrease in salaries due to staff reduction and a decrease in R&D expenses due to the slower-than-expected progress of development projects.

### ***Tax***

The Group's income tax credit amounted to approximately HK\$392,000 during the Reporting Period, representing a significant decrease from approximately HK\$8,747,000 of income tax credit in 2022, which was primarily due to tax loss not recognised during the Reporting Period.

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

### ***Net Profit Margin***

During the Reporting Period, the Group's net profit margin was approximately -13.4%, representing a decrease of approximately 1.8% as compared to approximately -11.6% in absolute terms in 2022. The decrease was mainly attributable to

- (1) the cement segment continuously suffered from operating losses affected by multiple adverse factors such as the intensified market competition, high cost of upstream raw materials, depression of downstream real estate enterprises and stricter constraints on environmental protection energy efficiency; and
- (2) production and sales of the rare earth segment have gradually got on the right track but have not yet formed a scale, leading to higher fixed cost per unit.

### ***Liquidity and Capital Resources***

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

	<b>31 December 2023 HK\$'000</b>	31 December 2022 HK\$'000
Cash and cash equivalents	<b>21,895</b>	7,662
Borrowings	<b>262,641</b>	178,439
Debt to equity ratio	<b>81.2%</b>	78.3%
Debt to asset ratio	<b>44.8%</b>	43.9%

### ***Cash Flow***

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately HK\$21,895,000, representing an increase of approximately 185.8% from approximately HK\$7,662,000 as at 31 December 2022, which was primarily due to the decrease in short-term bank deposits and redemption of financial assets at fair value through profit or loss during the Reporting Period.

### ***Borrowings***

	<b>31 December 2023 HK\$'000</b>	31 December 2022 HK\$'000
Current:		
Borrowings		
– Cement segment	<b>86,782</b>	163,099
– Rare earth segment	<b>165,159</b>	–
– Unallocated	<b>10,700</b>	15,340
	<b>262,641</b>	178,439
Borrowings	<b>262,641</b>	178,439

As at 31 December 2023, the Group's bank borrowings amounted to approximately HK\$251,941,000, representing a increase of approximately 151.1% from approximately HK\$100,317,000 as at 31 December 2022, which was mainly due to fund raised for business acquisition during the Reporting Period.

As at 31 December 2023, borrowings of HK\$137,916,000 included the aforesaid borrowings were secured by the Group's properties, plant and equipment, land use rights and equity interest of subsidiaries. (31 December 2022: the aforesaid borrowings were not secured, pledged and guaranteed by the Group's properties, plant and equipment, land use rights or other assets).

As at 31 December 2023, the Group had no unutilised bank financing facilities.

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

As at 31 December 2023, the Group's debt to equity ratio was 81.2%.

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\$ 15,210,000 in 2023, of which HK\$4,235,000 and HK\$3,139,000 were generated from the cement segment and rare earth segment respectively. It represented a decrease from approximately HK\$18,907,000 in 2022, which was mainly due to the decrease in technical transformation costs.

As at 31 December 2023, the Group had capital commitments of approximately HK\$1,562,000 (2022: HK\$1,154,000).

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

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



### ***Contingent Liabilities***

As at 31 December 2023, the Group had no material contingent liabilities.

### ***Foreign Currency Risk***

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

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

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

## **SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

As at 9 June 2023, Orient Chengzheng Rare Earth Technology (Ganzhou) Co. Ltd.\* (東方誠正稀土科技(贛州)有限公司) (“**Orient Chengzheng**”), a wholly-owned subsidiary of the Company, had (1) acquired 25% of equity interests of Ganzhou Chengzheng from Jiangxi Starlight Enterprise Management Consulting Co.\* (江西星耀企業管理諮詢有限公司) (“**Jiangxi Starlight**”) at a consideration of RMB40 million (equivalent to approximately HK\$44.01 million) and (2) injected RMB160 million (equivalent to approximately HK\$176 million) into Ganzhou Chengzheng. After the transaction, the registered capital of the Ganzhou Chengzheng will increased by RMB56 million (equivalent to approximately HK\$61.62 million) and RMB104 million (equivalent to approximately HK\$114 million) had been credited as reserved capital of the Ganzhou Chengzheng. After the transaction, the Group held 62.5% of the equity interest of the Ganzhou Chengzheng and the financial results of Ganzhou Chengzheng had been consolidated with those of the Group. For further information regarding the above, please refer to the Company’s announcement dated 9 June 2023.

