



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
2024

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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 C1 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

Jiangxi Starlight	Jiangxi Starlight Enterprise Management Consulting Co.* (江西星耀企業管理諮詢有限公司), a company established in the PRC and holds 90% shares in the Target Company immediately prior to the completion of the Transactions and is ultimately controlled by Mr. Lai and Ms. Wang and its principle business is enterprise management consulting and business information advisory
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
Mr. Lai	Mr. Lai Chengming* (賴誠明), a natural person and a PRC resident, one of the ultimate controllers of the Jiangxi Starlight and a third-party independent of and not connected with the Company and its connected persons
Ms. Wang	Ms. Wang Xiujiao* (王秀姣), a natural person and a PRC resident, one of the ultimate controllers of Jiangxi Starlight and a third-party independent of and not connected with the Company and its connected persons
R&D	the research and development
Reporting Period	the six months ended 30 June 2024
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
Share Acquisition and Capital Injection Agreement	an agreement entered into by the Investor, the Target Shareholders and Mr. Lai, under which the Investor is (1) to acquire 25% of equity interest of the Target Company and (2) to inject RMB200 million into the Target Company
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

Independent non-executive Directors

Cao Kuangyu
Yu Xiaoying
Suo Suo

Company Secretary

Sun Xin (resigned on 1 June 2024)
Lu Rulan (appointed on 1 June 2024)

Auditor

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

Authorized Representatives

Liu Dong
Sun Xin (resigned on 1 June 2024)
Lu Rulan (appointed on 1 June 2024)

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

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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

Stephenson Harwood
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979 King's Road Quarry Bay,
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Company Website

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MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

In the first half of 2024, the cement industry operated in a pattern of “continuous decline in demands, low-level fluctuations in price and continuous loss-making of the industry”. The adjustments of the real estate sector and slow infrastructure investment growth weighed on overall cement demand. The downward trend of cement demands in the previous two years continued in the first half of 2024, and it’s hard to make a turnaround from loss-making for the entire industry. During the Reporting Period, the gross domestic product (GDP) amounted to RMB61,683.6 billion, representing a year-on-year increase of 5.0% (an increase of 5.5% for the same period last year). The fixed asset investment in China (excluding rural households) reached RMB24.54 trillion, representing a year-on-year increase of 3.9% (an increase of 5.5% for the same period last year); the real estate development investment in China reached RMB5.25 trillion, representing a year-on-year decrease of 10.1% (on a comparable basis), among which residential investment amounted to RMB3.99 trillion, down 10.4%. In the first half of 2024, the cumulative cement output in China totaled 850 million tonnes, representing a year-on-year decrease of 10% (on the same basis) or 100 million tonnes as compared with the same period last year. The output from January to May was the lowest since 2011. In June, the monthly cement output in China was 164 million tonnes, representing a year-on-year decrease of 10.7% (on the same basis) and a month-on-month decrease of 8.7%, and the output recorded the lowest amount since 2010 (Source: National Bureau of Statistics). In the first quarter, the cement industry suffered serious losses and was characterized by “decline in both volume and price from the beginning up to the end of the quarter” as a whole. The cement price was low at the beginning up to the end of the quarter, and the market supply and demand witnessed serious imbalance. To capture market share, cement manufacturers in most of regions competed with each other fiercely, which prompted the cement price to fall below the cost. The cement market saw a sluggish demand due to fewer new real estate projects and suspension of major infrastructure projects in certain regions. Into the second quarter, cement manufacturers in most of regions increased off-peak production efforts to reduce losses and get out of trouble, and the national cement market as a whole presented the operation characteristics of “weak demand recovery, slight price uptick, and ongoing loss-making of the industry”. In East China, due to the weaker-than-expected implementation of off-peak production, the cement price experienced two upticks but maintained for a short period, which has a limited impact on the profitability improvement of the industry. At the end of June, the price dropped back to the original level. The continuous decline in demand was mainly due to the fact that the real estate market was still under adjustment and the new construction area and available funds of real estate developers continued to decline sharply. In addition,

affected by the delayed demand from infrastructure projects, coupled with the impact of extreme weather, rain and flood disasters and other factors, the market recovery fell below the expectations, and the demand weakened for a phase. According to the 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 2024, the average price of PO42.5 bulk cement in Nanjing (the provincial capital city of Jiangsu Province), Hangzhou (the provincial capital city of Zhejiang Province) and Shanghai was RMB319 per tonne, RMB360 per tonne and RMB363 per tonne respectively, representing a decrease of 6.9%, 4.3% and 5.0% respectively as compared with RMB342 per tonne, RMB376 per tonne and RMB382 per tonne for the same period last year. (Source: Digital Cement)

Biomedical Segment

The Group is of view that the research and development of CAR-T drugs is much more difficult than expected, which has significantly raised the uncertainties. In addition, the Group's current development focus has shifted to the rare earths and other rare metals segments, and the investment in biomedical products has been suspended.

Rare Earth Segment

Due to its rich magnetic, optical and electrical features, rare earths can be used in the production of permanent magnetic materials, catalytic materials, polishing materials, light-emitting materials, hydrogen storage materials, metallurgical materials, etc. These materials are widely applied in the fields of new energy automobiles, energy-saving home appliances, wind power, high-efficiency industrial electric machines, consumer electronics, robots, petrochemical industry, metallurgy and so on.

China has abundant rare earth resources and a complete rare earth industry chain, and is currently the world's largest country in the production, application and export of rare earth materials. With the consolidation of domestic rare earth mines and the smelting and refining separation industries, it has further intensified the concentration of the domestic rare earth industry. The United States, Australia, Africa, Southeast Asia and other countries and regions also serve as important sources of rare earths. Major foreign countries have attached great importance to the rare earth industry and accelerated the deployment and development of the rare earth industry.

With the transformation of traditional fossil energy sources to new energy sources and the development of the global science and technology industry, the long-term demand for rare earths maintains growth momentum. During the Reporting Period, the prices of major rare earth products fluctuated downwards due to changes in the supply and demand structure. On the supply side, the increased control indicators for the total volume of domestic rare earths and the significant increase in the imported rare earth ores from Myanmar and other Southeast Asian regions contributed to a large increase in the total supply of rare earths. In the first half of 2024, the control indicators for the total volume of domestic rare earth mineral products increased to 135,000 tonnes from 120,000 tonnes in the last year, which maintained double-digit growth following an increase of 21.43% in 2023. The control indicators for the total volume of smelting and separation products increased to 127,000 tonnes from 115,000 tonnes, representing an increase of 10.43% (under the same statistic scope). From January to May 2024, China imported 23,883.81 tonnes of rare earth oxides, representing a year-on-year increase of 32.01% from 18,092.18 tonnes in the same period last year (Source: China Customs). On the demand side, growth was relatively weak due to the weaker-than-expected macroeconomic recovery, geopolitical conflicts, technological innovation and other factors. Under the combined effect of supply and demand factors, the prices of major rare earth products in the first half of 2024 continued the downward trend of 2023, with the average sales price of praseodymium neodymium oxide of approximately RMB490,000 per tonne from January to June, representing a decrease of approximately 26.4% as compared with the average price of RMB530,000 per tonne for the whole year of 2023.

