



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



2021
INTERIM
REPORT

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DEFINITIONS

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

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, a company incorporated in the Cayman Islands with limited liability and listed on the main board of the Stock Exchange
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
IPO	the initial public offering of the Shares by the Company on 13 June 2012

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
Reporting Period	the six months ended 30 June 2021
RMB or Renminbi	Renminbi, the lawful currency of the PRC
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
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	holder(s) of Shares
Shares	shares of the Company in issue, all of which are listed on the main board of the Stock Exchange
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

Liu Dong (*Chairman*)

Wu Junxian

Non-executive Director

Tseung Hok Ming

Xie Yingxia

Chen Xuanlin

Independent non-executive Directors

Cao Kuangyu

Yu Xiaoying

Suo Suo

Company Secretary

Sun Xin

Auditor

BDO Limited

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

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Grand Cayman

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Cayman Islands

Principal place of business in the PRC

Lili Town, Wujiang District

Suzhou City, Jiangsu Province, the PRC

Principal place of business in Hong Kong

Unit 08, 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
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MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

From January to June 2021, the economy continued to recover steadily in the first half of the year, and realized steady growth and enjoyed good momentum, with a smooth cycle of supply and demand. During the Reporting Period, the gross domestic product (GDP) recorded a year-on-year increase of 7.8% (a decrease of 1.6% for the same period in 2020); fixed asset investment recorded a year-on-year increase of 12.6% (a decrease of 3.1% for the same period in 2020). (Data source: National Bureau of Statistics) From January to June 2021, China's domestic cement output totaled 1.147 billion tonnes, which was 14% higher than that of the same period in 2020 (a decrease of 4.8% for the same period in 2020), representing a two-year average growth rate of approximately 4.2%. In the first half of 2021, the domestic cement market generally presented wide fluctuations at high positions, and cement prices fluctuated significantly. Since late May, the market has cooled down significantly with a gradual deterioration for the supply and demand. Along with fierce competition amongst enterprises in different regions, cement prices in key consumption regions, represented by the Yangtze River Delta, fell rapidly, with a decline of more than RMB100 per tonne in many areas. The average domestic cement price in the first half of the year was slightly higher than that of the same period last year. However, due to a surge in the cost of coal, which pulled up the cost of cement production, the industry efficiency fell significantly. According to the National Bureau of Statistics, the domestic cement industry achieved a sales revenue of RMB483.6 billion in the first half of 2021, representing a year-on-year growth of 13.2%, and achieved a profit of RMB73 billion, representing a year-on-year decrease of 7.2%. (Source: Digital Cement)

Taking the cement prices in the provincial capital cities of the Group's main sales regions (Jiangsu Province, Zhejiang Province, and Shanghai) as an example, in June 2021, the average price of PO42.5 cement in Nanjing (the provincial capital city of Jiangsu Province), Hangzhou (the provincial capital city of Zhejiang Province) and Shanghai was RMB465 per tonne, RMB490 per tonne and RMB475 per tonne respectively, representing an increase of 8.1%, 0% and 5.6% respectively over the corresponding period of last year. (Source: Digital Cement)

Biomedical Segment

The Group completed the acquisition the entire issued share capital of Orient Everhealth Biomedical Company Limited ("**Orient Everhealth**") on 31 December 2020. Orient Everhealth holds 65% issued share capital in Suzhou Everhealth Biomedical Company Limited ("**Suzhou Everhealth**"), which is principally engaged in the research and development of innovative medicines and therapy for cancers and autoimmune diseases, and their commercialisation. 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 its market value.

Focusing on a new generation of cellular immunotherapy

Since its establishment in 2018, Suzhou Everhealth has focused on cellular immunotherapy and the research and development and commercialization of related drugs. Many varieties in the pipeline of Suzhou Everhealth are the world's leading cellular immunotherapy for malignant tumor.

Cancer immunotherapy is a treatment method that stimulates the patient's own immune system to produce or enhance an anti-tumor immune response, thereby controlling or eradicating cancer cells. As it can provide relatively long-lasting relief while generally well tolerated in some advanced cancer patients, the discovery and development of cancer immunotherapy in recent years have marked a new stage of cancer therapy. The main types of cancer immunotherapy include cellular immunotherapy, checkpoint inhibitors, therapeutic cancer vaccines and cytokine therapy. Among them, cellular immunotherapy is the most advanced cancer immunotherapy method according to the latest biotechnology used.

