



DONGWU CEMENT INTERNATIONAL LIMITED

東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 695



INTERIM REPORT
2022

CONTENTS

Definitions	2
Corporate Information	4
Management Discussion and Analysis	6
Other Information	15
Financial Report	19

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 2022
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

Registered office

190 Elgin Avenue

George Town

Grand Cayman

KY1-9008

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
22nd Floor, World-Wide House
Central, Hong Kong

Contacts Details

Tel: (852) 2520 0978
Fax: (852) 2520 0696
Email: admin@dongwucement.com

Company Website

<http://www.dongwucement.com>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Since the beginning of this year, adverse impact has increased significantly with more complex and severe international environment as well as recurrent and sporadic domestic epidemic outbreaks. From January to June 2022, the economic development was extremely unusual due to serious impact brought by unexpected factors. During the Reporting Period, the gross domestic product (GDP) recorded a year-on-year increase of 2.5% (an increase of 7.8% for the same period in 2021); fixed asset investment recorded a year-on-year increase of 6.1% (an increase of 12.6% for the same period in 2021) (Data source: National Bureau of Statistics). From January to June 2022, China's domestic cement output totaled 0.977 billion tonnes, which was 15% lower than that of the same period in 2021 (an increase of 14% for the same period in 2021), marking a new low for the same period in 11 years, and the output growth rate was the lowest in this century. From the monthly trend, in the first quarter, due to sporadic epidemic outbreaks, insufficient funds for construction projects (especially in real estate), and slow construction recovery, coupled with strict epidemic control measures, poor road transportation, and overall sluggish market demand, domestic cement output showed a sharp double-digit decline year-on-year. In the second quarter, which should have been a traditional peak season, the decline in cement output expanded as the real estate downturn continued due to several unfavorable factors such as the continued strict control measures in areas where the epidemic recurred, poor road transportation, and restricted personnel movement. Specifically, the year-on-year growth rate of cement output in a single month fell to -18.9% and -17% in April and May respectively, the lowest levels in history. In the first half of 2022, domestic cement prices continued to fall from high levels, and there was a trend of bottoming out. Since the beginning of the year, coal prices have continued to remain high. At the same time, affected by rising oil prices and other prices, logistics costs have also continued to increase. Cement production costs have increased significantly compared with the same period last year, and the cement industry has entered a period of rising costs. According to the monitoring data of 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 2022, 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 RMB380 per tonne, RMB415 per tonne and RMB400 per tonne respectively, representing a decrease of 18.3%, 15.3% and 15.8% respectively over the corresponding period of last year. (Source: Digital Cement)

Biomedical Segment

The Group completed the acquisition of the entire issued share capital of Orient Everhealth Biomedical Company Limited* (東方恒康生命科學有限公司) (“**Orient Everhealth**”) on 31 December 2020. Orient Everhealth holds 65% issued share capital in Suzhou Everhealth Biomedical Company Limited* (蘇州恆康生命科學有限公司) (“**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, the circular dated 15 December 2020 and the announcement dated 31 December 2020 of the Company. The acquisition provides the Group with an opportunity to expand into comprehensive healthcare and biopharmaceutical sectors, which would further diversify the Group’s business and enhance market value. As at 30 June 2022, the update on biomedical segment is as follow:

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.

The core technology and products of Suzhou Everhealth

In the first half of this year, Suzhou Everhealth has conducted a clinical study on ROR1CAR-T cell drugs in response to investigators' initiative to evaluate the safety and preliminary efficacy of the drug in the treatment of ROR1 positive advanced ovarian cancer. The other ROR1CAR-T cell drug clinical study has additionally passed the ethics committee's assessment, received formal clinical study approvals, finished filing with the Genetics Office, and is currently submitting paperwork for project filing. We have structurally redesigned the novel chimeric antibody of CAR-T cells, and we have submitted an application for a single national invention patent in this regard. Research and development projects on antibody-drug conjugate (ADC) and oncolytic virus drugs are both going well.

Revenue

During the Reporting Period, the Group's revenue amounted to approximately HKD203,321,000, which was all generated from the cement segment, representing a decrease of approximately HKD70,184,000 or 26% from approximately HKD273,505,000 (equivalent to approximately RMB227,802,000) in the corresponding period in 2021. The decrease is mainly due to the following reasons

Due to the continuous and sporadic outbreak of the COVID-19 pandemic in China, the cement prices continued to decline from a high level and showed a downward trend.