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

Ganzhou Chengzheng is a high-tech enterprise integrating raw ore calcination of rare earth, R&D, production and sales of high-performance neodymium-iron-boron permanent magnet materials, and rare earth permanent magnet DC brushless motors, and is an excellent supplier of high-performance rare earth permanent magnet materials for new energy sources and energy-saving and environmental protection areas. Rare earth-related products are widely used in new energy vehicles and automobile parts, energy-saving inverter air conditioners, wind power generation, 3C, robotics and industrial servo motors, energy-saving elevators, rail transportation and other fields.

Ganzhou Chengzheng completed the equipment and technology renovation of the permanent magnet material workshop in early February 2024. In mid-March 2024, it realized the full renovation of manufacturing and improved the original product allocation and process parameters. As a result, Ganzhou Chengzheng has become a company with full product production capacity, specifically covering product research and development, mold development, billet production, finished product processing, surface treatment, testing, design, R&D, and production of permanent magnet motors. It is capable to carry out comprehensive control and fine management of each process. Ganzhou Chengzheng is gradually improving its operation mode in the process of close cooperation with customers.

The Group has conducted a series of optimisations in the rare earth segment during the Reporting Period, mainly include that:

1. *Making plans to provide guidance, with a focus on the Company's development positioning*

Combined with the company's own advantages and actual development in the rare earth segment, the board of directors of the Company put forward the development strategy of "focusing on science and technology and making efforts in key areas", and clarified the Company's phased development goals: by 2025, striving to fully realize the dual business layout at home and abroad, developing around the rare earth industry chain and the circular economy industry chain, and becoming an international supplier of key raw materials for green and low-carbon and intelligent electric drives. The Company further expanded its business scope by strengthening the industrial chain, and expanding and developing the industry of high-end application of rare earth in a timely manner.

2. *Expanding the Company's development scope by internal and external exploration*

During the Reporting Period, Ganzhou Chengzheng's new construction and technical transformation projects were implemented smoothly. It has improved and optimized its production process, and upgraded the level of energy consumption and emission control, which greatly improved the production efficiency. The "Ganzhou Chengzheng technical transformation project for annual output of 2,000 tons of rare earth permanent magnet materials from rare earth" was successfully completed and put into operation. In cooperation with the National Rare Earth Functional Materials Innovation Center, the construction of rare earth permanent magnet brushless motor application research and development and pilot demonstration line was also completed and put into operation. The addition of new projects not only expands the Company's resource reserves, but also lays a foundation for future business extension.

3. *Innovating technology to boost the Company's high-quality development*

As at 30 June 2024, the rare earth segment had a total of 35 patents, including 10 patents for inventions and 25 patents for utility models. During the Reporting Period, the Company's self-developed "drive and control integrated technology of high-precision rare earth permanent magnet motor" was awarded the Jiangxi Provincial Science and Technology Advancement Second Prize; "hot-pressure NdFeB magnet research" technology was awarded the Jiangxi Provincial Science and Technology Advancement Third Prize. The Company has achieved a leading position in the industry in respect of key technology improvement and industrialization of green and high-quality rare earth permanent magnet motor system in the whole working domain as well as key technology integration innovation and industrialization of sintered NdFeB materials respectively.

4. *Strengthening internal control to optimize systems for stimulating corporate vitality*

During the Reporting Period, each of business division of the rare earth segment has optimized their respective management systems. Based on their respective actual conditions and operation and management needs, each of business division optimized the internal organization structure, sorted out the boundaries of functions and responsibilities, and clarified the horizontal coordination and vertical control and operation mechanism of the organization to improve the communication efficiency and management effectiveness. Moreover, they also arranged revision and improvement of several management systems in relation to human resources, financial management, asset management, safe production and environmental protection, etc. The Company accelerated the construction and optimization of information system across the whole Group to achieve the efficient operation and risk control of the company through the synergy of system enhancement and information system. Besides, the Company optimized the performance appraisal system, which features a performance appraisal system of taking return on equity as the core indicator, with due regard for operating cash flow, enterprise operation capability and compliant operation and other indicators.

The Group is also actively exploring business opportunities in rare metals other than rare earth.

International Trading Segment

In the first half of 2024, the Group carried out international trading business and currently engaged in international trading of products including copper cathodes.

Revenue

During the Reporting Period, the Group's revenue amounted to approximately HKD106,613,000, among them, the cement segment recorded revenue amounted to approximately HKD92,689,000, representing a decrease of approximately HKD47,887,000 or 34.1% from approximately HKD140,576,000 in the corresponding period in 2023. The decrease is mainly due to the decline in sales volume under the combined effects from cement price drops caused by intensified market competition, depression of downstream real estate enterprises and stricter constraints on environmental energy consumption during the Reporting Period.

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

	For the six months ended 30 June					
	2024			2023		
	Average			Average		
	Sales	Selling	Revenue	Sales	Selling	Revenue
	Volume	Price		Volume	Price	
	<i>Thousand</i>	<i>HKD/</i>		<i>Thousand</i>	<i>HKD/</i>	
	<i>tonnes</i>	<i>tonne</i>	<i>HKD'000</i>	<i>tonnes</i>	<i>tonne</i>	<i>HKD'000</i>
PO 42.5 Cement	293	225	66,003	326	324	105,706
PC 42.5 Cement	91	241	21,897	–	–	–
PC 32.5 Cement	19	251	4,761	118	294	34,703

Categorized by product type, the sales volume of the Group's cement products during the Reporting Period amounted to approximately 403 thousand tonnes, representing a decrease of approximately 9.2% year on year, while the sales revenue of cement products decreased by approximately 34.0% year on year.

The rental income from cement kilns in the first half of 2024 amounted to approximately HK\$28,000, representing a decrease of approximately HK\$139,000 or 83.2% from approximately HK\$167,000 in 2023.

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

	For the six months ended 30 June 2024		2023	
	Revenue HKD'000	% of total	Revenue HKD'000	% of total revenue
Jiangsu Province	67,997	73.38%	122,809	87.47%
Wujiang District	47,246	50.99%	106,343	75.74%
Suzhou (excluding Wujiang District)	20,751	22.39%	16,466	11.73%
Zhejiang Province	23,280	25.13%	16,213	11.54%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	10,662	11.51%	1,492	1.06%
Jiaxing	12,618	13.62%	14,721	10.48%
Shanghai	1,384	1.49%	1,387	0.99%
Total	92,661	100.00%	140,409	100.00%

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

During the Reporting Period, the Group's rare earth segment recorded revenue amounted to approximately HK\$13,866,000 and the following table sets out an analysis of the revenue of the rare earths segment by type of revenue:

	As at 30 June 2024 HK\$ '000
Sales of motor machines	1,049
Sales of magnetic materials	5,758
Sales of anode materials and oxides	2,621
Electroplating and processing	1,595
Calcination service	2,843

During the Reporting Period, the Group's international trading segment recorded revenue amounted to approximately HK\$58,000, which was mainly generated from international trade of copper cathodes.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross loss of cement segment business amounted to approximately HKD5,192,000, representing a decrease of approximately HKD7,709,000 or 306% as compared to the gross profit of approximately HKD2,517,000 in the corresponding period last year, while the gross profit margin amounted to approximately -5.6%, representing a decrease of approximately 7.4% as compared to approximately 1.8% in the corresponding period last year. The decrease was mainly attributable to the decrease in the sales price resulting from the continuing downward market demand.