Cellular immunotherapy is a type of immunotherapy in which immune cells (mostly are T cells) are given to a patient for the treatment of hematologic cancer and solid tumours. The T cells are usually taken from the patient's own blood or tumour tissues, grown in large numbers in the laboratory, and then infused to the patient to help the immune system kill tumour cells. Depending on the type of product, cellular immunotherapy can be further classified into various types such as activated autologous lymphocytes ("**AAL**") and chimeric antigen receptor T-cell ("**CAR-T cells**"), etc.

Core technology and products of Suzhou Everhealth

Suzhou Everhealth has elected to apply the cellular immunotherapy more widely in the treatment of various complex tumors. The company's product line features a series of cellular immunotherapy products for the treatment of tumors, including non-genetically-modified products, multi-target products and single-target products. Other than CAR-T cells, the company also conducts research on new immune cell therapies such as CAR natural killer cell ("**CAR-NK cells**").

Business and Financial Review**Revenue**

During the Reporting Period, the Group's revenue amounted to approximately RMB227,802,000, which was all generated from the cement segment, representing a increase of approximately RMB52,997,000 or 30% from approximately RMB174,805,000 in the corresponding period in 2020. The increase is mainly due to increased demand for cement as the economy re-stabilised.

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

	For the six months ended 30 June					
	2021			2020		
	Sales Volume	Average Selling Price	Revenue	Sales Volume	Average Selling Price	Revenue
	Thousand tonnes	RMB/tonne	RMB'000	Thousand tonnes	RMB/tonne	RMB'000
PO 42.5 Cement	431	401.35	173,079	271	401.72	108,867
PC 32.5 Cement	161	337.76	54,350	201	325.60	65,445

By product, sales volume of the Group's cement products during the Reporting Period amounted to approximately 592 thousand tonnes, representing an increase of approximately 25%, while the sales revenue of cement products increased by approximately 30% year-on-year.

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

	For the six months ended 30 June			
	2021		2020	
	Revenue RMB'000	% of total turnover	Revenue RMB'000	% of total turnover
Jiangsu Province	195,325	85.88%	138,404	79.40%
Wujiang District	192,823	84.78%	104,709	60.07%
Suzhou (excluding Wujiang District)	2,502	1.1%	33,695	19.33%
Zhejiang Province	31,334	13.78%	30,653	17.59%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	10,364	4.56%	19,900	11.42%
Jiaxing	20,970	9.22%	10,753	6.17%
Shanghai	770	0.34%	5,255	3.01%
Total	227,429	100.00%	174,312	100.0%

During the Reporting Period, sales of the Group's cement products increased as the macro economy returned to stability. Most regions recorded varying degrees of improvement in sales as compared to the same period last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit of cement segment business amounted to approximately RMB49,699,000, representing an increase of approximately RMB20,457,000 or 70% as compared to the gross profit of approximately RMB29,234,000 in the corresponding period last year, while the gross profit margin amounted to approximately 21.8%, representing an increase of approximately 5.1% as compared to approximately 16.7% in the corresponding period last year. The increase was mainly attributable to the suspension of production for two months in the first half of last year resulting from the epidemic. During the first half of the year, production resumed normal level and sales volume increased as compared to that of the corresponding period last year, leading to lower fixed costs per unit.

Other Income

During the Reporting Period, the Group's other income amounted to approximately RMB2,638,000, representing a decrease of approximately RMB4,684,000 or 64% as compared to approximately RMB7,322,000 in the corresponding period last year. The decrease was mainly due to the decrease in investment income during the Reporting Period.

Distribution Expenses

The Group's distribution expenses amounted to approximately RMB2,602,000, representing an increase of approximately 23% as compared to approximately RMB2,122,000 in the corresponding period last year. The increase was mainly due to the increase in transportation expenses during the Reporting Period. Sales and distribution expenses accounted for approximately 1% of the consolidated revenue of the Group, which remained stable as compared to that of the corresponding period last year.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB17,212,000, which remained stable as compared to approximately RMB17,213,000 in the corresponding period last year.

Income Tax Expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB14,315,000, representing a significant increase from approximately RMB7,490,000 in the corresponding period last year, which is mainly attributable to the increase in profit incurred during the Reporting Period.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately 10.8%.

The net profit margin increased by 4.6% as compared to approximately 6.2% in the corresponding period last year. The increase was mainly attributable to the increase in revenue due to the reasons described in the section "Revenue" above.

Liquidity and Capital Resources

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Cash and cash equivalents	157,859	93,015
Borrowings	79,712	65,187
Debt to equity ratio	14.32%	12.26%
Liability to asset ratio	65.34%	65.85%

Cash Flow

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB157,859,000, representing an increase of approximately 70% from approximately RMB93,015,000 as at 31 December 2020, which was mainly due to the repayment of loan receivables interest amounted to approximately RMB15,000,000 and increase in loan amounted to approximately RMB15,000,000.

