DONGWU CEMENT INTERNATIONAL LIMITED
東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 695

ANNUAL REPORT 2023

CONTENTS

DEFINITIONS

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

Articles of Association	the Memorandum and Articles of Association of the Company
associated corporation(s)	has the same meaning ascribed to it under the SFO
associate(s)	has the same meaning ascribed to it under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of Directors of the Company
Company	Dongwu Cement International Limited, 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
independent third party(ies)	has the same meaning ascribed to it under the Listing Rules
Latest Practicable Date	18 April 2024
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 C3 to the Listing Rules
Orient Hengxin	Orient Hengxin Capital Holdings Limited, a company established in the PRC with limited liability, being directly controlled by Mr. Tseung Hok Ming, a non-executive Director

DEFINITIONS

PRC or China	The People's Republic of China, which only for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Reporting Period	the twelve months ended 31 December 2023
RMB or Renminbi	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Xihua	Xihua Shanghai Investment Management Co., Ltd.* (熙華(上海)投資管理有限公司), a company incorporated in the PRC with limited liability, being a wholly-owned subsidiary of the Company
Shares	shares of the Company in issue, all of which are listed on the Main Board of the Stock Exchange
Shareholder(s)	holder(s) of Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial Shareholder(s)	has the same meaning ascribed to it under the Listing Rules
%	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Tseung Hok Ming
Ms. Xie Yingxia

Independent non-executive Directors

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

COMPANY SECRETARY

Sun Xin

AUDITOR

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

AUTHORIZED REPRESENTATIVES

Liu Dong
Sun Xin

AUDIT COMMITTEE

Yu Xiaoying *(Chairlady)*
Cao Kuangyu
Suo Suo

REMUNERATION COMMITTEE

Suo Suo *(Chairman)*
Cao Kuangyu
Yu Xiaoying

NOMINATION COMMITTEE

Suo Suo *(Chairman)*
Cao Kuangyu
Yu Xiaoying

STOCK CODE

695

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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SHARE REGISTRAR

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183 Queen's Road East
Wan Chai, Hong Kong

HONG KONG LEGAL ADVISOR

Stephenson Harwood
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COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

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

	2023	2022
Revenue	**307,263**	327,338
Operating (loss)/profit	**(43,948)**	(56,351)
(Loss)/profit before income tax	**(41,570)**	(51,820)
(Loss)/profit for the year attributable to owners of the Company	**(36,525)**	(40,468)
Basic and diluted earnings per share (expressed in HKD per share)	**(0.066)**	(0.073)

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

	2023	2022
Non-current assets	**370,899**	404,279
Current assets	**782,803**	630,364
Total assets	**1,153,702**	1,034,643
Total equity	**636,739**	580,277
Non-current liabilities	**179,653**	36,101
Current liabilities	**337,310**	418,265
Total liabilities	**516,963**	454,366
Total equity and liabilities	**1,153,702**	1,034,643

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

	2023	2022
Net cash flow (used in)/generated from operating activities	**(112,295)**	124,475
Net cash flow generated from/(used in) investing activities	**125,533**	(248,666)
Net cash flow (used in)/generated from financing activities	**(783)**	46,401
Net increase/(decrease) in cash and cash equivalents	**12,455**	(77,790)

FINANCIAL HIGHLIGHTS

Financial Highlights in Previous Years

Results

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**307,263**	372,338	589,461	558,345	651,849
Cost of sales	**(311,750)**	(368,961)	(478,230)	(435,941)	(493,981)
Gross (loss)/profit	**(4,487)**	3,377	111,231	122,404	157,868
Operating (loss)/profit	**(43,948)**	(56,351)	62,924	60,848	69,279
(Loss)/profit before tax	**(41,570)**	(51,820)	73,529	95,991	135,090
Income tax credit/(expense)	**392**	8,747	(29,523)	(35,248)	(47,747)
(Loss)/profit for the year attributable to owners of the Company	**(36,525)**	(40,468)	46,541	60,879	76,089

Assets and liabilities

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,153,702**	1,034,643	1,113,674	969,408	908,984
Total liabilities	**516,963**	454,366	431,948	331,010	313,638
Total equity	**636,739**	580,277	681,726	636,398	595,346

The consolidated financial statements of the Group with HKD as its presentation currency is the consolidated financial statements of the Group for the year ending 31 December 2023. The change of presentation currency will be applied retrospectively and the other annual comparative figures will be restated in HKD in the said consolidated financial statements.

BUSINESS REVIEW

In 2023, the cement demand in the real estate sector plummeted due to in-depth adjustments of the real estate industry and the significant decline in both real estate investments and the area of new property construction. Coupled with the great pressure from local debts, insufficient funds for infrastructure projects and slow construction progress, the demand weakened in peak season. The cement industry encountered unprecedented difficulties and challenges, and generally witnessed continuous shrinking demand, further falling prices and serious declining benefits. The East China in which the Group is located, one of the core areas of cement consumption, saw a sharp decline in demand.

During the Reporting Period, the Group strengthened its management in the procurement of raw and auxiliary materials as well as various consumptions, enhanced its manufacturing equipment and techniques and strictly controlled the production costs. In 2023, the output of cement clinker amounted to approximately 95,000 tonnes, and the output of cement amounted to approximately 938,000 tonnes, among which, approximately 236,000 tonnes were grade 32.5R cement and approximately 702,000 tonnes were grade 42.5R cement. The annual production costs for grade 32.5R cement and grade 42.5R cement increased significantly as compared to 2022, while most of cement clinker were purchased by the Group during the Reporting Period due to its high production costs. The supply of raw and auxiliary materials for production and the equipment operation maintained sound functions, and the production safety performed well throughout the year. Thus, the qualified rate of outgoing cement reached 100% throughout the year.

During the Reporting Period, the Group recorded cement products sales volume for the year of approximately 939,000 tonnes, among which, approximately 232,000 tonnes were grade 32.5R cement and approximately 707,000 tonnes were grade 42.5R cement. As our principal business, income of cement segment amounted to approximately HK$266,129,000. 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 Group continued to build up its brand advantages with DONGWU cement as its featured brand. Since the establishment of the Group, the brand concept of DONGWU was determined as constantly pursuing high quality product and high-level service. Currently, we are well recognized in areas of Suzhou municipal traffic and construction market and have set a sound brand image of DONGWU cement. We will consolidate DONGWU cement’s brand image in this region to build a regional strong brand.

BUSINESS REVIEW

High-performance NdFeB permanent magnet materials have long been strongly supported by national policies related to the industry, and are classified as key new materials and high-tech products at the national level. Since the implementation of the 14th Five-Year Plan for National Economic and Social Development and the Outline of the Long-range Goals for 2035 of the People's Republic of China, various regions and departments have formulated a series of implementation rules and supporting policies around the outline of the "14th Five-Year Plan". In February 2023, the "Outline of Building a Quality Country", issued by the CPC Central Committee and the State Council, once again emphasized "setting a green direction for quality development in promoting economic quality and efficiency-oriented development, including launching actions to improve resource efficiency benchmarking for key industries and key products, accelerating key core technology breakthroughs for low-carbon and zero-carbon, and promoting low-carbon transformation of high-energy-consuming industries". Rare earth is not only an important strategic resource but also a strategic key element in the development of high-tech and green low-carbon industries. With an indispensable core position, the rare earth permanent magnet materials industry will also continue its rapid development trend under the rapid growth in demand. After more than 30 years' development, China's permanent magnet motor industry has broken the overseas monopoly through the rare earth industry, forming the global competition pattern of permanent magnet motors dominated by China and Japan. China's permanent magnet motors have been successfully applied in automobiles, household appliances and industrial automation and other fields, which provides powerful support for technical innovation and market expansion.

Against this background, the Group had acquired 62.5% equity interest in Ganzhou Chengzheng Rare Earth New Material Co., Ltd.* (贛州誠正稀土新材料股份有限公司) ("**Ganzhou Chengzheng**") by acquisition and capital injection during the Reporting Period. Since the completion of the acquisition of Ganzhou Chengzheng in August 2023, the Group has conducted a series of comprehensive optimisation and transformation in the rare earth segment, mainly including the comprehensive upgrade of equipment and production process, production line optimisation and environmental protection empowerment, corporate governance structure optimisation and talent attraction. The rare earth segment is currently operating in five business lines: sales of motor machines, sales of magnetic materials, sales of anode materials and oxides, electroplating and processing and calcination service. During the period from 1 August 2023 to 31 December 2023, the Group's rare earth segment recorded revenue amounted to approximately HK$10,823,000.