During the Reporting Period, the rare earth segment recorded gross loss of approximately HKD2,679,000. After the completion of the Group's acquisition of and capital injection into Ganzhou Chengzheng to the first quarter of 2024, a series of coordinated adjustments have been made to the subsidiary engaged in the rare earth segment, including management restructuring, technical modifications, equipment maintenance and renewal to the magnetic material workshop, after which production and sales of the rare earth segment have gradually got on the right track but have not yet formed a scale due to the short period after the acquisition. Therefore, a gross loss was recorded due to the higher fixed costs per unit, and the gross margin was approximately -19.3%.

During the Reporting Period, the business segment recorded gross profit of HKD58,000, generating a gross profit margin of approximately 100%.

Other Income and other gain, net

During the Reporting Period, the Group's other income and other gain amounted to approximately HKD2,668,000, of which cement segment and rare earth segment recorded other income of approximately HKD829,000 and HKD1,930,000 respectively, representing an increase of approximately HK\$2,282,000 or approximately 591% compared to approximately HK\$386,000 in the corresponding period last year, which is mainly due to the increase in government grants.

Distribution Expenses

The Group's distribution expenses amounted to approximately HKD1,695,000, of which cement segment incurred distribution expenses of approximately HK\$1,312,000, representing an increase of approximately 14.7% as compared to approximately HKD1,144,000 in the corresponding period last year. The increase was mainly due to the increase in transportation cost. Sales and distribution expenses accounted for approximately 1.4% of the revenue of the Group, which roughly remained flat as compared to approximately 0.8% in the corresponding period last year.

During the Reporting Period, rare earth segment incurred sales and distribution expenses of approximately HK\$383,000, accounted for approximately 2.8% of the revenue of rare earth segment.

Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses amounted to approximately HKD22,063,000, of which cement segment and rare earth segment incurred approximately HKD11,891,000 and HKD7,020,000 respectively, representing an increase of HKD125,000 or 0.6% which remain flat as compared to approximately HKD21,938,000 in the corresponding period last year.

Income Tax Expense

During the Reporting Period, the Group's income tax credit amounted to approximately HKD1,299,000, representing a significant increase from approximately HKD224,000 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 9 to the condensed consolidated financial statements in this announcement.

Net Profit Margin

During the Reporting Period, the Group's net profit margin was approximately -37.5%.

The net profit margin decreased by 24.4% as compared to approximately -13.1% in the corresponding period last year. The decrease was mainly attributable to the decrease in revenue and provision of impairment loss on goodwill classified as held for sale.

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 initial public offering of the Company, and part of the proceeds from the placement of new shares.

	30 June 2024 HKD'000	31 December 2023 HKD'000
Cash and cash equivalents	25,659	21,895
Borrowings	299,652	262,641
Debt to equity ratio	92.2%	81.2%
Liability to asset ratio	47.9%	44.8%

Cash Flow

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately HKD25,659,000, representing an increase of approximately 17.2% from approximately HKD21,895,000 as at 31 December 2023, which was mainly due to the new borrowings raised.

Borrowings

	30 June 2024 HKD'000	31 December 2023 HKD'000
Current:		
– Cement segment	84,483	86,782
– Rare earth segment	204,469	165,159
– Unallocated	10,700	10,700
	<u>299,652</u>	<u>262,641</u>

As at 30 June 2024, the Group's bank borrowings amounted to approximately HK\$272,911,000, representing a increase of approximately 8.3% from approximately HK\$251,941,000 as at 31 December 2023, which was mainly due to fund raised for rare earth segment during the Reporting Period.

As at 30 June 2024, borrowings of HK\$156,346,000 (31 December 2023: HK\$137,916,000) included the aforesaid borrowings were secured by the Group's properties, plant and equipment, land use rights and equity interest of subsidiaries of the Company.

Details of the Group's borrowings due are set out in note 19 to the condensed consolidated interim financial statements.

As at 30 June 2024, the Group had no unutilised bank financing facilities.

Debt to Equity Ratio

As at 30 June 2024, the Group's debt to equity ratio was 92.2%.

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

Capital Expenditure and Capital Commitments

As at 30 June 2024, the Group's capital expenditure amounted to approximately HKD32,713,000, of which HKD966,000 and HKD5,736,000 were generated from the cement segment and rare earth segment respectively. It represented a notable increase from approximately HKD15,210,000 in the corresponding period last year.

As at 30 June 2024, the Group had capital commitments of approximately HK\$151,000 (31 December 2023: HKD1,562,000).

Pledge of Assets

As at 30 June 2024, for the Group's rare earth segment, certain property, plant and equipment with carrying amount of approximately HK\$22,843,000, land use rights with carrying amount of approximately HK\$2,296,000, and equity interest of subsidiaries of the Company (31 December 2023: property, plant and equipment with carrying amount of approximately HK\$8,263,000, land use rights with carrying amount of approximately HK\$2,392,000, and equity interest of subsidiaries of the Company), were pledged to secure certain bank borrowings of the Group.

Contingent Liabilities

As at 30 June 2024, 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 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 316 employees. The total remuneration of our employees amounted to approximately HKD15,906,000 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 2024, the Company will continue to enhance internal management, and improve operational efficiency through process optimization and technology upgrading, in a bid to lower costs and increase efficiency in an effective manner; optimize its existing facilities to increase productivity; increase brand awareness and improve products' profit margins in response to market demand; strengthen professional training for employees to improve their skills and enthusiasm for work, and promote collaboration and communication within the team to help nurture outstanding talents and build strong teams; promote the various development and maintenance projects of product management, while continuing to explore more investment opportunities in rare metal varieties, especially those in relation to the field of clean energy; focus on the core business and seek to optimize the asset structure to improve profitability, and try capital operations to enhance operational efficiency and improve overall competitiveness. With the continuous decline in demand in the cement industry, the price fluctuating at low levels, and sustained loss in the industry, the Company will also focus on the development of the rare earth segment and explore business opportunities in other rare metals. As rare earth permanent magnet materials are the core functional materials for energy saving, consumption reduction and green and environmental protection, and are essential elements for automation and intelligence, they have a broad space for development and will continue to play an important role in new energy vehicles, new energy power generation, industrial robots and other fields.