Borrowings

	30 June 2021 RMB'000	31 December 2020 RMB'000
Current:		
– Cement segment	49,000	36,400
– Unallocated	30,712	28,787
	79,712	65,187

During the Reporting Period, the bank borrowings of the Group increased by 22% from approximately RMB65,187,000 as at 31 December 2020. Bank borrowings of the Group as at 30 June 2021, bearing fixed interest rate, amounted to approximately RMB49,000,000, increased by 35% compared to that as at 31 December 2020.

As at 30 June 2021 and 31 December 2020, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bills receivables and restricted bank deposits.

Details of the Group's borrowings are set out in note 15 to the condensed consolidated interim financial statements.

As at 30 June 2021, the Group had unutilized bank financing facilities of RMB22,100,000.

Debt to Equity Ratio

As at 30 June 2021, the Group's debt to equity ratio was 14.32%.

Among others, the debt to equity ratio of the cement segment was 8%, which increased from 6.55% 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

As at 30 June 2021, the Group's capital expenditure amounted to approximately RMB22,449,000. Among others, the capital expenditure of the cement segment amounted to approximately RMB20,990,000, representing a notable increase from approximately RMB16,281,000 in the corresponding period last year.

As at 30 June 2021, the Group had capital commitments of RMB13,000 (31 December 2020: RMB6,117,000).

Pledge of Assets

As at 30 June 2021, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 30 June 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, there is a foreign exchange gain of approximately RMB506,000 due to the fluctuation of exchange rates.

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the PRC government may impose. The exchange rates may also be affected by economic developments and political changes in the PRC and/or abroad, as well as the demand and supply of Renminbi. A significant appreciation or devaluation of Renminbi against foreign currencies resulting from the Company's exchange of its remaining balance of IPO net proceeds into Renminbi may have a positive or negative impact on the Company's financial position. The management will closely monitor the foreign exchange exposures and will consider taking appropriate measures on hedging foreign currency risks when necessary.

Material 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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend for the six months ended 30 June 2021 (the "**Interim Dividend**") of HK\$0.0725 per share (after taxation). The Interim Dividend will be paid on 15 October 2021.

The H share register of members of the Company will be closed from 21 September 2021 (Tuesday) to 24 September 2021 (Friday) (both dates inclusive), during which period no transfer of H shares will be registered. In order to establish entitlements to the Interim Dividend, all the share transfer documents must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, no later than 4:30 p.m. on 20 September 2021 (Monday).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 232 employees. The total remuneration of our employees amounted to approximately RMB6,712,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

FUTURE PROSPECTS

In the second half of 2021, as the novel coronavirus epidemic is effectively controlled, the Group will continue to reduce costs in an effective manner through improving its internal management, increase production efficiency and reduce maintenance costs by upgrading its existing facilities, and expand market share and increase profitability of our products by refining customer services. And for the biomedical segment, the Group will vigorously promote the non-registered clinical trial plan for ROR1 (Tyrosine-protein kinase transmembrane receptor 1) CAR-T cell of Suzhou Everhealth. Meanwhile, the Group will also further explore the development of emerging areas, especially the biomedical field, to further diversify its business.

OTHER INFORMATION

Share Capital

As at 30 June 2021, the Company's issued share capital was HK\$5,520,000, divided into 552,000,000 Shares with a par value of HK\$0.01 each.

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

As at 30 June 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 which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company are as follows:

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

Notes:

- 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 30 June 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 30 June 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 of the Company

As at 30 June 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
Goldview ¹	Beneficial owner	Long position	297,500,000	53.89%
Mr. Huang Yingbiao	Beneficial owner	Long position	67,130,000	12.16%

Notes:

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 30 June 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

The Company adopted a share option scheme (the “Share Option Scheme”) on 28 May 2015. Please refer to the circular of the Company dated 27 April 2015 for details.

The Company did not grant any share options under the Share Option Scheme during the Reporting Period and there are no options remaining outstanding and unexercised during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL LITIGATION AND ARBITRATION

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH THE LISTING RULES

The Company is aware of the importance of complying with Listing Rules. 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 Listing Rules which has significant impacts on 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 the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2021 and has discussed the financial reporting with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there is no significant event that requires additional disclosures or might affect the Company after the Reporting Period.