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

	For the six months ended 30 June					
	2022			2021		
	Sales Volume	Average Selling Price	Revenue	Sales Volume	Average Selling Price	Revenue
	Thousand tonnes	HKD/tonne	HKD'000	Thousand tonnes	HKD/tonne	HKD'000
PO 42.5 Cement	383	433.19	165,994	431	482.87	207,803
PC 32.5 Cement	95	392.10	37,077	161	405.53	65,254

By product, sales volume of the Group's cement products during the Reporting Period amounted to approximately 478 thousand tonnes, representing a decrease of approximately 19% year on year, while the sales revenue of cement products decreased by approximately 26% year on year.

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

	For the six months ended 30 June 2022			
	Revenue HKD'000	% of total revenue	Revenue HKD'000	% of total revenue
Jiangsu Province	174,544	85.95%	234,512	85.88%
Wujiang District	84,266	41.50%	231,508	84.78%
Suzhou (excluding Wujiang District)	90,278	44.46%	3,004	1.10%
Zhejiang Province	28,479	14.02%	37,620	13.78%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	5,027	2.48%	12,443	4.56%
Jiaxing	23,452	11.55%	25,177	9.22%
Shanghai	48	0.02%	925	0.34%
Total	203,071	100.00%	273,057	100.00%

During the Reporting Period, the Group's production was suspended due to the COVID-19 pandemic, and this, combined with a decrease in both sales volume and price, resulted in varying degrees of sales decline across most regions as compared to the same period of last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross loss of cement segment business amounted to approximately HKD15,474,000, representing a decrease of approximately HKD75,135,000 or 126% as compared to the gross profit of approximately HKD59,661,000 (equivalent to approximately RMB49,699,000) in the corresponding period last year, while the gross profit margin amounted to approximately -7.6%, representing a decrease of approximately 29.4% as compared to approximately 21.8% in the corresponding period last year. The decrease was mainly attributable to: (1) domestically, COVID-19 cases scattered across the country caused a drop in domestic cement demand. As such, the cement prices continued to decline from a high level and showed a downward trend; and (2) coal prices stayed at a high level, combined with the rising oil prices and higher logistic costs, leading to a significant increase in cement costs as compared with the same period of last year. Cement costs remain high throughout the industry.

Other Income

During the Reporting Period, the Group's other income amounted to approximately HKD2,570,000, representing a decrease of approximately HKD597,000 or 19% as compared to approximately HKD3,167,000 (equivalent to approximately RMB2,638,000) 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 HKD1,905,000, representing an decrease of approximately 39% as compared to approximately HKD3,124,000 (equivalent to approximately RMB2,638,000) in the corresponding period last year. The decrease 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 general and administrative expenses amounted to approximately HKD13,255,000, representing an decrease of HKD7,410,000 or 36% as compared to approximately HKD20,665,000 (equivalent to approximately RMB17,212,000) in the corresponding period last year. The decrease was due to the reversal of provision for impairment on trade and other receivables, and decrease in office expenses.

Income Tax Expense

During the Reporting Period, the Group's income tax credit amounted to approximately HKD2,558,000, representing a significant decrease from tax expense of approximately HKD17,187,000 (equivalent to approximately RMB14,315,000) in the corresponding period last year, which is mainly attributable to the net loss before tax incurred during the Reporting Period.

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

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately -9.8%.

The net profit margin decreased by 20.6% as compared to approximately 10.8% in the corresponding period last year. The decrease was mainly attributable to the (1) domestically, COVID-19 cases scattered across the country caused a drop in domestic cement demand. As such, the cement prices continued to decline from a high level and showed a downward trend; and (2) coal prices stayed at a high level, combined with the rising oil prices and higher logistic costs, leading to a significant increase in cement costs as compared with the same period of last year. Cement costs remain high throughout the industry.

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 2022 HKD'000	31 December 2021 HKD'000
Cash and cash equivalents	125,563	90,262
Borrowings	131,254	136,675
Debt to equity ratio	20.86%	20.05%
Liability to asset ratio	104.53%	151.4%

Cash Flow

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately HKD125,563,000, representing an increase of approximately 39% from approximately HKD90,262,000 as at 31 December 2021, which was mainly due to the decrease in receivables during the Reporting Period.

Borrowings

	30 June 2022 HKD'000	31 December 2021 HKD'000
Current:		
– Cement segment	115,914	121,335
– Unallocated	15,340	15,340
	131,254	136,675

During the Reporting Period, the borrowings of the Group decreased by 4% from approximately HKD136,675,000 as at 31 December 2021. Bank borrowings of the Group as at 30 June 2022, bearing fixed interest rate, amounted to approximately HKD115,914,000, decreased by 4% compared to that as at 31 December 2021.