OTHER INFORMATION

Share Capital

As at 30 June 2024, 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 2024, 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%

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 2024, 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 2024, 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 2024, 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	69,466,000	12.58%

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 2024, 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 C1 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 MODEL CODE

The Company has adopted the Model Code as set out in Appendix C3 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 2024 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, 23 August 2024

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

* 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 28 to 74, 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 2024 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 notes to the condensed consolidated interim financial statements, including material accounting policy information (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 are 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, 23 August 2024

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

		Six months ended 30 June	
	Notes	2024 HKD'000 (Unaudited)	2023 HKD'000 (Unaudited) (Re-presented)
Revenue	7	106,613	140,576
Cost of sales		(114,426)	(138,059)
Gross (loss)/profit		(7,813)	2,517
Distribution expenses		(1,695)	(1,144)
Administrative expenses		(22,063)	(21,938)
Other income and other gain, net	8	2,668	386
Operating loss		(28,903)	(20,179)
Finance income		8,491	6,682
Finance expenses		(6,548)	(2,642)
Finance income – net		1,943	4,040
Share of results of associates		(881)	313
Loss before income tax	10(a)	(27,841)	(15,826)
Income tax credit	9	1,299	224
Loss for the period from continuing operations		(26,542)	(15,602)
Discontinued operation			
Loss for the period from a discontinued operation, after tax	10(b)	(13,439)	(2,816)
Loss for the period		(39,981)	(18,418)

		Six months ended 30 June	
Notes		2024	2023
		HKD'000 (Unaudited)	HKD'000 (Unaudited) (Re-presented)
	Other comprehensive income for the period		
	<i>Item that may be reclassified subsequently to profit or loss:</i>		
	Exchange difference arising on translation of financial statements of foreign operations	(16,573)	(26,496)
	Total comprehensive income for the period	(56,554)	(44,914)
	Loss for the period attributable to:		
	Owners of the Company		
	– From continuing operations	(22,794)	(15,602)
	– From a discontinued operation	(13,080)	(1,831)
		(35,874)	(17,433)
	Non-controlling interests		
	– From continuing operations	(3,748)	–
	– From a discontinued operation	(359)	(985)
		(4,107)	(985)
		(39,981)	(18,418)
	Total comprehensive income for the period attributable to:		
	Owners of the Company		
	– From continuing operations	(36,206)	(41,347)
	– From a discontinued operation	(13,584)	(2,910)
		(49,790)	(44,257)

		Six months ended 30 June	
Notes		2024	2023
		HKD'000 (Unaudited)	HKD'000 (Unaudited) (Re-presented)
	Non-controlling interests		
	– From continuing operations	(6,629)	–
	– From a discontinued operation	(135)	(657)
		<u>(6,764)</u>	<u>(657)</u>
		<u>(56,554)</u>	<u>(44,914)</u>
	Loss per share from continuing and discontinued operations		
	– Basic and diluted (<i>HKD per share</i>)	23 <u>(0.065)</u>	<u>(0.032)</u>
	Loss per share from continuing operations		
	– Basic and diluted (<i>HKD per share</i>)	23 <u>(0.041)</u>	<u>(0.028)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		At 30 June 2024 HKD'000 (Unaudited)	At 31 December 2023 HKD'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	11	234,110	220,625
Goodwill	12	47,563	61,589
Intangible assets	13	14,420	22,046
Deposit paid for purchase of machineries	17	489	1,812
Deposit paid for acquisition of property	17	–	24,716
Investments in associates	14	33,003	34,798
Deferred tax assets	21	5,172	5,313
Financial assets at fair value through profit or loss	15	53,470	–
Total non-current assets		388,227	370,899
Current assets			
Inventories	16	214,901	211,580
Trade and other receivables	17	135,088	61,158
Short-term bank deposits		315,473	450,385
Pledged bank deposits		32,029	37,785
Cash and cash equivalents		25,659	21,895
		723,150	782,803
Assets classified as held for sale	10(b)	5,424	–
Total current assets		728,574	782,803

	Notes	At 30 June 2024 HKD'000 (Unaudited)	At 31 December 2023 HKD'000 (Audited)
Current liabilities			
Trade and other payables	18	154,096	178,210
Contract liabilities	7	25,504	17,206
Lease liabilities	25	375	83
Borrowings	19	154,427	141,806
Income tax payables		—	5
		<u>334,402</u>	<u>337,310</u>
Liabilities associated with assets classified as held for sale	10(b)	<u>1,754</u>	—
Total current liabilities		<u>336,156</u>	<u>337,310</u>
Net current assets		<u>392,418</u>	<u>445,493</u>
Total assets less current liabilities		<u>780,645</u>	<u>816,392</u>
Non-current liabilities			
Lease liabilities	25	656	—
Borrowings	19	145,225	120,835
Deferred income	20	21,305	23,278
Deferred tax liabilities	21	33,274	35,540
Total non-current liabilities		<u>200,460</u>	<u>179,653</u>
Net assets		<u>580,185</u>	<u>636,739</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	5,520	5,520
Reserves		479,545	529,335
		<u>485,065</u>	<u>534,855</u>
Non-controlling interests		<u>95,120</u>	<u>101,884</u>
Total equity		<u>580,185</u>	<u>636,739</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Non-	Total equity HKD'000
	Share capital	Other reserves	Translation reserve	Retained earnings	Total	controlling interests	
	HKD'000 (Note 22)	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
At 1 January 2024 (audited)	5,520	460,343	(70,152)	139,144	534,855	101,884	636,739
Loss for the period	-	-	-	(35,874)	(35,874)	(4,107)	(39,981)
Exchange difference arising on translation of financial statements of foreign operations	-	-	(13,916)	-	(13,916)	(2,657)	(16,573)
Total comprehensive income for the period	-	-	(13,916)	(35,874)	(49,790)	(6,764)	(56,554)
At 30 June 2024 (unaudited)	5,520	460,343	(84,068)	103,270	485,065	95,120	580,185

Dongwu Cement International Limited
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	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital HKD'000	Other reserves HKD'000	Translation reserve HKD'000	Retained earnings HKD'000	Total HKD'000		
At 1 January 2023 (audited)	5,520	460,321	(54,319)	175,691	587,213	(6,936)	580,277
Loss for the period	–	–	–	(17,433)	(17,433)	(985)	(18,418)
Exchange difference arising on translation of financial statements of foreign operations	–	–	(26,824)	–	(26,824)	328	(26,496)
Total comprehensive income for the period	–	–	(26,824)	(17,433)	(44,257)	(657)	(44,914)
At 30 June 2023 (unaudited)	<u>5,520</u>	<u>460,321</u>	<u>(81,143)</u>	<u>158,258</u>	<u>542,956</u>	<u>(7,593)</u>	<u>535,363</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2024 HKD'000 (Unaudited)	2023 HKD'000 (Unaudited)
Cash flows from operating activities		
Operating loss before working capital changes	(17,110)	(9,474)
(Increase)/decrease in trade and other receivables	(22,102)	7,841
Other operating cash flows	(18,224)	(14,610)
Cash used in operating activities	(57,436)	(16,243)
Income tax paid	(43)	–
Government grant received	–	126
Net cash used in operating activities	(57,479)	(16,117)
Cash flows from investing activities		
Interest received	8,491	6,682
Purchases of property, plant and equipment	(5,483)	(1,373)
Proceed from disposal of property, plant and equipment	121	–
Deposits paid for purchases of machineries	(494)	(488)
Deposit refunded for cancellation on purchase of intangible assets	–	1,937
Placement of short-term deposits	(210,566)	(304,976)
Release of short-term deposits	334,746	307,807
Placement of pledged bank deposits	(32,341)	(43,972)
Release of pledged bank deposits	37,143	59,999
Advanced to suppliers	(53,991)	–
Purchase of financial assets at fair value through profit or loss	(53,991)	–
Net cash generated from investing activities	23,635	25,616