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

Hong Kong, 25 August 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF DONGWU CEMENT INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements set out on pages 21 to 48, which comprise the condensed consolidated interim statement of financial position of Dongwu Cement International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2021 and the related condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “condensed consolidated interim financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Choi Kit Ying

Practising Certificate no. P07387

Hong Kong, 25 August 2021

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

		Six months ended 30 June	
Notes	2021	2020	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	7 227,802	174,805	
Cost of sales	(178,111)	(145,571)	
Gross profit	49,691	29,234	
Distribution expenses	(2,602)	(2,122)	
Administrative expenses	(17,212)	(17,213)	
Other income	2,638	7,322	
Operating income	32,515	17,221	
Finance income	6,960	1,466	
Finance cost	(2,218)	(1,718)	
Finance income/(cost) – net	4,742	(252)	
Share of results of associate	1,666	1,217	
Profit before income tax expense	9 38,923	18,186	
Income tax expense	8 (14,315)	(7,490)	
Profit for the period from continuing operations	24,608	10,696	
Discontinued operation			
Profit for the period from discontinued operation, after tax	–	87	
Profit and total comprehensive income for the period	24,608	10,783	

		Six months ended 30 June	
Notes	2021	2020	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Profit and total comprehensive income for the period attributable to:			
Owners of the Company			
– From continuing operations	25,595	10,696	
– From discontinued operation	–	113	
	25,595	10,809	
Non-controlling interests			
– From continuing operations	(987)	–	
– From discontinued operation	–	(26)	
	(987)	(26)	
	24,608	10,783	
Earnings per share from continuing and discontinued operations			
– Basic and diluted (RMB per share)	0.046	0.020	18
Earnings per share from continuing operations			
– Basic and diluted (RMB per share)	0.046	0.019	18

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	184,539	175,170
Goodwill		11,590	11,590
Intangible assets	11	7,050	7,421
Prepayments paid for purchase of machineries and intangible assets	13	2,631	8,388
Investments in associate	12	31,807	34,029
Total non-current assets		237,617	236,598
Current assets			
Inventories		38,421	29,833
Trade and other receivables	13	116,319	138,259
Short-term bank deposits		301,480	310,000
Cash and cash equivalents		157,859	93,015
Total current assets		614,079	571,107
Current liabilities			
Trade and other payables	14	167,425	162,059
Lease liabilities	20	2,358	2,898
Income tax payables		8,812	11,329
Borrowings	15	79,712	65,187
Total current liabilities		258,307	241,473
Net current assets		355,772	329,634
Total assets less current liabilities		593,389	566,232

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities	20	683	686
Deferred tax liabilities	16	36,188	33,636
Total non-current liabilities		36,871	34,322
Net assets		556,518	531,910
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	4,490	4,490
Reserves		554,822	529,227
		559,312	533,717
Non-controlling interests		(2,794)	(1,807)
Total equity		556,518	531,910

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 17)					
At 1 January 2021 (audited)	4,490	353,036	176,191	533,717	(1,807)	531,910
Profit/(loss) for the period	–	–	25,595	25,595	(987)	24,608
Appropriation to statutory reserve	–	2,835	(2,835)	–	–	–
At 30 June 2021 (unaudited)	4,490	355,871	198,951	559,312	(2,794)	556,518
At 1 January 2020 (audited)	4,490	346,503	167,841	518,834	7,695	526,529
Profit/(loss) for the period	–	–	10,809	10,809	(26)	10,783
Disposal of subsidiaries	–	–	(26)	(26)	(7,669)	(7,695)
Appropriation to statutory reserve	–	1,760	(1,760)	–	–	–
At 30 June 2020 (unaudited)	4,490	348,263	176,864	529,617	–	529,617

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operating activities	60,085	(64,672)
Income tax paid	(14,280)	(18,113)
Government grant received	1,424	98
	<u>47,229</u>	<u>(82,687)</u>
Net cash generated from/(used in) operating activities	47,229	(82,687)
Cash flows from investing activities		
Interest received	22,231	1,466
Purchases of property, plant and equipment	(12,879)	(14,844)
Proceeds from disposal of financial assets at fair value through profit or loss	-	112,455
Net cash proceeds from disposal of subsidiaries	-	21,977
Refund from the deposit for purchase of property, plant and equipment	-	4,000
Dividend received from associate	3,888	-
Prepayments paid for purchases of machineries and intangible assets	(2,631)	-
Loans to third party	(11,000)	(8,000)
Repayments from third parties	-	99,000
Invest in short-term bank deposits	(201,480)	(45,020)
Release of short-term deposit	210,000	-
	<u>8,129</u>	<u>171,034</u>
Net cash generated from investing activities	8,129	171,034
Cash flows from financing activities		
Proceeds from borrowings	41,405	97,086
Repayments of borrowings	(26,900)	(78,000)
Repayments to related parties	(1,990)	-
Repayments of principal portion of lease liabilities	(1,758)	(347)
Interest paid	(1,271)	(1,718)
	<u>9,486</u>	<u>17,021</u>
Net cash generated from financing activities	9,486	17,021
Net increase in cash and cash equivalents	64,844	105,368
Cash and cash equivalents at the beginning of the period	<u>93,015</u>	<u>81,826</u>
Cash and cash equivalents at the end of the period	<u>157,859</u>	<u>187,194</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Dongwu Cement International Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