CHAIRMAN'S STATEMENT

On behalf of the Board of Dongwu Cement International Limited and its subsidiaries, I would like to present to the Shareholders the report of the Group for the year ended 31 December 2023, together with audited consolidated financial statements.

Financial Results

During the Reporting Period, the Group recorded a total revenue amounted to HK$307,263,000. Among them, the cement segment recorded revenue amounted to approximately HK$266,129,000, representing a decrease of 28.5% as compared with the corresponding period in 2022. The rare earth segment recorded revenue amounted to approximately HK$10,823,000 since the completion of its acquisition in August 2023. Details are set out in the section headed Management Discussion and Analysis. For the year ended 31 December 2023, loss attributable to the Shareholders and the basic loss per share were approximately HK$36,525,000 and HK$0.066, respectively.

Dividends

The Board does not recommend payment of any final dividend for the year ended 31 December 2023.

Business Operation in 2023

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

In 2023, the cement segment of the Group continuously suffered from operating losses affected by multiple adverse factors such as the intensified market competition, high cost of upstream raw materials, depression of downstream real estate enterprises and stricter constraints on environmental protection energy efficiency. As at 31 December 2023, the Group recorded revenue of approximately HK$265,908,000 from the sales of cement products, representing a decrease of approximately HK$105,829,000 or approximately 28.5% compared with that of approximately HK$371,737,000 for the year ended 31 December 2022.

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 by acquisition and capital injection during the Reporting Period. Since the completion of the acquisition of Ganzhou Chengzheng by the Company in August 2023, the Group has conducted a series of comprehensive optimisation and transformation in the rare earth segment, mainly including the comprehensive upgrade of equipment and production process, production line optimisation and environmental protection empowerment, corporate governance structure optimisation and talent attraction. The rare earth segment is currently operating in five business lines: sales of motor machines, sales of magnetic materials, sales of anode materials and oxides, electroplating and processing, and calcination service. During the period from 1 August 2023 to 31 December 2023, the Group's rare earth segment recorded revenue amounted to approximately HK$10,823,000.

CHAIRMAN'S STATEMENT

Future Prospects

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

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

CHAIRMAN'S STATEMENT

At the beginning of February 2024, Orient Chengzheng Rare Earth Technology (Ganzhou) Co. Ltd.* (東方誠正稀土科技(贛州)有限公司)("**Orient Chengzheng**") through its subsidiary, Ganzhou Chengzheng, has also completed Phase I of the technical renovation project (the "**Project**") in its production workshop for permanent magnet materials (the "**Production Workshop**") in No.1, Chuangye Road, HiTech Industrial Park, Ganzhou, Jiangxi Province, the PRC and has commenced production since February 2024. As at the end of January 2024, Orient Chengzheng achieved daily production capacity of approximately 3 tons of sintered NdFeB blanks and approximately 1 ton of NdFeB finished products; and monthly production capacity of not less than 100 tons of sintered NdFeB blanks and not less than 25 tons of NdFeB finished products, respectively in Phase I of the Project in the Production Workshop. As a result, Orient Chengzheng is expected to have a significant increase in its annual production capacity. Going forward, Orient Chengzheng expects to commence Phase II of the Project this year and the Group will also make further investments, to achieve its vision of increasing the production capacity of high-performance sintered NdFeB blanks for further improvement in its production capacity and performance. For further information regarding the above, please refer to the Company's announcement dated 24 February 2023, 9 June 2023 and 5 February 2024. In addition, in 2024, the Group will continue to enhance the production capacity of permanent magnet materials, strengthen the R&D and sales of new products of permanent magnet motors, stabilise the development of its traditional competitive businesses such as rare-earth scorching and magnet plating. The Group will engage in trade of rare-earth products as appropriate, so as to enhance the comprehensive economic benefits and Shareholder value.

Appreciation

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

In the new fiscal year, we will strive to move forward together, and believe that we will achieve better results in 2024. Thank you!

Liu Dong
Chairman

28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Cement Segment

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

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

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

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

Biomedical Segment

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

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

Rare Earth Segment

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

International Trading Segment

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

Business Review

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

Revenue

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	2023		2022	
		%		%
		of total		of total
	Revenue	revenue	Revenue	revenue
	HK$'000		*HK$'000*	
Jiangsu Province	**228,343**	**85.87%**	312,612	84.09%
Wujiang District	**180,392**	**67.84%**	312,042	83.94%
Suzhou (excluding Wujiang District)	**47,951**	**18.03%**	570	0.15%
Zhejiang Province	**32,529**	**12.24%**	56,954	15.32%
Southern Zhejiang Province (Taizhou, Zhoushan and Ningbo)	**18,948**	**7.13%**	30,559	8.22%
Jiaxing	**13,581**	**5.11%**	26,395	7.10%
Shanghai	**5,036**	**1.89%**	2,171	0.59%
Total	**265,908**	**100.00%**	371,737	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 period from 1 August 2023 to 31 December 2023, the Group's rare earth segment recorded revenue amounted to approximately HK$10,823,000 and the following table sets out an analysis of the revenue of the rare earths segment by type of revenue:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

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

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

Other Income and Other Gain

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

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

Sales and Distribution Expenses

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

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

General and Administrative Expenses

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

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

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

Tax

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit Margin

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

(1) the cement segment continuously suffered from operating losses affected by multiple adverse factors such as the intensified market competition, high cost of upstream raw materials, depression of downstream real estate enterprises and stricter constraints on environmental protection energy efficiency; and

(2) production and sales of the rare earth segment have gradually got on the right track but have not yet formed a scale, leading to higher fixed cost per unit.

Liquidity and Capital Resources

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

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

Cash Flow

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

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

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

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

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

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

Debt to Equity Ratio

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

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

Capital Expenditure and Capital Commitments

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

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

Pledge of Assets

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

Contingent Liabilities

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

Foreign Currency Risk

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

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

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

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Save as disclosed above, during the Reporting Period, the Group did not conduct any other material acquisitions or disposals of its subsidiaries or associated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

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

FUTURE PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

EVENTS AFTER THE REPORTING PERIOD

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Liu Dong (劉東) ("**Mr. Liu**"), aged 55, is the Chairman and an executive Director of the Company. Mr. Liu has worked for years as diplomat in Chinese Embassies and UN-subordinate organizations since university graduation. He has been admitted to the degree of Master of Philosophy by the University of Cambridge. From April 2005 to August 2016, Mr. Liu served as Assistant to President and then Vice President of Orient Holdings Group Co. Ltd., Executive Vice President of Huilitong Industry Co. Ltd. and Senior Vice President of Sunshine Oilsands Ltd. Since September 2016, Mr. Liu has been acting as Vice President of Orient Holdings International Group Ltd., General Manager of Orient International Resources Group Ltd., Director and General Manager of Global Mining Co. Ltd., Director of Board of Sino-Sindh Resources PL and vice president of Orient Hengxin Capital Holdings Limited. Mr. Liu owns over ten years' experience in capital market and investor relationship areas in Hong Kong. He was appointed as an executive Director of the Company on 15 May 2019. Mr. Liu did not hold any directorship in any other listed companies in the past three years.

Mr. Wu Junxian (吳俊賢) ("**Mr. Wu**"), aged 43, is an executive Director and the chief executive officer of the Company and the general manager of Suzhou Dongwu. Mr. Wu is responsible for general management and operation of the Group. Mr. Wu joined our Group in March 2009, and has held various positions in Suzhou Dongwu such as assistant to general manager and deputy general manager. Mr. Wu assumed the title of general manger of Suzhou Dongwu on 11 September 2013. Prior to joining our Group, Mr. Wu worked for Orient Holdings, an investment holding company, as an officer of the assets management department, responsible for project research and development from 2003 to 2007. Mr. Wu subsequently worked for Shanghai Keli Communications Technology Co., Ltd. (上海科立通訊科技有限公司), a company principally engaged in communication construction and services, as a project manager and was responsible for project development and customer service from 2007 to 2009. Mr. Wu graduated from Nanjing Audit University (南京審計學院) in 2003 with a bachelor degree in management administration. Mr. Wu did not hold any directorship in any other listed companies in the past three years.