		Six months ended 30 June	
		2024	2023
		HKD'000	HKD'000
		(Unaudited)	(Unaudited)
Cash flows from financing activities			
Proceeds from borrowings		142,213	81,355
Repayments of borrowings		(98,102)	(90,199)
Repayments of principal portion of lease liabilities		(205)	(511)
Interest paid		(6,191)	(2,002)
		<u>37,715</u>	<u>(11,357)</u>
Net cash generated from/(used in) financing activities			
		<u>37,715</u>	<u>(11,357)</u>
Net increase/(decrease) in cash and cash equivalents			
		3,871	(1,858)
Cash and cash equivalents at the beginning of the period		21,895	7,662
Effect of exchange rate changes on bank balances and cash		(90)	(174)
		<u>25,676</u>	<u>5,630</u>
Cash and cash equivalents at the end of the period			
		<u>25,676</u>	<u>5,630</u>
Represented by:			
Cash and cash equivalents		25,659	5,630
Cash and cash equivalents classified as held for sale	10(b)	17	—
		<u>25,676</u>	<u>5,630</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. In the directors’ opinion, the immediate and ultimate holding company of the Company is Goldview Development Limited, a company incorporated in British Virgin Island (the “**BVI**”).

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the “**Group**”. The Group is principally engaged in the production and sales of cement, the production and sales of magnetic materials and other application products and the trading business. 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 23 August 2024.

The Financial Information has been prepared with the same accounting policies adopted in the 2023 annual financial statements, except for those that relate to amended standards effective for the first time for periods beginning on or after 1 January 2024 or agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board. Details of any changes in material 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.

2 BASIS OF PREPARATION (CONTINUED)

The Financial Information is presented in Hong Kong Dollars (“HKD”), unless otherwise stated and contains condensed consolidated interim 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 2023 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 2023 consolidated financial statements.

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 26 to 27.

The Financial Information has been prepared under historical cost convention except for certain financial instruments, which are measured at fair values, as appropriate.

3 MATERIAL ACCOUNTING POLICIES

3.1 CHANGES IN HKFRSs

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2024

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-Current Liabilities with Covenants
HK Interpretation 5 (Revised)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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 MATERIAL 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 HKFRSs, amendments and interpretations

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

3.4 Application of accounting policies which become relevant to the Group in the current interim period

Non-current assets held for sale and disposal groups

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

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

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

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Application of accounting policies which become relevant to the Group in the current interim period (Continued)

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

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

- (a) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- (b) its recoverable amount at the date of the subsequent decision not to sell.

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

Principal versus agent determination in revenue recognition

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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 2023.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency risk, cash flow interest rate 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 for the year ended 31 December 2023.

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, 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.

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 segments:

- Production and sales of cements
- Production and sales of magnetic materials and other application products
- Trading business

Discontinued reportable segment:

- Research and development in biotechnology

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

The table in Note 7 includes a reconciliation of the disaggregated revenue with the Group's reportable segment and by timing of revenue recognition.

6 SEGMENT REPORTING (CONTINUED)
For the six months ended 30 June 2024 (Unaudited)

	Continuing operation			Discontinued operation	
	Production and sale of magnetic materials and				
	Production and sales of cements	other application products	Trading business	Research and development in biotechnology	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Segment revenue	92,689	13,866	58	–	106,613
Segment results	(12,353)	(11,784)	(287)	(13,439)	(37,863)
Unallocated expenses					(3,417)
Income tax credit	1,154	145	–	–	1,299
Loss for the period					(39,981)
As at 30 June 2024 (Unaudited)					
Segment assets	684,797	323,602	9,719	5,424	1,023,542
Financial assets at fair value through profit or loss					53,470
Unallocated assets					39,789
Total assets					1,116,801
Segment liabilities	228,411	273,801	7,167	1,754	511,133
Unallocated liabilities					25,483
Total liabilities					536,616

6 SEGMENT REPORTING (CONTINUED)

For the six months ended 30 June 2023 (Unaudited)

	Continuing operation			Discontinued operation	
	Production and sale of magnetic materials and			Research and development in	Total
	Production and sales of cements	other application products	Trading business	biotechnology	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Segment revenue	140,576	–	–	–	140,576
Segment results	(10,196)	–	–	(2,816)	(13,012)
Unallocated expenses					(5,630)
Income tax credit	224	–	–	–	224
Loss for the period					(18,418)
As at 31 December 2023 (Audited)					
Segment assets	781,077	316,162	239	19,092	1,116,570
Deposit paid for acquisition of property					24,716
Unallocated assets					12,416
Total assets					1,153,702
Segment liabilities	258,192	233,522	–	1,917	493,631
Unallocated liabilities					23,332
Total liabilities					516,963

6 SEGMENT REPORTING (CONTINUED)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods. Revenue derived from the single largest external independent customers amounted to 8.54% of the Group's revenue for the period (30 June 2023: 19.93%).

7 REVENUE

The Group's revenue from continuing operations is analysed as follows:

	Six months ended 30 June	
	2024 HKD'000 (Unaudited)	2023 HKD'000 (Unaudited)
Revenue from contract with customers		
Production and sales of cements segment:		
Sale of composite Portland cement strength class 32.5R	4,761	34,703
Sale of ordinary Portland cement strength class 42.5	66,003	105,706
Sale of composite Portland cement strength class 42.5	21,897	–
Solid waste processing income	28	167
	<u>92,689</u>	<u>140,576</u>
Production and sale of magnetic materials and other application products segment:		
Sale of motor machines and parts	6,807	–
Sale of rare earth materials	2,621	–
Metal processing service income	4,438	–
	<u>13,866</u>	<u>–</u>
	<u>106,555</u>	<u>140,576</u>
Revenue from other sources		
Trading business segment:		
Commodity metals trading	58	–
	<u>106,613</u>	<u>140,576</u>

7 REVENUE (CONTINUED)

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Goods transferred at point in time	102,895	140,409
Services transferred over time	3,660	167
	<u>106,555</u>	<u>140,576</u>

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

	As at	
	30 June	31 December
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Trade and bills receivables, net (Note 17)	27,943	30,851
Contract liabilities	<u>(25,504)</u>	<u>(17,206)</u>

Contract liabilities mainly relate to advances received from its customers. HKD17,206,000 (30 June 2023: HKD15,175,000) of the contract liabilities as of 1 January 2024 has been recognised as revenue for the six months ended 30 June 2024 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 OTHER INCOME AND OTHER GAIN, NET

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Other income		
Government grants (note(a))	1,950	61
Exchange loss, net	(69)	–
Others	737	325
	<u>2,618</u>	<u>386</u>
Other gain, net		
Gain on disposal of property, plant and equipment	50	–
	<u>50</u>	<u>–</u>
Total	<u>2,668</u>	<u>386</u>

Notes:

- (a) The amount refers to the government's subsidy for encouraging biotechnology development, saving energy and reducing pollution emissions and development in magnetic application products research. No further condition was attached to the grants.