2 BASIS OF PREPARATION

The condensed consolidated interim financial information (the “**Financial Information**”) has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information was approved by the Board of Directors (the “**Board**”) for issue on 25 August 2021.

The Financial Information has been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. Details of any changes in accounting policies are set out in note 3.

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

The Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated and contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The Financial Information does not include all information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the 2020 consolidated financial statements.

2 BASIS OF PREPARATION (CONTINUED)

The Financial Information is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included on pages 19 to 20.

The Financial Information has been prepared under historical cost convention, except for financial assets at fair value through profit or loss which are measured at fair value.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN HKFRSs (Continued)

Amendment to HKFRS 16: COVID-19-Related Rent Concessions

HKFRS 16 “Leases” was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group re-measuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

3.2 Current income tax

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

3.3 Other new HKAS, amendments and interpretations

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

4 USE OF JUDGEMENTS AND ESTIMATES

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

In preparing the Financial Information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

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

5.2 Liquidity risk

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

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

5.3 Seasonality of operations

There is no obvious seasonality of operations for the Group for the six months ended 30 June 2020 and 2021.

6 SEGMENT REPORTING

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

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

Continuing reportable segment:

- Production and sales of cements;

Discontinuing reportable segment:

- Provision of sewage and sludge treatment operation and construction services.

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

In the following table, revenue is disaggregated by 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 segment.

6 **SEGMENT REPORTING** (CONTINUED)

For the six months ended 30 June 2021 (Unaudited)

	Production and sales of cements RMB'000	Total RMB'000
Time of revenue Recognition		
At a point in time (Note 7)	<u>227,802</u>	<u>227,802</u>
Segment results	<u>46,361</u>	46,361
Unallocated expenses		(7,438)
Income tax expense	<u>(14,315)</u>	<u>(14,315)</u>
Profit for the period		<u>24,608</u>
As at 30 June 2021 (Unaudited)		
Segment assets	<u>809,526</u>	809,526
Unallocated assets		<u>42,170</u>
Total assets		<u>851,696</u>
Segment liabilities	<u>222,589</u>	222,589
Unallocated liabilities		<u>72,589</u>
Total liabilities		<u>295,178</u>

6 SEGMENT REPORTING (CONTINUED)

For the six months ended 30 June 2020 (Unaudited)

	<u>Continuing operation</u>	<u>Discontinued operation</u>	
	Production and sales of cements RMB'000	Provision of sewage and sludge treatment operation and construction services RMB'000	Total RMB'000
Time of revenue Recognition			
At a point in time (Note 7)	<u>174,805</u>	<u>–</u>	<u>174,805</u>
Segment results	<u>22,195</u>	<u>87</u>	22,282
Unallocated expenses			(4,009)
Income tax expense	<u>(7,490)</u>	<u>–</u>	<u>(7,490)</u>
Profit for the period			<u>10,783</u>
As at 30 June 2020 (Unaudited)			
Segment assets	<u>739,952</u>	<u>–</u>	739,952
Unallocated assets			<u>26,425</u>
Total assets			<u>766,377</u>
Segment liabilities	<u>204,407</u>	<u>–</u>	204,407
Unallocated liabilities			<u>32,353</u>
Total liabilities			<u>236,760</u>

Segment revenue reported above represents revenue generated from external customers and revenue from contracts with customer. There were no inter-segment sales for both periods. Revenue derived from the single largest external independent customers amounted to 9.53% of the Group's revenue for the period (30 June 2020: 2.86%).

7 REVENUE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of ordinary Portland cement strength class 42.5	173,079	108,867
Sale of composite Portland cement strength class 32.5R	54,350	65,445
Solid waste processing income	373	493
	227,802	174,805

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

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

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and bills receivables, net (<i>Note 13</i>)	66,143	64,833
Contract liabilities	(14,684)	(9,749)

Contract liabilities mainly relate to advances received from its customers. RMB9,749,000 (30 June 2020: RMB16,597,000) of the contract liabilities as of 1 January 2021 has been recognised as revenue for the six months ended 30 June 2021 when performance obligations have been satisfied in current period.