Non-Executive Directors

Mr. Tseung Hok Ming (蔣學明) ("**Mr. Tseung**"), aged 62, is a non-executive Director of the Company. From 1983 to 1986, Mr. Tseung served as a director of Wujiang Yarn Dyed Factory (吳江色織廠). From 1994 to 2005, he was the chairman of Jiangsu Orient International Group Company Limited (江蘇東方國際集團有限公司). Since 1995, he has been acting as the chairman of Oriental Holdings International Group (東方控股國際集團). Since 1995, Mr. Tseung has been the vice chairman of the Hong Kong Financial Services Institute. Since 2005, he has been acting as the chairman and general manager of Orient Hengxin (東方恒信). Since 2013, he has been acting as the chairman of Orient Xinmin Holdings Limited (東方新民控股有限公司). Since 2015, he has served as a director of Fidelix (KR.032580). Since 2018, Mr. Tseung has served as the chairman of Dongxin Semiconductor Co., Ltd. (東芯半導體股份有限公司). Main social positions held by Mr. Tseung Hok Ming include: Member of the 9th, 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference; Member of the 10th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference; Executive Chairman of the Jiangsu Chamber of Commerce in Shanghai; Chairman of the Board of Directors of Shanghai Institute for Integrated Application of Network Technology; Standing Committee Member of the Jiangsu Federation of Industry and Commerce; Standing Director of the Jiangsu Glorious Business Promotion Association; Standing Vice Chairman of the Jiangsu General Chamber of Commerce in Hong Kong. Save as disclosed above, Mr. Tseung did not hold any directorship in any other listed companies in the past three years.

Ms. Xie Yingxia (謝鶯霞) ("**Ms. Xie**"), aged 47, was re-designated from an executive Director to a non-executive Director of the Group on 3 July 2020. Ms. Xie obtained a bachelor degree in investment economics from Fudan University (復旦大學) and a master degree in business administration from China Europe International Business School (中歐國際工商學院). From August 1998 to January 2001, Ms. Xie worked for Xiamen International Bank as the account manager and the deputy head of the credit department; from February 2001 to June 2008, Ms. Xie had worked for Orient Holdings Group Limited as the manager of the investment department, the chief financial officer and the vice president; since July 2008, Ms. Xie has been serving as a Director of Suzhou Dongwu Cement Co., Ltd.; from December 2011 to July 2020, Ms. Xie served as Chairman of the board of directors and executive Director of the Group; from June 2015 to December 2022, Ms. Xie served as a director and representative director of Fidelix (KR.032580); since November 2014, Ms. Xie has been the chairperson of the board of directors and a director of Dosilicon Co., Ltd. and since March 2020, Ms. Xie has been the general manager of Dosilicon Co., Ltd.

Independent Non-Executive Director

Mr. Cao Kuangyu (曹貺予) ("**Mr. Cao**"), aged 74, is an independent non-executive Director of the Company. He holds a bachelor's degree in economics from the University of Hunan and a master's degree in financial management from the University of London. Mr. Cao has extensive experience in the areas of banking and finance. He worked in Bank of China, Hunan Province branch from July 1981 to February 1996 and his last position was the deputy president of the branch. From February 1996 to September 1999, Mr. Cao was the deputy general manager of Bank of China, Singapore branch. From September 1999 to September 2003, he was the president of China Citic Bank, Shenzhen branch. He also acted as the managing director of the investment banking division of BOCI Asia Limited from September 2003 to September 2007. Mr. Cao is currently an independent non-executive director of Dingyi Group Investment Limited (stock code: 508) and New Silkroad Culturaltainment Limited (stock code: 472) and was an independent non-executive director of Macrolink Capital Holdings Limited (stock code: 758) from January 2013 to July 2021. He was an independent non-executive director of Huili Resources (Group) Limited (stock code: 1303) from December 2011 to September 2017. Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Ms. Yu Xiaoying (俞曉穎) ("**Ms. Yu**"), aged 36, is an independent non-executive Director of the Company. Ms. Yu worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP in the People's Republic of China from September 2010 to August 2014 as a senior consultant. From September 2014 to November 2018, she worked at Visa Information Systems (Shanghai) Co., Ltd.* (維薩信息系統(上海)有限公司) as the manager of the finance department. Since December 2018, she has been working at Kimberly-Clark (China) Co., Ltd.* (金佰利(中國)有限公司) as the senior finance manager. Ms. Yu has obtained a bachelor's degree in accounting and a master's degree in business administration from Antai College of Economics and Management, Shanghai Jiao Tong University. She is also a Chinese certified public accountant and a member of the Association of Chartered Certified Accountants. Ms. Yu has not held any directorship in any other listed public companies during the last three years.

Mr. Suo Suo (索索) ("**Mr. Suo**"), aged 52, is an independent non-executive Director of the Company. Mr. Suo is a Chartered Financial Analyst, and an asset manager with over 25 years of experience in banking, private equity and asset management. From 2017 to May 2020, Mr. Suo was a non-executive Director of China Resources and Transportation Group Limited (stock code: 269), a company listed on the Main Board of the Hong Kong Stock Exchange Limited. Mr. Suo has been appointed as the Chief Executive Officer of Strait Capital Management Company (HK) Limited (香港海峽資本管理有限公司) since May 2014. He was the Asia Head and Executive Director for EIG Global Energy Partners, a global PE fund specializing in energy, resources and infrastructure investments. Prior to that, Mr. Suo worked for Trust Company of the West as a portfolio manager covering high yield credit and mezzanine investment, with main responsibilities including credit selection, portfolio construction, capital structure arbitration, and distress investment. From 1999 to 2005, Mr. Suo worked for Fortis Bank in the US, including as Group Head of its US Leveraged Finance team responsible for underwriting/financing private equity-sponsored MBO/LBO transactions and distressed securities investment. Before joining Fortis Bank, Mr. Suo studied as a Ph.D. candidate in Energy Economics at Pennsylvania State University from 1996 to 1998. In March 2000, he received his MBA from University of Rochester in the United States. Save as disclosed above, Mr. Suo did not hold any directorship in any other listed companies in the past three years.

Senior Management

Mr. Feng Bing Song (馮炳松) ("**Mr. Feng**"), aged 55, is the deputy general manager of Suzhou Dongwu. Mr. Feng is responsible for marketing and sales of the Group. Prior to joining to the Group in December 2014, Mr. Feng, having been engaged in the finance matters and sales in the cement industry for about 20 years, has a knowledge of market trends and possesses extensive experience in sales. Mr. Feng once served as the financial controller of Piaoyang Orient Cement Company (溧陽東方水泥公司) and then was promoted to the deputy general manager, in charge of corporate finance and business planning. Later, Mr. Feng joined in Wujiang Xingyuan Cement Co., Ltd. as the vice president of sales responsible for making the strategic plans for the company.

Ms. Cai Linfen (蔡林芬) ("**Ms. Cai**"), aged 53, is the deputy general manager of Suzhou Dongwu. Ms. Cai is responsible for production of the Group. Ms. Cai possesses more than 25 years of experience in production management of cement. She has served as deputy general manager of Zhejiang Tongxing Cement Company Limited (浙江桐星水泥股份有限公司) and Tongxiang South Cement Company Limited (桐鄉南方水泥有限公司) before and was responsible for production respectively. Ms. Cai joined the Group in 2014, and had taken the position of chief engineer and deputy general manager etc. Ms. Cai graduated from Tongxiang Radio and TV University (桐鄉廣播電視大學) in 2013 and obtained a college degree in Management.

Mr. Wu Jiong (吳炯) ("**Mr. Wu**"), aged 60, is a director and the general manager of Suzhou Everhealth. He is a scientist with extensive experience in the areas of immunology and cell biology. He graduated with a bachelor degree of medicine from Tongji Medical College of Huazhong University of Science and Technology in the PRC, and obtained a master degree of immunology from Shanghai Institute of Biochemistry and Cell Biology of the Chinese Academy of Sciences and a Ph.D. from Nanjing University. Mr. Wu also cooperated with Huiyang Life Engineering Stock Co., Ltd to lead the research and development of IFN-γ which was successfully commercialised more than 15 years ago. The outcome won the Ferid Murad Award at the 25th Conference on International Cytokines & Interferons. He served as an assistant professor and a researcher at McGill University, and was involved in the foundation of the Cell Signally Technology, Inc. where he served as a senior scientist. In addition, Mr. Wu had also served as senior vice president in Cell Applications, Inc. He also served as a scientific consultant for a number of public and private companies and research institutions. He is currently a distinguished professor at Renmin Hospital of Wuhan University and the honorary chairman of Hubei Provincial Society of Clinical Oncology.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Zhenghua (徐正華) ("**Mr. Xu**"), aged 53, was appointed as the executive vice president of the Company on 24 August 2022. Mr. Xu has extensive experience in business operation and management, is familiar with the enterprise management structure and system as well as the operation of the capital market. Mr. Xu has successively served as the general manager and assistant general manager of Shanghai Xinhai Aviation Co., Ltd.* (上海新海航業有限公司) from 2011 to 2021, and has also served as the deputy general manager of Oriental International Logistics Co., Ltd.* (東方國際物流有限公司) from 2011 to 2018. From 1993 to 2011, Mr. Xu has successively served as the deputy general manager (and also the general manager of the branches in Ningbo, Chongqing and Wuhan, respectively) and general manager of Shanghai Xinhai International Shipping Agency Co., Ltd.* (上海新海國際船舶代理有限公司)。Mr. Xu graduated from the International Business School of Shanghai University in 1993 with a bachelor's degree in international trade. In 2005, Mr. Xu obtained a master degree in business administration (strategic management) from Shanghai Maritime University – Maastricht School of Management in Netherlands. Mr. Xu resigned on 29 February 2024.