As at 30 June 2022 and 31 December 2021, the aforesaid borrowings were not secured, pledged and guaranteed by the Group's property, plant and equipment, land use rights, bills receivables and restricted bank deposits.

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

As at 30 June 2022, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 30 June 2022, the Group's debt to equity ratio was 20.86%, which increased from 20.05% as at 31 December 2021.

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 2022, the Group's capital expenditure amounted to approximately HKD10,618,000, all of which were generated from the cement segment. It represented a decrease from approximately HKD26,953,000 (equivalent to approximately RMB22,449,000) in the corresponding period last year.

As at 30 June 2022, the Group had capital commitments of approximately HKD1,090,000 (31 December 2021: HKD3,940,000).

Pledge of Assets

As at 30 June 2022, the Group did not pledge any assets during the Reporting Period.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Foreign Currency Risk

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

During the Reporting Period, the Group did not expose to any material currency exchange risks, and therefore the Group did not implement any hedging measures for such risks. As Renminbi is not a freely convertible currency, the future exchange rates of Renminbi could vary significantly from the current or historical levels as a result of any controls that the 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 does not recommend payment of any interim dividend for the six months ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 225 employees. The total remuneration of our employees amounted to approximately HKD8,047,000 during the Reporting Period. The remuneration levels of employees are commensurate with their responsibilities, performance and contributions and set on the basis of their merits, qualification and competence as well as the opinions from the remuneration committee of the Company (if applicable).

FUTURE PROSPECTS

In 2022, the Group will continue to effectively reduce costs by improving internal management, and upgrade the existing facilities of the Company to increase production efficiency and reduce maintenance costs. Through the refined customer services, the Group will expand its market share and improve the product profitability. Besides, the Group will continuously develop and improve its research and development team building to promote the development of various product pipelines, and keep exploring other innovation pipelines. Meanwhile, the Group will continue to actively explore the investment opportunities in the emerging industries, especially in the field of new energy and biopharmaceutical. Furthermore, the Group will try capital operation to enhance its operational efficiency, thereby enhancing its comprehensive competitiveness. As disclosed in the announcement of the Company dated 29 July 2022, the Company has entered into an investment framework agreement and a memorandum of cooperation with various parties for the purpose of the development of new energy commercial vehicles business of the Company in the future. The Board believes that the transactions contemplated under each of the Agreements, if materialized, are beneficial to the Company in progressing in the core development in the area of new energy commercial vehicle business and are in the interests of the Company and its shareholders as a whole.

OTHER INFORMATION

Share Capital

As at 30 June 2022, the Company's issued share capital was HKD5,520,000, divided into 552,000,000 Shares with a par value of HKD0.01 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 2022, 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:

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

Save as disclosed in the above, as at 30 June 2022, 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 2022, 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 2022, 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 2022, 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 2022 and has discussed the financial reporting, risk management and internal control with the management. The Audit Committee is of the opinion that the preparation of these financial statements within which the appropriate disclosures have been made has complied with the applicable accounting standards and requirements.

EVENTS AFTER THE REPORTING PERIOD

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, 24 August 2022

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

* For identification purposes only

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 50, 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 2022 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, 24 August 2022

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

		Six months ended 30 June	
		2022	2021
Notes		HKD'000	HKD'000
		(Unaudited)	(Unaudited)
Revenue	7	203,321	273,505
Cost of sales		(218,795)	(213,844)
Gross (loss)/profit		(15,474)	59,661
Distribution expenses		(1,905)	(3,124)
Administrative expenses		(13,255)	(20,665)
Other income		2,570	3,167
Operating (loss)/income		(28,064)	39,039
Finance income		8,187	8,357
Finance expenses		(3,430)	(2,663)
Finance income – net		4,757	5,694
Share of results of associates		805	2,000
(Loss)/profit before income tax expense	9	(22,502)	46,733
Income tax credit/(expense)	8	2,558	(17,187)
(Loss)/profit for the period		(19,944)	29,546
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		(32,539)	(401)
Total comprehensive income for the period		(52,483)	29,145

		Six months ended 30 June	
		2022	2021
		HKD'000	HKD'000
		(Unaudited)	(Unaudited)
Notes			
	(Loss)/profit for the period attributable to:		
	– Owners of the Company	(18,661)	30,731
	– Non-controlling interests	(1,283)	(1,185)
		(19,944)	29,546
	Total comprehensive income for the period attributable to:		
	– Owners of the Company	(51,448)	30,327
	– Non-controlling interests	(1,035)	(1,182)
		(52,483)	29,145
	(Loss)/earnings per share		
	– Basic and diluted (HKD per share)	(0.034)	0.056
18			