7 REVENUE (CONTINUED)

The Group has applied the practical expedient to its sales contracts for sales of cement products and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of cement products that had an original expected duration of one year or less.

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– Enterprise Income Tax (“EIT”)	11,763	6,686
Deferred tax (<i>Note 16</i>)	2,552	804
	<hr/> 14,315	<hr/> 804
Income tax expense	14,315	7,490

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

Hong Kong profits tax rate is calculated by applying the estimated weighted average income tax rate expected for the full financial period of 16.5% (2020: 16.5%) to the six months ended 30 June 2021. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the period (30 June 2020: Nil).

Taxation for overseas subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries. Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of all the PRC subsidiaries was 25% on their taxable profits for the six months ended 30 June 2021.

9 PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	177,049	144,708
Depreciation of property, plant and equipment	13,113	11,418
Amortisation of intangible assets	371	–
(Reversal of)/provision for impairment on trade receivables, net	(382)	1,352
(Reversal of)/provision for impairment on other receivables, net	(402)	68
(Reversal of)/provision for impairment on loan receivables, net	(139)	229
Employee expenses (including directors' remuneration)		
– wages and salaries	6,060	7,015
– pension scheme contribution	666	849
Auditor remuneration	140	140
Short-term lease expenses	8	–

10 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment
	RMB'000
Six months ended 30 June 2021	
Carrying amount as at 31 December 2020 and 1 January 2021 (Audited)	175,170
Additions	22,449
Depreciation	(13,113)
Exchange realignment	33
	<u>184,539</u>
Carrying amount as at 30 June 2021 (Unaudited)	<u>184,539</u>
Six months ended 30 June 2020	
Carrying amount as at 31 December 2019 and 1 January 2020 (Audited)	169,102
Additions	16,281
Depreciation	(11,418)
Exchange realignment	2
	<u>173,967</u>
Carrying amount as at 30 June 2020 (Unaudited)	<u>173,967</u>

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Right-of-use assets	Land use right	Buildings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	14,484	3,497	17,981
Addition	–	1,459	1,459
Depreciation	(202)	(2,024)	(2,226)
Exchange differences	–	33	33
At 30 June 2021	14,282	2,965	17,247
At 1 January 2020	14,888	61	14,949
Addition	–	1,437	1,437
Depreciation	(202)	(362)	(564)
Exchange differences	–	2	2
At 30 June 2020	<u>14,686</u>	<u>1,138</u>	<u>15,824</u>

11 INTANGIBLE ASSETS

	Money lenders licence	Technical know-how	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Audited)	–	7,421	7,421
Amortisation	–	(371)	(371)
At 30 June 2021 (Unaudited)	–	7,050	7,050
At 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	<u>403</u>	<u>–</u>	<u>403</u>

11 INTANGIBLE ASSETS (CONTINUED)

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

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

12 INVESTMENTS IN ASSOCIATE

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Unlisted equity investment:		
As at the beginning	24,000	24,000
Share of results of associate	11,695	10,029
Dividend received from associate	(3,888)	–
	<hr/> 31,807 <hr/>	<hr/> 34,029 <hr/>
As at the end of period ended and year ended		

The Group has a 43.2% (31 December 2020: 43.2%) interest in its associate, Suzhou Dongtong Environment and Technology Company Limited (蘇州東通環保科技有限公司, “**Dongtong Environment and Technology**”), which was incorporated and operates in the PRC. Principal activity of Dongtong Environment and Technology is research and development on environmental technology and provision of related services.

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

13 TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade and bills receivables from third parties	66,877	65,949
Less: provision for impairment (Note (iv))	(734)	(1,116)
Trade and bills receivables, net (Note (i))	66,143	64,833
Prepayments (Note (ii))	14,649	20,206
Consideration receivable	–	11,000
Loan receivables (Note (iii))	36,000	25,000
Other receivables	3,742	27,733
Less: provision for impairment on other receivables (Note (iv))	(50)	(452)
Less: provision for impairment on loan receivables (Note (iv))	(1,534)	(1,673)
Prepayments, deposits and other receivables	52,807	81,814
Total trade and other receivables	118,950	146,647
Less: non-current portion		
Prepayments paid for purchase of machineries and intangible assets (Note (ii))	(2,631)	(8,388)
Trade and other receivables – current portion	116,319	138,259

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 30 June 2021 and 31 December 2020, no trade and bills receivables were pledged for the borrowings.