Mr. Han Weihua (韓衛華) ("**Mr. Han**"), aged 49, the vice president of the Company, is responsible for investment and financing of the Company and was appointed as the general manager of Ganzhou Chengzheng Rare Earth New Material Co., Ltd.* (贛州誠正稀土新材料股份有限公司). From February 2018 to July 2020, Mr. Han was the investment director of Orient Strait Capital Management Company Limited* (東方海峽資本管理有限公 司) and was responsible for investment and financing of projects. From 2016 to 2018, Mr. Han was the managing partner and fund manager of Shanghai Jiuyuan Asset Management Center (Limited Partnership)* (上海九沅資產管理中心(有限合夥)). From 2013 to 2016, Mr. Han was the assistant to chairman of Shanghai Lonyer Holding Co., Ltd.* (上海龍宇控股有限公司) and was responsible for investment. From 2007 to 2013, Mr. Han was the investment director of Dexing Feyi Capital Operation Center (Limited Partnership)* (德信豐益資本運營中心(有限合夥)), and was responsible for investment of private equity projects, fund raising and management of the investment & research team. From 2005 to 2007, Mr. Han was the investment director of Shanghai Orient Huaxia Venture Capital Co., Ltd.* (上海東方華夏創業投資有限公司) and was responsible for investigation of investment projects and post-investment operation. From 2001 to 2005, Mr. Han was the senior investment officer of Jumbo China Investments Limited* (寶華投資有限公司), and was responsible for investigation, financial analysis, market research and project operation of investment projects in finance, infrastructure and energy sectors. From 1998 to 2001, Mr. Han worked in the strategic development department of Shanghai Diweisi Investment Development Co., Ltd* (上海帝威斯投資發展有限公司) and was responsible for evaluation and research of merger and acquisition projects. From September 1994 to June 1998, Mr. Han studied at the School of Finance, Shanghai University of Finance and Economics, majoring in currency and banking, and obtained the bachelor's degree in Economics. From September 2001 to July 2003, Mr. Han studied in Shanghai University of Finance and Economics, majoring in securities and futures as an on-the-job postgraduate, and obtained the certificate of postgraduate equivalent education. Mr. Han obtained the Certificate of Securities Professional from the Securities Association of China in 2002 and the Certificate of Fund Professional from the Asset Management Association of China in 2015.

Mr. Zhou Huijie (周慧傑) ("**Mr. Zhou**"), aged 44, was appointed as the deputy general manager of Ganzhou Chengzheng Rare Earth New Material Co., Ltd.* (贛州誠正稀土新材料股份有限公司) on 12 October 2023. From May 2021 to October 2023, Mr. Zhou was the general manager of Hubei Shenghui Rare Earth Functional Materials Co., Ltd.* (湖北盛慧稀土功能材料有限公司) and Luoyang Sifeng Vacuum Technology Co., Ltd.* (洛陽四豐真空科技有限公司), and was the founder of this two companies. From 2019 to 2021, he served as the director of engineering technology research and development centre of the Beijing Jingci Electrical Science Co., Ltd.* (北京京磁電工科技有限公司), responsible for the operation and research and development of magnetic materials technology in Beijing branch of Jingci Material. From 2018 to 2019, he was the deputy general manager of Ningbo Newland Magnet Industry Co., Ltd. in charge of magnetic materials operation of the company. From 2016 to 2018, he was the deputy general manager of Ganzhou Sieleg Rare-Earth New Material Co., ltd. in charge of the manufacturing and operation of rare earth metals and magnetic materials of the company. From 2012 to 2016, he was the project manager of the NFB project in Ganzhou Qiandong Rare Earth Group Co., Ltd.* (贛州虔東稀土集團股份有限公司), responsible for the project development and the manufacturing and operation of magnetic materials. From 2011 to 2012, he was the manufacturing director of AT&M Magco Technology Co., Ltd., responsible for the company's magnetic materials production line development. From 2006 to 2011, he was the manufacturing director of Ganzhou Zhaozhi Rare Earth New Material Co., Ltd.* (贛州昭日稀土新材料有限公司), responsible for the company's formation and management of the magnetic material production line. From 2004 to 2006, he was the supervisor of the rare earth metals electrolyzing workshop in Ganzhou Qiandong Rare Earth Group Co., Ltd.* (贛州虔東稀土集團), responsible for the management of the rare earth metals electrolyzing workshop. Mr. Zhou received a master degree in International Economy and Trade at Ningbo University from 2018 to 2021; obtained an academic certificate in Business English at Nanchang Hangkong University from 2012 to 2016; received a bachelor degree in Metallurgical Engineering at Institute of Materials Chemical Engineering of Jiangxi University of Science and Technology from September 2000 to July 2004.

Ms. Sun Xin (孫馨) ("**Ms. Sun**"), aged 40, was appointed as the joint company secretary of the Company on 28 May 2012, and has been the chief financial controller of the Company since 16 August 2013. Ms. Sun also served as the authorized representative of the Company (for the purpose of Rule 3.05 of the Listing Rules of the Stock Exchange). Ms. Sun joined the Group in August 2010. From August 2006 to August 2010, Ms. Sun acted as the senior consultant of the business advisory and tax consultancy department of Deloitte Touche Tohmatsu CPA Ltd. During the office term, Ms. Sun was responsible for the provision of due diligence service and structuring support to the foreign multi-national companies and the private equity funds concerning acquisition activities in the PRC, as well as the provision of tax consultancy services, including international tax consultancy, indirect tax consultancy, general domestic tax consultancy and tax standardization. From September 2002 to July 2006, Ms. Sun studied at Shanghai International Studies University (上海外國語大學) majoring in international economic law and obtained a bachelor degree in law. From September 2003 to June 2005, she studied at Shanghai University of Finance and Economics (上海財經大學) and obtained the Certificate for Second Major (輔修專業證書) in Accounting. Ms. Sun is currently a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會), an associate of The Institute of Chartered Secretaries (特許秘書公會), an associate of the Hong Kong Chartered Governance Institute (香港公司治理公會) (HKCGI), and an associate of the Institute of Chartered Secretaries and Administrators (ACIS).

Company Secretary

Ms. Sun Xin (孫馨) ("**Ms. Sun**"), aged 40, was appointed as the joint company secretary of the Company on 28 May 2012. For details of the biography of Ms. Sun Xin, please refer to paragraph headed "**Senior Management**" of this section. Ms. Sun was confirmed by the Stock Exchange that she had sufficient experience to fulfill the responsibility of company secretary and served as company secretary of the Company with effect from 21 March 2014.

DIRECTORS' REPORT

Principal Activities

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2011. The Group mainly operates through its subsidiaries in the PRC. The Group is principally engaged in the production and sales of cement, and provision of sewage and sludge treatment operations, as well as the research and development of innovative medicines and therapy for cancers and autoimmune diseases, and their commercialisation. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2023.

Results and Dividends

The Group's results for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 93.

The Board does not recommend payment of any final dividend for the year ended 31 December 2023.

Business Review

A review of the business of the Group for the year ended 31 December 2023, a discussion on the Group's future prospects, and an account of the principal risks and uncertainties faced by the Group are provided in "Management Discussion and Analysis" on pages 10 to 22 in this annual report, an analysis of the Group's performance during the current year using financial key performance indicators are provided in "Financial Highlights" on pages 5 to 6 in this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

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

The main responsibilities of the Working Group are to:

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

Composition of the Working Group:

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

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

Compliance of Laws and Regulations

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

Important Relationship with Employees, Clients and Suppliers

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

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

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

DIRECTORS' REPORT

The Group has established a cooperation relationship of joint collaboration and win-win with its suppliers, and jointly explored markets to expand market demands and share and reduce operating cost of the early stage of the product through the integration of resources and competitive advantages. The Group clearly specifies procurement requirements and exchange information to make the transparency of the procurement process and improve the efficiency of supply chain and the reaction ability, therefore maximizing the interests on both sides. Please refer to note 13 for more details about the employees, remuneration policy and pension plan of the Group.