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2022 HKD'000 (Unaudited)	At 31 December 2021 HKD'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	204,996	217,394
Goodwill		13,570	14,205
Intangible assets	11	7,471	8,273
Deposit paid for purchase of machineries and intangible assets	13	3,337	6,425
Deposit paid for acquisition of property	13	26,344	–
Investment in associates	12	43,389	44,597
Total non-current assets		299,107	290,894
Current assets			
Inventories		60,086	67,868
Trade and other receivables	13	51,002	196,714
Short-term bank deposits		434,947	406,654
Pledged bank deposits		41,947	61,252
Cash and cash equivalents		125,563	90,292
Total current assets		713,545	822,780
Current liabilities			
Trade and other payables	14	213,292	244,111
Lease liabilities	20	489	524
Income tax payables		–	7,632
Borrowings	15	131,254	136,675
Total current liabilities		345,035	388,942
Net current assets		368,510	433,838
Total assets less current liabilities		667,617	724,732

	Notes	At 30 June 2022 HKD'000 (Unaudited)	At 31 December 2021 HKD'000 (Audited)
Non-current liabilities			
Lease liabilities	20	331	578
Deferred tax liabilities	16	38,043	42,428
Total non-current liabilities		38,374	43,006
Net assets			
		629,243	681,726
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	5,520	5,520
Reserves		629,548	680,996
		635,068	686,516
Non-controlling interests			
		(5,825)	(4,790)
Total equity			
		629,243	681,726

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Other reserves	Translation reserve	Retained earnings	Total		
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2022 (audited)	5,520	460,321	4,516	216,159	686,516	(4,790)	681,726
Loss for the period	-	-	-	(18,661)	(18,661)	(1,283)	(19,944)
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	(32,787)	-	(32,787)	248	(32,539)
Total comprehensive income for the period	-	-	(32,787)	(18,661)	(51,448)	(1,035)	(52,483)
At 30 June 2022 (unaudited)	5,520	460,321	(28,271)	197,498	635,068	(5,825)	629,243
At 1 January 2021 (audited)	5,520	433,145	(14,612)	216,514	640,567	(2,169)	638,398
Profit/(loss) for the period	-	-	-	30,731	30,731	(1,185)	29,546
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	(404)	-	(404)	3	(401)
Total comprehensive income for the period	-	-	(404)	30,731	30,327	(1,182)	29,145
Appropriation to statutory reserve	-	3,404	-	(3,404)	-	-	-
At 30 June 2021 (unaudited)	5,520	436,549	(15,016)	243,841	670,894	(3,351)	667,543

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022 HKD'000 (Unaudited)	2021 HKD'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operating activities	109,732	72,116
Income tax paid	(8,560)	(17,145)
Government grant received	2,685	1,710
Net cash generated from operating activities	<u>103,857</u>	<u>56,681</u>
Cash flows from investing activities		
Interest received	5,092	26,691
Purchases of property, plant and equipment	(4,313)	(15,463)
Purchases of intangible assets	(7)	–
Dividend received from an associate	–	4,668
Deposits paid for purchases of machineries	(3,428)	(3,159)
Deposits paid for acquisition of property	(27,062)	–
Loans to third party	–	(13,207)
Placement of short-term deposits	(326,525)	(241,902)
Release of short-term deposit	278,800	252,131
Placement of pledged bank deposits	(43,090)	–
Release of pledged bank deposits	60,110	–
Net cash (used in)/generated from investing activities	<u>(60,423)</u>	<u>9,759</u>
Cash flows from financing activities		
Proceeds from borrowings	58,935	49,736
Repayments of borrowings	(58,935)	(32,297)
Repayments to related parties	–	(2,389)
Repayments of principal portion of lease liabilities	(281)	(2,111)
Interest paid	(2,939)	(1,526)
Net cash (used in)/generated from financing activities	<u>(3,220)</u>	<u>11,413</u>
Net increase in cash and cash equivalents	40,214	77,853
Cash and cash equivalents at the beginning of the period	90,292	111,637
Effect of exchange rate changes on bank balances and cash	(4,943)	(138)
Cash and cash equivalents at the end of the period	<u><u>125,563</u></u>	<u><u>189,352</u></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 Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, 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, and 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 24 August 2022.

The Financial Information has been prepared with the same accounting policies adopted in the 2021 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 2022. 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 effect are disclosed in note 4.