9 INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Current tax		
– Enterprise Income Tax (“EIT”)	20	–
– Under provision in respect of prior years	18	–
Deferred tax (<i>Note 21</i>)	(1,337)	(224)
Income tax credit relating to continuing operations	(1,299)	(224)

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% (2023: 16.5%) to the six months ended 30 June 2024. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and the BVI during the period ended 30 June 2024 (2023: 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 period (2023: 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 the PRC subsidiaries was 25% on their taxable profits for the six months ended 30 June 2024. For the PRC subsidiaries approved as High and New Technology Enterprise or Advance Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

10 LOSS BEFORE INCOME TAX

- (a) The Group's loss before income tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	107,426	137,788
Depreciation of property, plant and equipment	12,574	12,451
Depreciation of right-of-use assets	491	699
Amortisation of intangible assets	1,842	418
(Reversal of provision for)/provision for impairment on trade receivables, net	(126)	64
Reversal of provision for impairment on other receivables, net	(29)	(11)
Employee expenses (including directors' remuneration)		
– wages and salaries	12,652	9,122
– pension scheme contribution	3,254	3,495
Auditor remuneration	151	157
Short-term lease expenses	36	97

10 LOSS BEFORE INCOME TAX (CONTINUED)

- (b) Discontinued operation/Disposal group classified as held for sale:
On 22 May 2024, the Board resolved to dispose the operation of Orient Everhealth Biomedical Company Limited and its 65% equity owned subsidiary, Suzhou Everhealth Biomedical Company Limited (together the “**Everhealth Group**”). The Everhealth Group is principally engaged in research and development in biotechnology.

As at 30 June 2024, the Group had actively located potential buyer and the assets and liabilities attributable to Everhealth Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated interim statement of financial position. Everhealth Group represented the Group's Research and development in biotechnology segment (Note 6). The comparative profit or loss has been restated to represent the Everhealth Group as a discontinued operation.

The results, cash flows and net assets of the Everhealth Group were as follow:

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Administrative expenses	(1,056)	(2,989)
Other income	28	199
Finance cost – net	–	(26)
Provision for impairment on goodwill	(12,411)	–
	<u>(13,439)</u>	<u>–</u>
Loss for the period from a discontinued operation	(13,439)	(2,816)

10 LOSS BEFORE INCOME TAX (CONTINUED)

(b) Discontinued operation/Disposal group classified as held for sale: *(Continued)*

The results, cash flows and net assets of the Everhealth Group were as follow:
(Continued)

Loss for the period from a discontinued
operation attributable to:

Owner of the Company	(13,080)	(1,831)
Non-controlling interests	(359)	(985)
	(13,439)	(2,816)

Total comprehensive income for the period from
a discontinued operation attributable to:

Owner of the Company	(13,584)	(2,910)
Non-controlling interests	(135)	(657)
	(13,719)	(3,567)

Six months ended 30 June

	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Operating cash outflows	(221)	(1,267)
Investing cash inflows	–	1,937
Financing cash inflow	173	(291)
Effect of foreign exchange rate changes	(1)	(15)
Total cash (outflows)/inflows	(49)	364

10 LOSS BEFORE INCOME TAX (CONTINUED)

- (b) Discontinued operation/Disposal group classified as held for sale: *(Continued)*
The carrying amount of the assets and liabilities of the Everhealth Group as at 30 June 2024, which have been presented separately in the condensed consolidated interim statement of financial position, are as follows:

	2024 HKD'000 (Unaudited)
Property, plant and equipment	59
Goodwill	103
Intangible asset	5,219
Other receivables	26
Cash and cash equivalents	17
	<hr/>
Total assets classified as held for sale	5,424
	<hr/>
Other payables and total liabilities associated with assets classified as held for sale	1,754
	<hr/>
Cumulative amounts recognised in other comprehensive income and accumulated in equity relating to Everhealth Group classified as held-for-sale	3,114
	<hr/>

11 PROPERTY, PLANT AND EQUIPMENT

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

Six months ended 30 June 2024

Carrying amount as at 1 January 2024 (Audited)

220,625

Additions

32,713

Disposal

(71)

Depreciation

(13,065)

Classified as held for sale (*Note 10(b)*)

(59)

Exchange differences

(6,033)

Carrying amount as at 30 June 2024 (Unaudited)

234,110

Six months ended 30 June 2023

Carrying amount as at 1 January 2023 (Audited)

194,137

Additions

2,532

Depreciation

(13,150)

Exchange differences

(7,698)

Carrying amount as at 30 June 2023 (Unaudited)

175,821

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

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets	Land use right HKD'000	Leasehold land and buildings HKD'000	Total HKD'000
At 1 January 2024	19,220	81	19,301
Addition	–	1,153	1,153
Depreciation	(282)	(209)	(491)
Exchange differences	(506)	–	(506)
At 30 June 2024	18,432	1,025	19,457
At 1 January 2023	15,414	1,600	17,014
Depreciation	(227)	(472)	(699)
Exchange differences	(637)	(34)	(671)
At 30 June 2023	14,550	1,094	15,644

Note (b): As at 30 June 2024, certain land use right (included in right-of-use assets) and property, plant and equipment are pledged as security for the Group's bank borrowings of HKD156,346,000 (31 December 2023: HKD137,916,000) (Note 19).

12 GOODWILL

	HKD'000
Six months ended 30 June 2024	
Carrying amount as at 1 January 2024 (Audited)	61,589
Impairment loss (Note 10(b))	(12,411)
Classified as held for sale (Note 10(b))	(103)
Exchange differences	(1,512)
Carrying amount as at 30 June 2024 (Unaudited)	47,563
Six months ended 30 June 2023	
Carrying amount as at 1 January 2023 (Audited)	13,064
Exchange differences	(547)
Carrying amount as at 30 June 2023 (Unaudited)	12,517

12 GOODWILL (CONTINUED)

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

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Everhealth CGU (note (a))	—	12,732
Chengzheng CGU (note (b))	<u>47,563</u>	<u>48,857</u>
	<u>47,563</u>	<u>61,589</u>

Note (a):

Goodwill arose from a business acquisition during the year ended 31 December 2020 and it was solely allocated to the CGU, namely Orient Everhealth and its 65% equity owned subsidiary, Suzhou Everhealth in the research and development in biotechnology segment. During the period, goodwill attributable to the Everhealth CGU was classified as assets held for sale (Note 10(b)).

Note (b):

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

13 INTANGIBLE ASSETS

	Technical know-how HKD'000
At 1 January 2024 (Audited)	22,046
Amortisation	(1,842)
Classified as held for sale (<i>Note 10(b)</i>)	(5,219)
Exchange differences	(565)
	<u>14,420</u>
At 30 June 2024 (Unaudited)	
At 1 January 2023 (Audited)	6,767
Amortisation	(418)
Exchange differences	(266)
	<u>6,083</u>
At 30 June 2023 (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.