Closure of Register of Members

The register of members of the Company will be closed from 20 May 2024 (Monday) to 23 May 2024 (Thursday) (both days inclusive), during which period no transfer of shares will be registered. For determining Shareholders' entitlement to attend and vote at the annual general meeting to be held on 23 May 2024 (Thursday), all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 17 May 2024 (Friday).

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statement of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in note 28 to the consolidated financial statement of this annual report.

Share Capital

As at 31 December 2023, the authorised share capital of the Company was HK$100,000,000, including issued capital of HK$5,520,000 divided into 552,000,000 Shares with nominal value of HK$0.01 per share. During the Reporting Period, the Company did not issue any new shares.

Reserves

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

Distributable Reserves

The Group's reserves available for distribution to Shareholders was approximately HK$139,144,000 (31 December 2022: approximately HK$175,691,000) as at 31 December 2023.

Public Float

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

DIRECTORS' REPORT

Pre-Emptive Rights

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

Tax Reduction

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

Charge on the Assets and Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities, guarantees or any litigation against the Group (2022: nil).

Subsidiaries and Associates

Details on the business performance of the Company's major subsidiaries and associates respectively are set out in note 19 and 20 to the consolidated financial statement of this annual report.

Directors

The directors of the Company during the year ended 31 December 2023 were as follows:

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

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

Independence

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

Emolument Policy And Long-Term Incentive Plan

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

Emolument Policy For Executive Directors

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

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

3. Factors for defining performance-based remuneration:

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

   (b) Examples of performance indicators:

      (i) share price

      (ii) net earnings figure

Emolument Policy For Non-Executive Directors

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

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

Principles Of Long-Term Incentive Schemes

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

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

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

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

DIRECTORS' REPORT

Directors' Service Contracts

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

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

Directors' Emoluments and Five Highest Paid Individuals of the Company

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

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in note 13 to the consolidated financial statement.

For the years of 2023 and 2022, senior management of the Company comprises 8 and 8 individuals, respectively. The emoluments of senior management of the Company fell within the following bands:

Emolument band	**Number of individuals Year ended 31 December**	
	2023	2022
Nil to HK$1,000,000	**8**	8
HK$1,000,001 to HK$2,000,000	**1**	0
	9	8

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

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

Contract of Significance

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

DIRECTORS' REPORT

Directors' Rights to Acquire Shares or Debentures

At any time during the Reporting Period, none of the Company or any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their respective spouses or children under the age of eighteen, were granted any right to subscribe for the interests or debentures of the Company or any other body corporate, nor had exercised any such rights.

Directors' Interests in Competing Business

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

Connected Transactions

During the year ended 31 December 2023, the Group did not enter into any connected transactions or continuing connected transactions which need to be disclosed in its annual report pursuant to the provisions in respect of connected transaction disclosure requirements under Rule 14A.49 of the Listing Rules, and details for other connected transactions or continuing connected transactions are set out in note 39 to the consolidated financial statements for the year.

Pension Scheme

The employees of members of the Group in the PRC are members of Social Insurance Scheme (the"**Social Insurance Scheme**") (such as pension, medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and housing fund) operated by the PRC government. The Group is required to make contributions to the Social Insurance Scheme based on certain percentage of the salaries of its employees to fund the benefits. The Social Insurance Scheme is operated and administered by the relevant local government authorities and is non-refundable, and the Company has no access nor any discretion after making the aforesaid contributions, therefore there were no such forfeited contributions within the meaning of paragraph 26(2) of Appendix D2 to the Listing Rules for the financial years ending 31 December 2022 and 31 December 2023. Accordingly, none of the Group's forfeited contributions under the Social Insurance Scheme can be used to offset future contributions or reduce current and future contribution levels.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. There are no forfeited contributions within the meaning of paragraph 26(2) of Appendix D2 to the Listing Rules for the financial years ending 31 December 2022 and 31 December 2023. Accordingly, the Group does not have any forfeited contributions under the MPF Scheme that can be used to offset future contributions or reduce the level of current and future contributions.

During the year ended 31 December 2023, the social insurance scheme contributions made by the Group amounted to approximately HK$7,320,000.

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

As at 31 December 2023, the interests of the Directors, chief executive or their respective associates in the Shares and underlying Shares of the Company and its associated corporations as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO are as follows:

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

Note:

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

Save as disclosed in the above, as at 31 December 2023, so far as is known to the Directors, no Directors or chief executive of the Company or their respective associates had or were deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations by virtue of Part XV of the SFO which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

As at 31 December 2023, none of the Directors and chief executive of the Company (including their respective spouses and children under the age of 18) had or were granted any rights to subscribe for the securities and share options of the Company and its associated corporations, nor had they exercised any such rights.

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

As at 31 December 2023, so far as is known to the Directors, the person(s), not being the Directors or chief executive of the Company, who had any interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register kept under section 336 of the SFO are set out below:

Name	Capacity	Long position/Short position	Number of Shares held	Approximate percentage of shareholding interest
Goldview[1]	Beneficial owner	Long position	297,500,000	53.89%
Mr. Huang Yingbiao	Beneficial owner	Long position	70,136,000	12.71%

Note:

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

Save as disclosed in the above, as at 31 December 2023, so far as is known to the Directors, no other persons had any interests or short positions in the Shares and underlying Shares of the Company which had to be disclosed to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Share Option Scheme

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

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

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

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

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

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

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

No options under the Share Option Scheme have been granted and no options remain outstanding and unexercised during the year ended 31 December 2023.

As of the Latest Practicable Date, the remaining life of the Share Option Scheme is about 1 year and 0 month.

Purchase, Sale or Redemption of Listed Securities

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

Management Contracts

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

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers of the Group respectively during the year ended 31 December 2023 is as follows:

	Percentage of the Group's total sales (%)		Percentage of the Group's total purchases (%)
The largest customer	13.23	The largest supplier	33.35
Five largest customers in aggregate	41.17	Five largest suppliers in aggregate	64.58

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

DIRECTORS' REPORT

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by BDO Limited ("**BDO**"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution on re-appointment of BDO as the external auditor of the Company will be proposed at the forthcoming annual general meeting for Shareholders' approval.

Material Litigation and Arbitration

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

Permitted Indemnity Provisions

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

Liu Dong
Chairman
28 March 2024

CORPORATE GOVERNANCE REPORT

Compliance with the Corporate Governance Code

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

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

Compliance with the Model Code

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

CORPORATE GOVERNANCE REPORT

Board of Directors

Duties and Divisions

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

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

During the Reporting Period and up to the Latest Practicable Date, the Board had, among other things, considered and approved the annual budget, management performance and the latest performance as compared with the annual budget as well as the business reports of the management, the annual results for the year ended 31 December 2023, monitored the operation of our Group's key business and assessed the internal control and financial matters of the Group.

CORPORATE GOVERNANCE REPORT

Board Composition

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

Each of the Directors does not have any personal relationships with any other Directors (including financial, commercial, family or other significant/relevant relationships).

Board Meetings

The Board shall meet regularly and hold at least four Board meetings each year, so as to discuss the overall strategies and operational and financial performances of the Group. For the year ended 31 December 2023, the Board held 4 meetings in accordance to the operational and business development of the Group, including 2 regular meetings and 2 provisional meetings. The attendance of each Director is detailed as follows:

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

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

Appointment and Re-election of Directors

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

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

Chairman and Chief Executive Officer

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

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

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

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

Independent Non-executive Director

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

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

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

Mr. Cao Kuangyu (曹貺予)("**Mr. Cao**") has entered into a service agreement with the Company as an independent nonexecutive Director for a term of three years commencing from May 25, 2021. Mr. Cao has served as independent non-executive Director of the Company for over 9 years. Despite his long term of service, however, the Board is of the view that his individual independence should not be determined solely by the length of service. Mr. Cao made positive contributions to the Company by proposing independent, constructive and well founded opinions over their term of office, and his succession in service as directors will bring about certain stability to the Board. In addition, it will also be of great benefit to the Board to maintain its members who have rendered long term service to the Company and are familiar with the Group's business and its market situation. The Board will also consider that he can still continue to demonstrate a high degree of independent judgment after taking into consideration of the factors that may affect his independence pursuant to Rule 3.13 of the Listing Rules, hence, he is considered to be independent.

Time Commitment of the Directors

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

Directors' Continuous Training

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

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

Directors' Insurance

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

CORPORATE GOVERNANCE REPORT

Board committees

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

Audit Committee

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

For the year ended 31 December 2023, the Audit Committee held 3 meetings to discuss with the management the accounting standards and practices adopted by the Group, arrange audit initiation meeting, and to approve the results and financial statements of the Company for the year ended 31 December 2022 as well as the interim results and financial statements of the Company for the six months ended 30 June 2023, respectively.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Ms. Yu Xiaoying *(chairlady)*	3/3	100%
Mr. Suo Suo	3/3	100%
Mr. Cao Kuangyu	3/3	100%

Remuneration Committee

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

The Remuneration Committee has also reviewed matters relating to the share options. During the year ended 31 December 2023, the Company did not grant any share options under the Share Option Scheme, and there were no share options granted but not exercised.