The Financial Information are presented in Hong Kong dollars (“**HKD**”), unless otherwise stated and contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The Financial Information does not include all of the 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 2021 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 the historical cost convention.

2A SIGNIFICANT EVENTS

The significant events relate to the effects of the global COVID-19 pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2022 are summarised as follows.

Decrease in revenue and gross profit of the period

The disruptions arising from the COVID-19 pandemic and the subsequent quarantine measures had a significant adverse impact on the Group's revenue and financial performance during the current interim period. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment on the non-financial assets of the Group as at 30 June 2022, and therefore performed the impairment assessment on all of its cash generating units ("CGUs"). The Group reviewed the current and expected performance of the CGUs on production and sales of cements and research and development in biotechnology and indicated that the recoverable amounts of the CGUs exceeded their carrying amounts. On this basis, the directors of the Company concluded that no impairment was provided during the six months ended 30 June 2022. Details are set out in notes 7, 10 and 11.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Changes in HKFRSs****(a) Adoption of amendments to HKFRSs – first effective on 1 January 2022**

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021.

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 do 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 2021.

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

6. SEGMENT REPORTING

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

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

Reportable segments:

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

All 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 2022 (Unaudited)

	Production and sales of cements HKD'000	Research and development in biotechnology HKD'000	Total HKD'000
Time of revenue recognition			
At a point in time	203,071	–	203,071
Transferred over time	250	–	250
Segment revenue	<u>203,321</u>	<u>–</u>	<u>203,321</u>
Segment results	<u>(15,967)</u>	<u>(3,678)</u>	(19,645)
Unallocated expenses			<u>(2,857)</u>
Income tax credit	<u>2,558</u>	–	<u>2,558</u>
Loss for the period			<u>(19,944)</u>
As at 30 June 2022 (Unaudited)			
Segment assets	<u>951,393</u>	<u>26,757</u>	978,150
Unallocated assets			<u>34,502</u>
Total assets			<u>1,012,652</u>
Segment liabilities	<u>318,185</u>	<u>279</u>	318,464
Unallocated liabilities			<u>64,945</u>
Total liabilities			<u>383,409</u>

6. SEGMENT REPORTING (CONTINUED)

For the six months ended 30 June 2021 (Unaudited)

	Production and sales of cements HKD'000	Research and development in biotechnology HKD'000	Total HKD'000
Time of revenue recognition			
At a point in time	273,057	–	273,057
Transferred over time	448	–	448
Segment revenue	<u>273,505</u>	<u>–</u>	<u>273,505</u>
Segment results	<u>55,662</u>	<u>(3,403)</u>	52,259
Unallocated expenses			<u>(5,526)</u>
Income tax expense	<u>(17,187)</u>	–	<u>(17,187)</u>
Profit for the period			<u>29,546</u>
As at 30 June 2021 (Unaudited)			
Segment assets	<u>971,026</u>	<u>33,963</u>	1,004,989
Unallocated assets			<u>16,620</u>
Total assets			<u>1,021,609</u>
Segment liabilities	<u>266,996</u>	<u>551</u>	267,547
Unallocated liabilities			<u>86,519</u>
Total liabilities			<u>354,066</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 15.92% of the Group's revenue for the period (30 June 2021: 9.53%).

7. REVENUE

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

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Sale of ordinary Portland cement strength class 42.5	165,994	207,803
Sale of composite Portland cement strength class 32.5R	37,077	65,254
Solid waste processing income	250	448
	203,321	273,505

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

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

	30 June	31 December
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Trade and bills receivables, net (<i>Note 13</i>)	35,302	68,917
Contract liabilities	(19,600)	(15,876)

Contract liabilities mainly relate to advances received from its customers. HKD15,876,000 (30 June 2021: HKD11,700,000) of the contract liabilities as of 1 January 2022 has been recognised as revenue for the six months ended 30 June 2022 when performance obligations have been satisfied in current period.

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

8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Current tax		
– Enterprise Income Tax (“EIT”)	–	14,123
Deferred tax (<i>Note 16</i>)	(2,558)	3,064
Income tax (credit)/expense	(2,558)	17,187

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% (2021: 16.5%) to the six months ended 30 June 2022. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the period ended 30 June 2022 (2021: 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 (2021: 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 2022.