14 INVESTMENTS IN ASSOCIATES

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Unlisted equity investment:		
Cost of investment	30,964	30,964
Share of results of associates, net of dividends received	2,039	3,834
	<u>33,003</u>	<u>34,798</u>
As at the end of period ended and year ended		

The Group has a 43.2% (31 December 2023: 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).

14 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

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

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Net assets of Dongtong Environment and Technology	68,806	72,925
Proportion of the Group's ownership interest in Dongtong Environment and Technology	43.2%	43.2%
Carrying amount of the Group's interest in Dongtong Environment and Technology	29,727	31,507

Aggregate information of an associate that is not material

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Aggregate carrying amount	3,276	3,291

	Six months ended 30 June	
	2024 HKD'000 (Unaudited)	2023 HKD'000 (Unaudited)
Aggregate amounts of the Group's share of the associate's:		
Profit/(loss) for the period	73	(165)
Other comprehensive income for the period	(88)	(124)
Total comprehensive income for the period	(15)	(289)

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2024 HKD'000 (unaudited)	31 December 2023 HKD'000 (Audited)
Unlisted fund investment	53,470	—

During the period, the Group invested in a trust under a trust agreement entered into with National Trust, which is an unlisted fund in the PRC. National Trust is responsible for managing and utilising the Trust Assets to generate investment returns for the Group. Unlisted fund investment is classified as non-current as the management expects to realise these financial assets after twelve months after the reporting period.

16 INVENTORIES

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Raw materials	178,460	179,623
Work-in-progress	19,263	15,149
Finished goods	17,178	16,808
	214,901	211,580

17 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Trade and bills receivables from third parties	28,139	31,181
Less: provision for impairment (Note (iv))	(196)	(330)
Trade and bills receivables, net (Note (i))	27,943	30,851
Prepayments and deposits (Note (ii))	46,272	48,140
Other receivables (Note (iii))	61,506	8,872
Less: provision for impairment on other receivables (Note (iv))	(144)	(177)
Prepayments, deposits and other receivables	107,634	56,835
Total trade and other receivables	135,577	87,686
Less: non-current portion		
Deposits paid for purchase of machineries and intangible assets (Note (iii))	(489)	(1,812)
Deposit paid for acquisition of property (Note (iii))	–	(24,716)
Trade and other receivables – current portion	135,088	61,158

As at 30 June 2024 and 31 December 2023, no trade and bills receivables were pledged for the borrowings.

17 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 2023: 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 receivables 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:

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Within 90 days	20,148	20,292
From 91 days to 180 days	5,152	5,522
From 181 days to 1 year	2,643	5,037
	27,943	30,851

The above balances include 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.

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Prepayments and deposits

As at 30 June 2024, included in the Group's prepayments and deposits were mainly represented by the prepayments and deposits amounted to HKD44,853,000, HKD489,000, and nil (31 December 2023: HKD20,402,000, HKD1,812,000 and HKD24,716,000) paid to the suppliers for raw material purchases, purchase of machineries and property respectively.

(iii) Other receivables

As at 30 June 2024, included in the Group's other receivables of approximately HKD53,470,000, (31 December 2023: Nil) advanced to the raw material suppliers, which was unsecured, interest-free and repayable in three months from the time of amount advanced. The balance was fully repaid in July 2024.

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

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Trade receivables:		
Beginning of period/year	330	176
Provision for the period/year	62	296
Balance recovered for the period/year	(188)	(136)
Exchange differences	(8)	(6)
End of period/year	196	330
Other receivables:		
Beginning of period/year	177	91
(Reversal of provision for)/provision for the period/year, net	(29)	89
Exchange differences	(4)	(3)
End of period/year	144	177

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

18 TRADE AND OTHER PAYABLES

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Trade payables	31,819	43,611
Bills payables	64,057	70,715
Salary and bonus payables	2,554	5,215
VAT payables	717	577
Amounts due to related parties (note 26(a))	5,989	8,222
Other payables	27,572	27,900
Consideration payables	21,388	21,970
	<u>154,096</u>	<u>178,210</u>

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:

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Within 30 days	13,716	7,938
From 31 days to 90 days	9,915	11,488
From 91 days to 180 days	3,105	10,649
From 181 days to 1 year	1,025	9,774
From 1 year to 2 years	1,148	994
Over 2 years	2,910	2,768
	<u>31,819</u>	<u>43,611</u>

19 BORROWINGS

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Bank borrowings (note (a))	116,565	114,025
Bank borrowings, secured (note (b))	156,346	137,916
Other loans, unsecured (note (c), (d), (e))	26,741	10,700
Total bank and other loans	<u>299,652</u>	<u>262,641</u>
Carrying amount of bank borrowings repayable:		
On demand or within one year	127,686	131,106
More than one year, but not exceeding two years	21,388	20,157
More than two years, but not exceeding five years	86,622	55,035
More than five years	37,215	45,643
	<u>272,911</u>	<u>251,941</u>
Carrying amount of other loans repayable:		
On demand or within one year	<u>26,741</u>	<u>10,700</u>
Total bank and other loans	<u>299,652</u>	<u>262,641</u>
Analysis for reporting purposes:		
– Current	154,427	141,806
– Non-current	<u>145,225</u>	<u>120,835</u>
	<u>299,652</u>	<u>262,641</u>

Notes:

- (a) As at 30 June 2024, bank borrowings of approximately HKD116,565,000 (31 December 2023: HKD114,025,000) with fixed interest rates ranged from 3.25% to 4.95% (31 December 2023: 4.20% to 4.95%) per annum was secured by corporate guarantees from the Company.
- (b) As at 30 June 2024, bank borrowings of approximately HKD156,346,000 (31 December 2023: HKD137,916,000) with fixed interest rates ranged from 3.95% to 4.80% (31 December 2023: 4.20% to 8.10%) per annum was secured by equity interest of subsidiaries of the Company, land use rights of HKD2,296,000 (31 December 2023: HKD2,392,000) and property, plant and equipment of HKD22,843,000 (31 December 2023: HKD8,263,000) of the Group.

19 BORROWINGS (CONTINUED)

Notes: (Continued)

- (c) As at 30 June 2024, the Group's other loans included a loan of HKD10,700,000 (31 December 2023: HKD10,700,000) with a fixed interest rate of 9% per annum from a third party.
- (d) As at 30 June 2024, the Group's other loans included a loan of HKD3,743,000 with a fixed interest rate of 4% per annum from another third party.
- (e) As at 30 June 2024, the Group's other loans included a loan of HKD12,298,000 with a fixed interest rate of 4% per annum from another third party.

20 DEFERRED INCOME

	Government grants
	HKD'000
At 1 January 2024 (Audited)	23,278
Refund to government	(254)
Released to profit or loss	(1,115)
Exchange differences	(604)
	<hr/>
At 30 June 2024 (unaudited)	<hr/> 21,305

Note: Deferred income represents government grants received from the PRC local government authorities to support a subsidiary's research and development activities.