For the year ended 31 December 2023, the remuneration committee held 2 meetings to consider and review the employee's salary and benefit, as well as the remuneration policies and structure of Directors and senior management of the Company.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Mr. Suo Suo *(Chairman)*	2/2	100%
Ms. Yu Xiaoying	2/2	100%
Mr. Cao Kuangyu	2/2	100%

Nomination Committee

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

For the year ended 31 December 2023, the nomination committee held 2 meetings to consider and review the structure and composition of the Board, assess the independence of independent non-executive Directors, nominate the Directors to be retired by rotation and review the board diversity policy.

The attendance of the meetings is as follows:

	Attended meetings/ convened meetings	**Attendance rate**
Mr. Suo Suo *(Chairman)*	2/2	100%
Ms. Yu Xiaoying	2/2	100%
Mr. Cao Kuangyu	2/2	100%

Ensure Independent Views

The Board of Directors of the Company may receive independent views and opinions through the following mechanisms: a written confirmation is received from each independent non-executive Director of his independence from the Company pursuant to Rule 3.13 of the Listing Rules; the composition of the Board and the independence of the independent non-executive Directors are reviewed by the Nomination Committee, in particular the independence of some of the independent non-executive Directors who have served as independent non-executive Directors for more than nine years; the Board of Directors who are also controlling shareholders of the Company and/or directors and/or senior management of certain subsidiaries of the Company's controlling shareholders abstains from voting on relevant Board resolutions in relation to transactions of the controlling shareholders and/or their associates; the Chairman of the Board meets with the independent non-executive Directors at least once a year; and all members of the Board may seek independent professional advice when necessary.

During the Reporting Period, the Directors of the Company were able to attend the meetings of the Board and the meetings of the special committees in a prudent and responsible manner and provided professional advice and made independent judgment on the material issues discussed and decided with their professional knowledge and experience. By reviewing the implementation of the above mechanism, the Board is of the view that the above mechanism is effective in ensuring that the Board is provided with independent views and opinions.

Board Diversity Policy

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

CORPORATE GOVERNANCE REPORT

Company Secretary

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

According to Rule 3.29 of the Listing Rules, Ms. Sun Xin took no less than 15 hours of relevant professional training for the year ended 31 December 2023.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting

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

Procedures for making enquiries to the Board

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

Procedures for putting forward proposals at general meetings

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

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

CORPORATE GOVERNANCE REPORT

General Meeting

During the Reporting Period, the Company convened an annual general meeting on 25 May 2023 to approve (among others) the audited consolidated financial statements of the Group for the year ended 31 December 2022, the reports of Directors and auditor and the re-election of Directors who subject to retirement by rotation. All Directors have attended the annual general meeting. The attendance of each Director is detailed as follows:

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

Nomination of Director

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

Internal Control

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

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

During the Reporting Period, the Company has maintained high-level corporate governance. The Board has conducted annual review on the implemented systems and procedures, covering finance, operation, legal compliance control, and risk management functions (including but not limited to the material risks relating to environmental, social and governance in Appendix C2 of the Listing Rules).

For the year ended 31 December 2023, the Board considered the internal control system of the Company was adequate and effective, the Company complied with the Corporate Governance Code provisions in relation to internal control as set out in the Corporate Governance Code. The Audit Committee will constantly review and assess the effectiveness of the internal control system of the Group, and report the results to the Board. The Board would conduct review and assessment of the internal control system of the Group at least once a year, so as to ensure that it is free from any major supervisory deficiency.

For reporting and anti-corruption policies and systems, please refer to the "Reporting" and "Anti-Corruption" in the section headed "**Environmental, Social and Governance Report**" in this Annual Report.

Directors' Responsibilities in respect of Financial Statements

The Directors acknowledge that they are responsible for giving honest, clear, and plain assessment on the performance, position and prospect of the consolidated financial statements as set out in annual and interim reports of the Group in accordance with the statutory requirements and the applicable accounting standards. The Directors also acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2023. Having made all reasonable enquiries, the Directors confirm, to the best of their knowledge, information and belief, that they were unaware of any significant uncertainties relating to the events or situations that may seriously cause doubt on continuing operation of the Company on an ongoing basis. To prepare the financial statements for the year ended 31 December 2023, the Directors have adopted appropriate accounting policies and applied consistently, and made prudent and reasonable judgments and estimates.

Risk Management and Internal Control

In order to ensure efficient operation and efficiency of our business as well as compliance with relevant laws and regulations, the Group emphasizes the importance of establish a sound internal control system. Further, the system is an integral part in mitigating the risks borne by the Group. The Group's internal control system is designed to provide reasonable but not absolute assurance against material misstatement or loss; to manage but not eliminate risks of failure in operational systems or failure to achieve business objectives; and to achieve business objectives. The Board continues to review the internal control system, enabling it an effective and viable system that can provide reasonable assurance, protect our important assets and identify business risks. According to the information available to the Board and its observation, the Board believes that the Group's existing internal control is satisfactory. The Group strives to identify, control and manage risks related to its business activities and implement effective and viable control system, including management structure with specific written terms of reference, sound cash management system as well as regular review on the Group's performance carried out by the Audit Committee and the Board. The Board has reviewed the effectiveness of the internal control system of the Group. It is of the opinion that the internal control system adopted during the year ended 31 December 2023 was sound and effective, and is sufficient to safeguard the investment benefits of the Shareholders and the Company's assets.

Main Features of the Risk Management and Internal Control Systems

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) to report to the Board on the matters set out in the Corporate Governance Code under Appendix C1 of the Listing Rules;

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

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

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

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

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

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

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

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

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

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

Procedures on Identifying, Assessing and Management Material Risks

The risk management procedures of the Group are as follows:

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

Risk identification – to identify the current risk exposure.

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

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

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

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

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

Procedures on Handling and Disseminating Inside Information and Internal Control Measures

The Group handles and disseminates inside information in accordance with the "**Guidelines on Disclosure of Inside Information**" issued by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. In addition, the Company keeps the Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements. The Board has reviewed the risk management and internal control systems for the year ended 31 December 2023 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of Company for the year ended 31 December 2023 were effective and adequate.

Auditor's Remuneration

BDO Limited was the independent auditor of the Company. For the year ended 31 December 2023, the remuneration payable by the Company to BDO Limited is set out below:

Services rendered by the auditor	**Remuneration** *(HK$'000)*
Annual audit service	1,412
Non-audit services (for review of the interim results of the Group)	151
	1,563

Communication with Shareholders and Investor Relationship

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

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

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

During the Reporting Period, the Board reviewed the implementation and effectiveness of the Shareholders' communication policy, including the multiple communication channels for Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' communication policy has been properly implemented and effective.

During the year ended 31 December 2023, the Company has not made any changes to the Memorandum and Articles of Association. A latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

This report is the eighth Environmental, Social and Governance ("ESG") Report of Dongwu Cement International Limited (the "Company" or "Dongwu Cement", together with its subsidiaries, the "Group" or "We"), which presents the Group's management approach and performance in ESG during the reporting period from 1 January 2023 to 31 December 2023, to facilitate stakeholders' further understanding of the Group's sustainability strategies.

Reporting Guidelines and Principles

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("HKEX"), fulfilling the reporting obligation of "Comply or Explain" and adhering to the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

Reporting Boundary

This report mainly discloses the environmental and social performance of the Group's cement and rare earth related business. The information and data in the report cover Suzhou Dongwu Cement Co., Ltd.* (蘇州東吳水泥有限公司), a subsidiary of the Group's cement segment and 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 Motor Co., Limited* (贛州誠正電機有限公司), Ganzhou Ruizhixing Metal Plating Co., Limited* (贛州瑞之興金屬表面處理有限公司), Jiangxi Weiben New Energy Technology Co., Limited* (江西為本新能源科技有限公司), Jiangxi Donghan Technology Innovation Co., Limited* (江西東涵科技協同創新有限公司), Ganzhou Nengzan Rare Earth Material Co., Limited* (贛州能贊稀土材料有限公司) and Ganzhou Ruixing Metal Plating Company* (贛州市瑞興電鍍加工廠), subsidiaries of the Group's rare earth segment. For the corporate governance section, please refer to pages 42 to 56 of the Annual Report. For an overview of the disclosure of various indicators, please refer to the content index at the end of this report.