9 (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	218,143	212,569
Depreciation of property, plant and equipment	13,418	15,744
Amortisation of intangible assets	453	445
Reversal of provision for impairment on trade receivables, net	(3,260)	(459)
Provision for/(reversal of provision for) impairment on other receivables, net	19	(483)
Reversal of provision for impairment on loan receivables, net	–	(167)
Employee expenses (including directors' remuneration)		
– wages and salaries	4,234	5,196
– pension scheme contribution	3,813	2,877
Auditor remuneration	168	168
Short-term lease expenses	184	10

10. PROPERTY, PLANT AND EQUIPMENT

**Property,
plant and
equipment**
HKD'000

Six months ended 30 June 2022

Carrying amount as at 31 December 2021 and 1 January 2022 (Audited)	217,394
Additions	10,618
Depreciation	(13,418)
Exchange differences	(9,598)
	<hr/>
Carrying amount as at 30 June 2022 (Unaudited)	204,996
	<hr/> <hr/>

Six months ended 30 June 2021

Carrying amount as at 31 December 2020 and 1 January 2021 (Audited)	210,240
Additions	26,953
Depreciation	(15,744)
Exchange differences	(94)
	<hr/>
Carrying amount as at 30 June 2021 (Unaudited)	221,355
	<hr/> <hr/>

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets	Land	Land	Total
	use right	and buildings	
	HKD'000	HKD'000	HKD'000
At 1 January 2022	17,256	1,092	18,348
Depreciation	(243)	(281)	(524)
Exchange differences	(765)	(1)	(766)
	<u>16,248</u>	<u>810</u>	<u>17,058</u>
At 30 June 2022			
At 1 January 2021	17,383	4,198	21,581
Addition	–	1,750	1,750
Depreciation	(243)	(2,430)	(2,673)
Exchange differences	(10)	40	30
	<u>17,130</u>	<u>3,558</u>	<u>20,688</u>
At 30 June 2021			

11. INTANGIBLE ASSETS

	Technical know-how
	HKD'000
At 1 January 2022 (Audited)	8,273
Additions	7
Amortisation	(453)
Exchange differences	(356)
	<u>7,471</u>
At 30 June 2022 (Unaudited)	
At 1 January 2021 (Audited)	8,907
Amortisation	(445)
Exchange differences	(5)
	<u>8,457</u>
At 30 June 2021 (Unaudited)	

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

12. INVESTMENT IN ASSOCIATES

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Unlisted equity investment:		
Cost of investment	30,964	30,964
Share of results of associates, net of dividends received	12,425	13,633
As at the end of period ended and year ended	43,389	44,597

The Group has a 43.2% (31 December 2021: 43.2%) interest in its associate, Suzhou Dongtong Environment and Technology Company Limited (蘇州東通環保科技有限公司, “**Dongtong Environment and Technology**”), which was incorporated and operates in the PRC. The principal activity of Dongtong Environment and Technology is research and development on environmental technology and provision of related services. The cost of the investment was HKD27,637,000 (equivalent to RMB24,000,000).

During the year ended 31 December 2021, the Group acquired 30% interest in an associate, Zhuhai Huiyinhuiheng Investment Fund Management Company Limited* (珠海匯垠匯恒股權投資資金管理有限公司), which was incorporated in the PRC. The principal activity of the company is financial investment management. The cost of the investment was HKD3,327,000 (equivalent to RMB2,757,000).

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

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

Summarised financial information of material associates

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

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Dongtong Environment and Technology		
Non-current assets	9,910	11,369
Current assets	84,744	86,489
Current liabilities	(1,699)	(2,455)

12. INVESTMENT IN ASSOCIATES (CONTINUED)

	30 June 2022 HKD'000 (Unaudited)	30 June 2021 HKD'000 (Unaudited)
Revenue	6,040	10,226
Profit for the period	1,863	4,630
Other comprehensive income for the period	(4,311)	49
Total comprehensive income for the period	(2,448)	4,679
Dividends received from the associate during the period	–	4,668

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

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Net assets of Dongtong Environment and Technology	92,955	95,403
Proportion of the Group's ownership interest in Dongtong Environment and Technology	<u>43.2%</u>	<u>43.2%</u>
Carrying amount of the Group's interest in Dongtong Environment and Technology	<u>40,161</u>	<u>41,218</u>

Aggregate information of an associate that is not material

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Aggregate carrying amount	<u>3,228</u>	<u>3,379</u>

	30 June 2022 HKD'000 (Unaudited)	30 June 2021 HKD'000 (Unaudited)
Aggregate amounts of the Group's share of the associate's:		
Profit for the period	–	–
Other comprehensive income for the period	(151)	–
Total comprehensive income for the period	<u>(151)</u>	<u>–</u>