(i) Trade and bills receivables

Credit terms given to its customers generally range from 30 to 90 days (31 December 2020: 30 to 90 days). Certain major customers, depending on their business relationships with the Group and their creditworthiness, may be granted the following credit terms: (i) a revolving credit limit of between RMB1,000,000 and RMB50,000,000 with a credit period of up to 365 days, and (ii) any outstanding receivables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

Bills receivables represent promissory notes received from its customers in settling the outstandings. These are normally due within 180 days.

Ageing analysis of trade and bills receivables (net of provision) by invoice date and issuance date of bills are as follows:

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	57,126	52,757
Between 91 days and 180 days	1,668	8,062
Between 181 days and 1 year	6,421	1,433
Between 1 year and 2 years	928	2,312
Over 2 years	—	269
	66,143	64,833

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

13 TRADE AND OTHER RECEIVABLES (CONTINUED)**(ii) Prepayments**

As at 30 June 2021, included in the Group's prepayments were mainly represented by the prepayments amounted to RMB12,018,000, RMB907,000 and RMB1,724,000 (31 December 2020: RMB11,818,000, RMB8,388,000 and RMB Nil) paid to the suppliers for raw materials purchase, machineries and right of use of licence respectively.

(iii) Loan receivables

As at 30 June 2021, the balance represents unsecured loan receivables of RMB25,000,000 (31 December 2020: RMB25,000,000) from one independent third party with interest bearing at a fixed rate of 6% per annum due in December 2021. During the year, unsecured loans to another independent third party, with balance of RMB11,000,000 as at 30 June 2021 with no interest bearing, were fully repaid in August 2021.

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables:		
Beginning of period/year	1,116	1,800
Provision for the period/year	483	724
Balance recovered for the period/year	(865)	(592)
Write off	—	(816)
End of period/year	<u>734</u>	<u>1,116</u>
Other receivables:		
Beginning of period/year	452	263
(Reversal of)/provision for the period/year, net	(402)	189
End of period/year	<u>50</u>	<u>452</u>
Loan receivables:		
Beginning of period/year	1,673	1,067
Provision for the period/year	—	1,673
Balance recovered for the period/year	(139)	(1,067)
End of period/year	<u>1,534</u>	<u>1,673</u>

13 TRADE AND OTHER RECEIVABLES (CONTINUED)**(iv) Movements of the provision for impairment of trade and other receivables are as follows: (Continued)**

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.

14 TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	62,472	63,271
Bills payables	42,743	33,755
Contract liabilities	14,684	9,749
Salary and bonus payables	990	4,459
VAT payables	1,164	5,115
Amounts due to related parties	35,426	37,416
Other payables	9,946	8,294
	167,425	162,059

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

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

14 TRADE AND OTHER PAYABLES (CONTINUED)

Aging analysis of trade payables are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 30 days	35,000	34,315
Between 31 days and 90 days	24,673	24,139
Between 91 days and 180 days	1,152	1,438
Between 181 days and 1 year	167	1,099
Between 1 year and 2 years	699	1,104
Over 2 years	781	1,176
	62,472	63,271

15 BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank borrowings, unsecured (note (a))	49,000	36,400
Other loans, unsecured (note (b), (c), (d))	30,712	28,787
Total bank and other loans	79,712	65,187
Carrying amount of borrowings repayable:		
On demand or within one year	79,712	65,187

15 **BORROWINGS (CONTINUED)**

Notes:

- (a) As at 30 June 2021, bank borrowings of approximately RMB49,000,000 (31 December 2020: RMB36,400,000).
- (b) As at 30 June 2021, the Group's other loans represented (i) an other loan of RMB8,920,000 (31 December 2020: RMB8,915,000) with a fixed interest rate of 9% per annum from one third party, which is repayable in November 2021; (ii) an other loan of RMB742,000 (31 December 2020: RMB Nil) with a fixed interest rate of 13% per annum from another third party, which is repayable in February 2022; (iii) an other loan of RMB459,000 (31 December 2020: RMB Nil) with a fixed interest rate of 8% per annum from another third party, which is repayable in March 2022; and (iv) an interest-free loan of RMB3,000,000 (31 December 2020: RMB3,000,000) from a company under control of Mr. Tseung, which is repayable in February 2022.
- (c) As at 30 June 2021, unsecured interest-free loan of approximately HKD19,450,000 (equivalent to approximately RMB16,215,000) (31 December 2020: HKD18,600,000, equivalent to approximately RMB15,497,000) were secured by personal guarantees from Mr. Tseung, which is repayable in February 2022.
- (d) As at 30 June 2021, unsecured interest-free loan of RMB1,376,000 (31 December 2020: RMB1,375,000) provided by Mr. Tseung, which is repayable in December 2021.