Feedback

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

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Message from the Chairman

Dear Stakeholders,

2023 represented an extremely challenging year for the cement industry. With Dongwu Cement as the brand logo, the Group continued to adhere to the principles of diligence and integrity. The Group has won a good reputation in the industry by virtue of its excellent quality, and devotion of itself to studying cement products with innovative and ingenuity spirit, demonstrating its leadership in the industry. We actively fulfilled our social responsibilities by taking into account both economic benefits and social welfare, deeply rooted green and environmental protection as a core concept in our corporate culture, and supported the enterprise to achieve high-quality sustainable development through the continuous optimization of management strategies.

Rare earth is a strategic key element in the development of high-tech and low-carbon industries. During the Reporting Period, 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, marking the Group's transition to rare earth, new energy and energy conservation industries.

Green operation has been integrated into the Group. During the year, with "pollution prevention, energy conservation, consumption reduction and compliance" as our environmental management objectives, seven energy conservation and emission reduction management programmes were formulated. We continued to upgrade our energy-saving technologies and strengthen our internal resource management, successfully achieving various environmental management targets. Furthermore, we have proactively addressed the opportunities and challenges presented by climate change. Our policy on climate change has been developed to cover mitigation, adaptation, and policy review, with the aim of implementing preventative measures.

Employees have always been the cornerstone of the Group's business development. In 2023, we are committed to creating a healthy, safe, fair and vibrant work environment with a people-oriented culture. Through various channels and perspectives, we have launched targeted competence training for employees to promote the mutual growth of employees and the enterprise. We prioritise the health and safety of our employees through the continuous improvement of our occupational health and safety management system. We have strengthened supervision and management of production safety to ensure high-quality achievement of our Group's occupational health objectives, demonstrating our commitment on the rights and interests of our employees.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainable development of an enterprise relies on product quality. Under the "Customer Oriented" principle, we have set up various strict standards, strving to deliver customers with high-quality products. By building a stringent and stable supply chain, improving a number of procedures for product inspection and measurement control and offering regular and comprehensive customer services, the Group has controlled the entire product chain to ensure every step from raw material procurement to after-sale to be in line with the highest quality standards, which demonstrates our dedication to continuously driving service innovation and quality upgrading as an outstanding enterprise.

Looking ahead, Dongwu Cement will continue to steadily push forward the strategy of high quality sustainable development on the ESG development path and respond to the national goal of "carbon peak and carbon neutrality" to empower the cement industry in a green and low-carbon manner. By always prioritizing customers and staying true to our original aspiration, we forge head with hard working and innovation, to create value for all stakeholders and the society!

Liu Dong
Chairman of the Board
Dongwu Cement International Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

We have established an effective governance framework, with the Board of Directors as the responsible body for overseeing ESG-related risks and reviewing progress against ESG-related objectives. The management structure (see below) headed by the general manager and supported by various functional departments, is responsible for formulating strategic directions and policies related to ESG, managing and evaluating ESG performance, including the process of evaluating major issues. In order to ensure the smooth implementation of ESG work, each department strictly complies with relevant laws and regulations and our internal policy, always holds itself to high standards in production and management, strives to achieve various quality, environmental and occupational health and safety objectives, while also conducting review on a regular basis.

The Quality, Environmental and Occupational Health and Safety Management System

General manager

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

Representatives at management and staff levels

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

Functional departments to coordinate and carry out relevant tasks

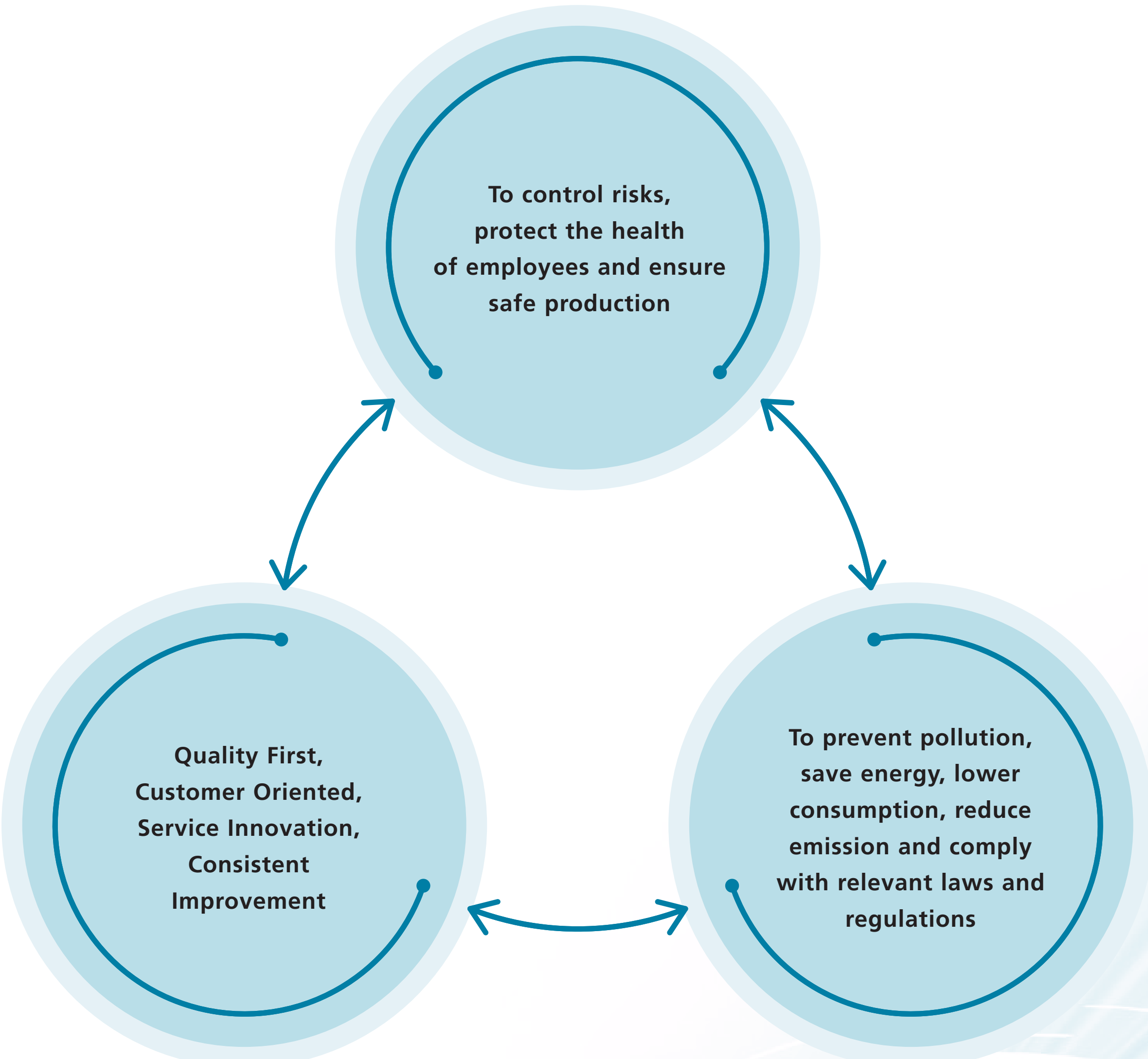
Finance Department	Office	Laboratory	Production Technology Department	Safety and Environment Department	Supply Department	Sales Department

The Board acknowledges its responsibility to ensure the authenticity of this report and has reviewed it. To the best of its knowledge, this report covers all relevant material issues and makes objective and accurate disclosure on ESG performance. The Board has confirmed its content is true and complete.