13. TRADE AND OTHER RECEIVABLES

	30 June 2022 HKD'000 (Unaudited)	31 Decemberr 2021 HKD'000 (Audited)
Trade and bills receivables from third parties	35,355	72,294
Less: provision for impairment (<i>Note (iii)</i>)	(53)	(3,377)
Trade and bills receivables, net (<i>Note (i)</i>)	35,302	68,917
Prepayments (<i>Note (ii)</i>)	37,751	130,129
Other receivables	7,712	4,160
Less: provision for impairment on other receivables (<i>Note (iii)</i>)	(82)	(67)
Prepayments, deposits and other receivables	45,381	134,222
Total trade and other receivables	80,683	203,139
Less: non-current portion		
Deposits paid for purchase of machineries and intangible assets (<i>Note (ii)</i>)	(3,337)	(6,425)
Deposit paid for acquisition of property (<i>Note (ii)</i>)	(26,344)	–
Trade and other receivables-current portion	51,002	196,714

As at 30 June 2022 and 31 December 2021, no trade and bills receivable were pledged for the borrowings.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)**(i) Trade and bills receivables**

Credit terms given to its customers generally range from 30 to 90 days (31 December 2021: 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:

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Within 90 days	26,612	62,251
From 91 days to 180 days	7,976	4,002
From 181 days to 1 year	713	1,656
From 1 year to 2 years	1	804
Over 2 years	–	204
	<u>35,302</u>	<u>68,917</u>

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

13. TRADE AND OTHER RECEIVABLES (CONTINUED)**(ii) Prepayments and deposits**

As at 30 June 2022, included in the Group's prepayments and deposits were mainly represented by the prepayments and deposits amounted to HKD7,501,000, HKD1,319,000, HKD2,018,000 and HKD26,344,000 (31 December 2021: HKD123,334,000, HKD4,312,000, HKD2,113,000 and Nil) paid to the suppliers for raw material purchases, purchase of machineries, purchase of right of use of licence and property respectively.

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

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Trade receivables:		
Beginning of period/year	3,377	1,339
Provision for the period/year	49	2,907
Balance recovered for the period/year	(3,309)	(928)
Exchange differences	(64)	59
	<hr/> 53 <hr/>	<hr/> 3,377 <hr/>
End of period/year		
Other receivables:		
Beginning of period/year	67	542
Provision for/(reversal of provision for) the period/year, net	19	(479)
Exchange differences	(4)	4
	<hr/> 82 <hr/>	<hr/> 67 <hr/>
End of period/year		

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 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Trade payables	79,706	103,209
Bill payables	57,168	61,252
Contract liabilities	19,600	15,876
Salary and bonus payables	713	5,346
VAT payables	257	2,677
Amounts due to related parties (<i>note 21(a)</i>)	43,636	43,636
Other payables	12,212	12,115
	213,292	244,111

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

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

Aging analysis of trade payables are as follows:

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Within 30 days	21,097	41,616
From 31 days to 90 days	49,269	54,207
From 91 days to 180 days	5,602	3,181
From 181 days to 1 year	1,374	2,308
From 1 year to 2 years	943	281
Over 2 years	1,421	1,616
	79,706	103,209

15. BORROWINGS

	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Bank borrowings (<i>note (a)</i>)	115,914	121,335
Other loan, unsecured (<i>note (b), (c)</i>)	15,340	15,340
	<hr/>	<hr/>
Total bank and other loans	131,254	136,675
	<hr/>	<hr/>
Carrying amount of borrowings repayable:		
On demand or within one year	131,254	136,675
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) As at 30 June 2022, bank borrowings of approximately HKD115,914,000 (31 December 2021: HKD121,335,000) with fixed interest rates ranged from 4.60% to 5.30% (2021: 4.95% to 5.66%) per annum was secured by corporate guarantees from the Company.
- (b) As at 30 June 2022, the Group's other loans represented (i) an other loan of HKD10,700,000 (31 December 2021: HKD10,700,000) with a fixed interest rate of 9% per annum from one third party; (ii) an other loan of HKD890,000 (31 December 2021: HKD890,000) with a fixed interest rate of 13% per annum from another third party; and (iii) an interest-free loan of HKD3,600,000 (31 December 2021: HKD3,600,000) from a company under control of Mr. Tseung, a non-executive director of the Company.
- (c) As at 30 June 2022, unsecured interest-free loan of HKD150,000 (31 December 2021: HKD150,000) provided by Mr. Tseung.