21 DEFERRED TAXATION

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Deferred tax assets	5,172	5,313
Deferred tax liabilities	(33,274)	(35,540)
	<u>(28,102)</u>	<u>(30,227)</u>

	Withholding tax for attributable profit relating to equity holders HKD'000 (Note (a))	Tax loss HKD'000 (Note (b))	Revaluation of property, plant and equipment HKD'000	Total HKD'000
As at 1 January 2024 (Audited)	(33,751)	5,313	(1,789)	(30,227)
Charged to profit or loss (Note 9)	1,172	–	165	1,337
Exchange difference	<u>883</u>	<u>(141)</u>	<u>46</u>	<u>788</u>
As at 30 June 2024 (Unaudited)	<u>(31,696)</u>	<u>5,172</u>	<u>(1,578)</u>	<u>(28,102)</u>
As at 1 January 2023 (Audited)	(35,307)	5,790	–	(29,517)
Charged to profit or loss (Note 9)	562	(338)	–	224
Exchange difference	<u>1,455</u>	<u>(228)</u>	<u>–</u>	<u>1,227</u>
As at 30 June 2023 (Unaudited)	<u>(33,290)</u>	<u>5,224</u>	<u>–</u>	<u>(28,066)</u>

21 DEFERRED TAXATION (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.
- (b) As at 30 June 2024, the Group had unused tax losses of approximately HKD41,807,000 (31 December 2023: HKD46,810,000), available to offset against future profits. As at 30 June 2024, unused tax losses of approximately HKD20,689,000 (31 December 2023: HKD21,252,000) had been recognized in deferred tax assets, while approximately HKD21,118,000 (31 December 2023: HKD25,558,000) had not been recognized as at 30 June 2024, due to the unpredictability of future profit streams.

22 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 2023, 30 June 2023, 31 December 2023 and 30 June 2024	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
As at 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	<u>552,000</u>	<u>5,520</u>

23 LOSS PER SHARE

From continuing and discontinued operations

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company of HKD35,874,000 (30 June 2023: HKD17,433,000) by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2023: 552,000,000).

As there were no dilutive options and other dilutive potential ordinary shares in issue for the periods ended 30 June 2024 and 2023, diluted loss per share is the same as basic loss per share.

From a discontinued operation

Basic and diluted loss per share for the period from a discontinued operation is HKD0.024 per share (30 June 2023: HKD0.004 per share), based on the loss for the period from a discontinued operation attributable to owners of the Company of HKD13,080,000 (30 June 2023: HKD1,831,000) divided by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2023: 552,000,000).

From continuing operations

Basic and diluted loss per share for the period from continuing operations is HKD0.041 per share (30 June 2023: HKD0.028 per share), based on the loss for the period from continuing operations attributable to owners of the Company of HKD22,794,000 (30 June 2023: HKD15,602,000) divided by the weighted average number of ordinary shares in issue during the period of 552,000,000 (30 June 2023: 552,000,000).

24 DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2024 (2023: 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 (2023: Nil).

25 LEASE LIABILITIES

	Leasehold land and buildings	
	2024	2023
	HKD'000	HKD'000
At 1 January (Audited)	83	1,826
Addition	1,153	–
Interest expenses	13	31
Lease payments	(218)	(542)
Exchange differences	–	(42)
	<u>1,031</u>	<u>1,273</u>
At 30 June (Unaudited)	1,031	1,273

	As at	
	30 June	31 December
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Current portion	375	83
Non-current portion	<u>656</u>	<u>–</u>
	<u>1,031</u>	<u>83</u>

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	30 June 2024	30 June 2024	30 June 2024
	HKD'000	HKD'000	HKD'000
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	405	30	375
After one year but within two years	405	16	389
After two years but within five years	<u>270</u>	<u>3</u>	<u>267</u>
	<u>1,080</u>	<u>49</u>	<u>1,031</u>

25 LEASE LIABILITIES (CONTINUED)

	Minimum lease payments	Interest	Present value
	31 December	31 December	31 December
	2023	2023	2023
	HKD'000	HKD'000	HKD'000
	(Audited)	(Audited)	(Audited)
Not later than one year	83	—	83

26 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	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Basic salaries and benefits in kind	2,419	2,331

On 1 November 2018, Mr. Tseung (as the lender) entered into an interest-free loan facility agreement with the Company (as borrower) to grant a loan facility up to HKD1,500,000 to a subsidiary of the Company and subject to the lender's overriding right of repayment on demand. As at 30 June 2024 and 31 December 2023, there was no borrowing due to Mr. Tseung.

Other payables included amounts due to companies under control of Mr. Tseung, of HKD5,989,000 (31 December 2023: HKD8,222,000). The balances are unsecured, interest-free and repayable on demand.

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions

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

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Revenue received from		
– an associate	28	167

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.

27 CAPITAL COMMITMENT

	As at	
	30 June	31 December
	2024	2023
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Commitments for the acquisition of:		
Property, plant and equipment	151	1,562

28 FINANCIAL INSTRUMENTS

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

	As at	
	30 June 2024 HKD'000 (Unaudited)	31 December 2023 HKD'000 (Audited)
Financial assets:		
Financial assets at amortised cost		
– Trade and other receivables excluding prepayments	88,490	39,306
– Short-term bank deposits	315,473	450,385
– Pledged bank deposits	32,029	37,785
– Cash and cash equivalents	25,659	21,895
Financial assets at fair value through profit or loss	53,470	–
Assets classified as held for sale	5,424	–
Total	520,545	549,371
Financial liabilities:		
Financial liabilities at amortised cost		
– Borrowings	299,652	262,641
– Trade and other payables excluding non-financial liabilities	153,379	177,633
Lease liabilities	1,031	83
Liabilities associated with assets classified as held for sale	1,754	–
Total	455,816	440,357

Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

28 **FINANCIAL INSTRUMENTS (CONTINUED)**

Fair value measurement (Continued)

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and bank balances, trade and other receivables, short-term bank deposits, pledged bank deposits, trade and other payables and borrowings.

Due to their short term nature, the carrying value of cash and bank balances, trade and other receivables, short-term bank deposits, pledged bank deposits, trade and other payables and borrowings approximate their fair value.

(ii) Financial instruments measured at fair value

Financial assets at fair value through profit or loss included in the condensed consolidated interim financial statements require measurement at, and disclosure of, fair value.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurements

For the financial assets at fair value through profit or loss

The Group's unlisted private fund categorised in Level 3 was managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of the fund is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private fund's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

28 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement (Continued)

(ii) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements (Continued)

As Level 3 investment fund is close-ended, the Group reviews the valuations of the underlying investments held by respective investment fund to assess the appropriateness of the net asset values as provided by the fund administrators, and may make adjustments for rights and obligations inherent within the ownership interest held by the Group as they consider appropriate.

There was no transfer under the fair value hierarchy classification during the period ended 30 June 2024.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Financial assets at fair value
through profit or loss

	2024 HKD'000	2023 HKD'000
At 1 January (audited)	–	112,715
Addition	53,991	–
Total gains or losses:		
– changes in fair value of financial assets	–	–
Exchange differences	(521)	(4,715)
	<u>53,470</u>	<u>108,000</u>
At 30 June (unaudited)	53,470	108,000