16 **DEFERRED TAX LIABILITIES**

Deferred tax liabilities	Withholding tax for attributable profit relating to equity holders
	RMB'000 (Note (a))
As at 31 December 2020 and 1 January 2021 (Audited)	33,636
Charged to profit or loss	<u>2,552</u>
As at 30 June 2021 (Unaudited)	<u><u>36,188</u></u>
As at 31 December 2019 and 1 January 2020 (Audited)	26,559
Charged to profit or loss	<u>804</u>
As at 30 June 2020 (Unaudited)	<u><u>27,363</u></u>

16 DEFERRED TAX LIABILITIES (CONTINUED)

- (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.

17 SHARE CAPITAL

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
Ordinary shares of HK\$0.01 each as at 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021	10,000,000	100,000	81,520
Issued and fully paid:			
As at 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021	552,000	5,520	4,490

18 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 RMB25,595,000 (30 June 2020: RMB10,809,000) by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2020: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the periods ended 30 June 2021 and 2020, diluted earnings per share is the same as basic earnings per share.

18 EARNINGS PER SHARE (CONTINUED)

From discontinued operation

Basic and diluted loss per share for the period from discontinued operation is RMB Nil per share (30 June 2020: RMB0.001 earnings per share), based on the gain for the period from a discontinued operation of RMB Nil (30 June 2020: RMB113,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2020: 552,000,000).

From continuing operations

Basic and diluted earnings per share for the period from continuing operations is RMB0.046 per share (30 June 2020: RMB0.019), based on the profit for the period from continuing operations of RMB25,595,000 (30 June 2020: RMB10,696,000) attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2020: 552,000,000).

19 DIVIDENDS

A interim dividend in respect of the period ended 30 June 2021 of HK\$0.0725 per share (tax exclusive) (2020: HK\$0.0725 per share) was proposed pursuant to a resolution passed by the Board of Directors and subject to the approval of the shareholders. This proposed dividend is not reflected as dividend payable in the condensed consolidated interim financial statements.

20 LEASE LIABILITIES

	Leasehold land and buildings	
	2021	2020
	RMB'000	RMB'000
At 1 January (Audited)	3,584	63
Addition	1,182	1,473
Interest expenses	82	–
Lease payments	(1,840)	(383)
Exchange differences	33	3
	3,041	1,156
At 30 June (Unaudited)	3,041	1,156
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current portion	2,358	2,898
Non-current portion	683	686
	3,041	3,584

20 LEASE LIABILITIES (CONTINUED)

Future lease payments are due as follows:

	Minimum lease payments 30 June 2021 RMB'000 (Unaudited)	Interest 30 June 2021 RMB'000 (Unaudited)	Present value 30 June 2021 RMB'000 (Unaudited)
Not later than one year	2,403	45	2,358
After one year but within two years	684	1	683
	<u>3,087</u>	<u>46</u>	<u>3,041</u>

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

21 RELATED PARTY TRANSACTIONS**(a) Key management compensation**

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Basic salaries and benefits in kind	<u>2,413</u>	<u>3,305</u>

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Key management compensation (Continued)

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 Group and subject to the lender's overriding right of repayment on demand. As at 30 June 2021, borrowing of approximately RMB1,376,000 (31 December 2020: RMB1,375,000) was due to Mr. Tseung. Another interest-free loan of RMB3,000,000 (31 December 2020: RMB3,000,000) was due to a company under control of Mr. Tseung.

Other payables included an amount due to Mr. Tseung of approximately RMB4,005,000 (2020: RMB4,005,000), and amounts due to companies under the control of Mr. Tseung, of HKD45,000,000 (31 December 2020: HKD 40,100,000) (equivalent to approximately RMB38,426,000 (31 December 2020: RMB33,411,000)). The balances are unsecured, interest-free and repayable on demand.

(b) Significant related party transactions

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue received from		
– an associate	<u>373</u>	<u>493</u>

Note:

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

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

22 CAPITAL COMMITMENT

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Commitments for the acquisition of: Property, plant and equipment	13	6,117

23 FINANCIAL INSTRUMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets:		
Financial assets at amortised cost/loan and receivables		
– Trade and other receivables excluding prepayments	104,301	126,441
– Short-term bank deposits	301,480	310,000
– Cash and cash equivalents	157,859	93,015
Total	563,640	529,456
Financial liabilities:		
Financial liabilities at amortised cost		
– Borrowings	79,712	65,187
– Trade and other payables	151,577	147,195
Total	231,289	212,382