16. DEFERRED TAX LIABILITIES

Deferred tax liabilities	Withholding tax for attributable profit relating to equity holders
	HKD'000
	<i>(Note (a))</i>
As at 31 December 2021 and 1 January 2022 (Audited)	42,428
Charged to profit or loss	(2,558)
Exchange difference	(1,827)
	<hr/>
As at 30 June 2022 (Unaudited)	38,043
	<hr/>
As at 31 December 2020 and 1 January 2021 (Audited)	40,370
Charged to profit or Loss	3,064
Exchange difference	(26)
	<hr/>
As at 30 June 2021 (Unaudited)	43,408
	<hr/>

- (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 HKD'000
<i>Authorised:</i>		
Ordinary shares of HKD0.01 each as at 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
As at 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022	<u>552,000</u>	<u>5,520</u>

18. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company of HKD18,661,000 (30 June 2021: profit attributable to owners of the Company of HKD30,731,000) by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2021: 552,000,000).

As there were no dilutive options and other dilutive potential shares in issue for the periods ended 30 June 2022 and 2021, diluted (loss)/earnings per share is the same as basic earnings per share.

19. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2022 (2021: Nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that no dividend will be paid in respect of the interim period (2021: HKD0.0725 per share was proposed pursuant to a resolution passed by the Board of Directors and subject to the approval of the shareholders).

20. LEASE LIABILITIES

	Land and buildings	
	2022	2021
	HKD'000	HKD'000
At 1 January (Audited)	1,102	4,303
Addition	–	1,419
Interest expenses	9	98
Lease payments	(290)	(2,209)
Exchange differences	(1)	37
	<hr/>	<hr/>
At 30 June (Unaudited)	820	3,648
	<hr/>	<hr/>
	30 June	31 December
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Current portion	489	524
Non-current portion	331	578
	<hr/>	<hr/>
	820	1,102
	<hr/>	<hr/>

Future lease payments are due as follows:

	Minimum	Interest	Present value
	lease payments	30 June	30 June
	30 June	30 June	30 June
	2022	2022	2022
	HKD'000	HKD'000	HKD'000
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	500	11	489
After one year but within two years	333	2	331
	<hr/>	<hr/>	<hr/>
	833	13	820
	<hr/>	<hr/>	<hr/>

20. LEASE LIABILITIES (CONTINUED)

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

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

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

	Six months ended 30 June	
	2022 HKD'000 (Unaudited)	2021 HKD'000 (Unaudited)
Basic salaries and benefits in kind	<u>1,508</u>	<u>2,897</u>

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 2022, borrowing of approximately HKD150,000 (31 December 2021: HKD150,000) was due to Mr. Tseung.

Other payables included amounts due to companies under control of Mr. Tseung, of HKD43,636,000 (31 December 2021: HKD 43,636,000). The balances are unsecured, interest-free and repayable on demand.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Revenue received from		
– an associate	250	448

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

	As at	
	30 June	31 December
	2022	2021
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Commitments for the acquisition of:		
Property, plant and equipment	1,090	3,940

23. FINANCIAL INSTRUMENTS

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

	As at	
	30 June 2022 HKD'000 (Unaudited)	31 December 2021 HKD'000 (Audited)
Financial assets:		
Financial assets at amortised cost		
– Trade and other receivables excluding prepayments	75,872	73,010
– Short-term bank deposits	434,947	406,654
– Pledged bank deposits	41,947	61,252
– Cash and cash equivalents	125,563	90,292
	<u>678,329</u>	<u>631,208</u>
Total	<u>678,329</u>	<u>631,208</u>
Financial liabilities:		
Financial liabilities at amortised cost		
– Borrowings	131,254	136,675
– Trade and other payables	193,436	225,558
Lease liabilities	820	1,102
	<u>325,510</u>	<u>363,335</u>
Total	<u>325,510</u>	<u>363,335</u>

24. EVENTS AFTER THE REPORTING DATE

On 29 July 2022, the Company, have entered into an investment framework agreement (the “**Investment Framework Agreement**”) with three independent third parties, which are Baoji Industrial Development Group Co., Ltd* (寶雞市工業發展集團有限公司) (“**Baoji Industrial**”), New Sea Union Technology Group Limited (新海宜科技集團股份有限公司) (“**New Sea Union**”) and Hunan Yuangu Automobile Technology Co., Ltd.* (湖南遠古汽車科技有限公司) (“**Yuangu Automobile**”), pursuant to which the Company, Baoji Industrial, New Sea Union and Yuangu Automobile intend to establish and invest in a joint venture company (the “**Joint Venture Company**”) for the purpose of vehicle design, technology research and development, supply chain management, sales and other matters of new energy commercial vehicles. Details of the above transaction were set out in the Company’s announcement dated 29 July 2022.