Save as disclosed above, during the Reporting Period, the Group did not conduct any other 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 2023.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had a total of 369 employees. The total remuneration of our employees amounted to approximately HK\$32,582,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

## **FUTURE PROSPECTS**

In 2024, the Group will continue to effectively reduce costs by improving internal management, upgrade existing facilities of the Company to increase production efficiency, and reduce maintenance costs. Through refined customer services, the Group will expand its market share and improve its product profitability. Moreover, the Group will continuously develop and improve its R&D team to promote the development of various product pipelines, and keep exploring other innovative pipelines. Meanwhile, the Group will continue to actively explore the investment opportunities in the emerging industries, especially in the field of new energy resources. Furthermore, the Group will attempt capital operation to enhance its operational efficiency, thereby enhancing its competitiveness comprehensively.

As an important segment of the new energy industry chain, rare-earth permanent magnet materials have been widely used in the emerging and fast-growing new energy resources and energy-saving industries in China, such as new energy vehicles, energy-saving industrial generators, and wind power generation. Over the past 10 years, national policies on the rare earth industry continued to regulate the industry into a relatively standardized and orderly pattern of development, so that China's rare earth industry, covering mining development, separation, smelting, as well as downstream rare earth materials technologies, has a world-leading position. The Company believes that with the current market trend of using clean energy and favorable policies for such, the market demand for rare earth resources, rare-earth permanent magnet materials, and rare-earth permanent magnet motors in the PRC will increase significantly. Chengzheng Rare Earth has technology and well-established experience in the fields of rare earth exploration and mining, production of rare-earth permanent magnet materials, and rare-earth permanent magnet motors, which will enable the Company to be more effective and efficient in the rare earth and rare-earth permanent magnet business.

At the beginning of February 2024, Orient Chengzheng through its subsidiary, Ganzhou Chengzheng, has also completed Phase I of the technical renovation project (the “**Project**”) in its production workshop for permanent magnet materials (the “**Production Workshop**”) in No.1, Chuangye Road, HiTech Industrial Park, Ganzhou, Jiangxi Province, the PRC and has commenced production since February 2024. As at the end of January 2024, Orient Chengzheng achieved daily production capacity of approximately 3 tons of sintered NdFeB blanks and approximately 1 ton of NdFeB finished products; and monthly production capacity of not less than 100 tons of sintered NdFeB blanks and not less than 25 tons of NdFeB finished products, respectively in Phase I of the Project in the Production Workshop. As a result, Orient Chengzheng is expected to have a significant increase in its annual production capacity. Going forward, Orient Chengzheng expects to commence Phase II of the Project this year and the Group will also make further investments, to achieve its vision of increasing the production capacity of high-performance sintered NdFeB blanks for further improvement in its production capacity and performance. For further information regarding the above, please refer to the Company's announcement dated 24 February 2023, 9 June 2023 and 5 February 2024.

In addition, in 2024, the Group will continue to enhance the production capacity of permanent magnet materials, strengthen the R&D and sales of new products of permanent magnet motors, stabilise the development of its traditional competitive businesses such as rare-earth scorching and magnet plating. The Group will engage in trade of rare-earth products as appropriate, so as to enhance the comprehensive economic benefits and Shareholder value.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules as its own code on corporate governance.

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

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the Group’s annual financial statements for the year ended 31 December 2023 and has discussed the financial statements issues with the management of the Company. The Audit Committee is of the opinion that the preparation of such financial statements has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

As at the date of this announcement, so far as the Board is aware, the information set out herein is the same as those to be set out in the Company’s annual report for 2023.

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

The figures in this annual results announcement, from pages 2 to 28, have been agreed by the Company’s external auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by BDO Limited on this annual results announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT**

The annual results announcement of the Company for the year ended 31 December 2023 is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.dongwucement.com](http://www.dongwucement.com). The 2023 annual report will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 28 March 2024

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