ESG Management Approach

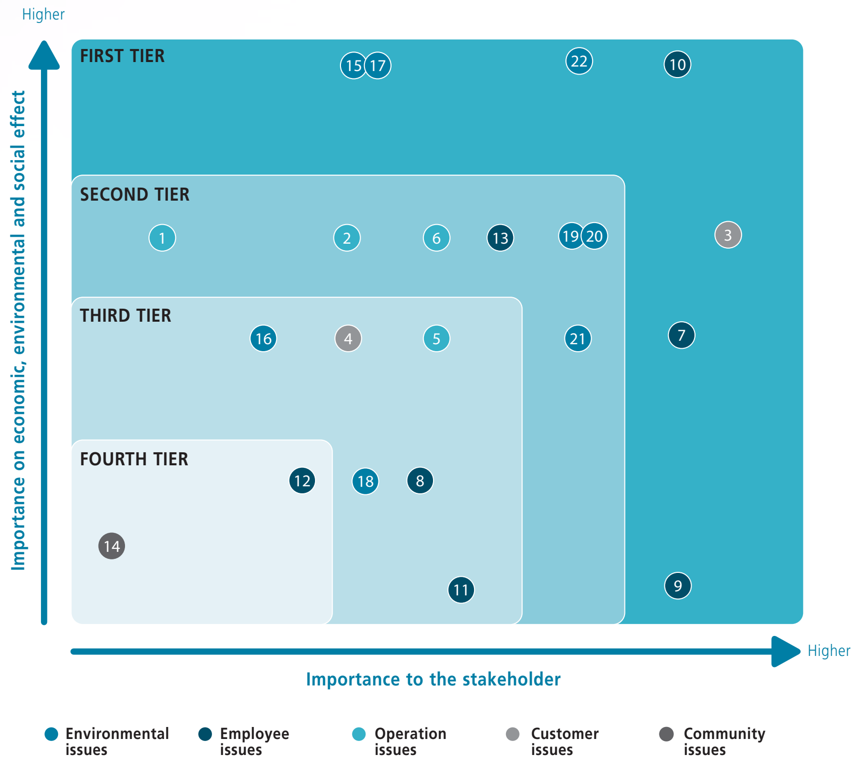
The ESG management approach of the Group provides effective guidance for our daily operations in the pursuit of sustainability. We have formulated the "Quality, Environmental and Occupational Health and Safety Management Handbook" (the "Management Handbook") in compliance with relevant laws and regulations and international requirements to regulate the Group's quality, environmental and occupational health and safety management related work.

The Group also improved its ESG management measures by obtaining various domestic and international management system certifications. The Group's occupational health and safety management system, quality management system and environmental management system have already obtained ISO 45001, ISO 9001 and ISO 14001 certifications.



Develop Materiality Topics

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



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

Environment
Employee
Operation
Customer Service
Community Contribution

Response to Materiality Topics

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

Materiality Topics	Dongwu Cement's actions in 2023	Corresponding sections
Product Quality and Safety	• Overall customer satisfaction rate of 97% • 100% customer complaint handling rate • 100% passing rate of ex-factory cement • 100% passing rate of affluent strength of ex-factory cement • Initiating a technology modification project to improve product quality control	Operational Excellence
Personnel Management	• Higher-than-industry-average salary and benefits • Various salary subsidies such as holiday allowance and high temperature allowance	People Oriented
Employee Training and Promotion	• Various training courses • Employees with excellent performance were given priority in career paths and benefit	People Oriented
Occupational Safety and Health	• Regular production safety inspections and hold emergency drills • 0 major injuries and fatalities • 0 occupational disease incidence rate	People Oriented
Waste Gas Management and Emission Reduction	• Cement kiln flue gas ultra-low emission technology transformation • Developing energy saving and emission reduction management program • 81.70% reduction in NOx emissions as compared to 2022	Environmental Protection
Hazardous Waste Management and Emission Reduction	• No hazardous waste generated during the production process • Strengthening equipment repair and maintenance to extend the life of consumables and reduce waste	Environmental Protection
Environmental Compliance	• Compliance with relevant laws and regulations • Accepted environmental supervision and assessment to ensure compliance with emission standards	Environmental Protection

Operational Excellence

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

Product Quality Management

Adhering to the value orientation of quality first, we strictly control product quality. The Group has obtained the certification of ISO 9001: 2015 Quality Management System and the review of GB 175-2007 "Common Portland Cement" standards. During the year, we conducted annual review on our quality management system and issued an operational summary report to ensure the effectiveness of our quality management approach.

The rare earth segment of the Group commenced a technology modification project for an annual production capacity of 2,000 tonnes of rare earth permanent magnetic materials during the year. Through measures including workshop re-planning and upgrading, equipment renewal, establishment of an analysis and testing centre, and investment in digital tools such as 5S visual management, the Group has been able to improve its production efficiency while enhancing the fine control of its product quality and continuously perfecting its production.

The Group's cement segment has established relevant internal policies such as the "Product Inspection and Measurement Control Procedures" and the "Control Procedures for Non-compliance and Corrective and Preventive Measures", which clearly stipulate and strictly manage the control of cement raw materials and the key links of the production process. The Group also complied with the laws and regulations[1] such as the "Quality Management Procedures for Cement Enterprises" and the "Basic Conditions of Cement Enterprises Laboratory" to ensure the compliance management of the quality control process.


职业健康安全管理体系认证证书
注 册 号: 02520S30342R0S
苏州东吴水泥有限公司
(统一社会信用代码: 913205097500176290)
江苏省苏州市吴江区黎里镇 邮政编码: 215212
职业健康安全管理体系符合
GB/T 45001-2020 idt ISO45001:2018
《职业健康安全管理体系 要求及使用指南》
认证范围
位于江苏省苏州市吴江区黎里镇的苏州东吴水泥有限公司水泥的生产经营管理
获证组织须接受本机构年度监督审核，并将监督审核通过标识贴于证书指定位置上，此证书方为有效。
本证书信息可在国家认证认可监督管理委员会官方网站(www.cnca.gov.cn)或本机构网站查询
初次发证日期: 2020 年 09 月 16 日 签发:
本证书有效期: 2020 年 09 月 16 日至 2023 年 09 月 15 日
北京国建联信认证中心有限公司

PRODUCTION TECHNOLOGY DEPARTMENT

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

CEMENT LABORATORY

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

1 Please refer to the Laws and Regulations section of this report for quality management-related laws and regulations

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

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

100% passing rate of ex-factory cement

100% passing rate of affluent strength of cement

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

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

Customer Service

Customer satisfaction

≥90%	Target Customer Satisfaction Rate
97%	Customer Satisfaction Rate Achieved

Adhering to the principle of "customer first", the Group constantly improves its customer service. During the year, the Group achieved a customer satisfaction rate of 97%, meeting the target customer satisfaction rate of more than 90%.

We actively communicate with customers through periodic phone calls, letters, visits, product exhibitions and other channels. to understand customer needs. Every year, the Sales Department sends customers a "Customer Satisfaction Questionnaire", which is scored in respect of product quality, service quality, product price and lead time, so as to fully understand the customer's satisfaction with the Company's products and services, and timely receive feedback to identify room for improvement.

Customer Complaint Handling

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

Information Security and Privacy

The Group attaches great importance to the customer information security and protection of privacy, strictly abides by the "Information Security Law of the People's Republic of China" and other relevant laws and regulations[2], and implements the privacy security for all stakeholders and the Group. We require our internal employees to sign confidentiality agreements to avoid leakage of important information including the Group's technology-related information. For customers' privacy and business secrets, we designated the employees who are responsible for the relevant customers for information collection and filing and set appropriate access permissions. We handle customer information carefully and protect customer privacy. In case of any information leakage within or outside the Group, we will take remedial measures in a timely manner to minimize the impact. During the year, the Group was not aware of any information security issues or infringement of customer privacy.

[2] Please refer to the Laws and Regulations section of this report for information security protection-related laws and regulations.

Supply Chain Management

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

Supplier Selection and Assessment

During the reporting period, the Group had 86 qualified suppliers, of which 56 were from mainland China and 30 were form countries and regions other than mainland China[3]. When engaging suppliers, the Group not only considers the suppliers' corporate qualifications, their samples and relevant examining reports and other related factors, but also considers the suppliers' performance in environmental protection,occupational health and safety, etc., so as to avoid social and environmental risks in the supply chain. The Group has formulated relevant internal documents such as the "Purchase Control Procedure" to clarify the standardized operation of screening, assessment, tracking and evaluation. As the main departments for supplier selection and evaluation, the Supply Department and the Procurement Department not only carry out regular tracking and evaluation of suppliers, but also conduct irregular assessment of suppliers. In addition to routine sample testing and quality management assessment, strict review on compliance with the rights and interests of employees and the occupational safety and health of newly introduced suppliers will be carried out. Only suppliers that pass the review can be included in the "List of Qualified Suppliers".

Admission and Selection	• Assessment of environmental risk and social risk • Assessment of corporate environmental responsibility, employees' right and occupational health and safety
Evaluation and Assessment	• Regular evaluation of the suppliers, including annual re-evaluation • Irregular assessment of the suppliers, according to market conditions
Policies and Documents	• Purchase Control Procedure • Management Procedures on the Influence Exerted on Interested Parties

Supplier Selection and Assessment

3 During the year, the rare earth segment was included in the reporting scope, with changes in the number of suppliers and geographical distribution.

Supply quality control

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

Green Procurement

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

Intellectual Property Protection

The Group attaches equal importance to protection of the intellectual properties that are closely related to our operations. To ensure the orderly development of intellectual property protection work, we implement relevant intellectual property management methods and protection measures in accordance with the "Hong Kong Intellectual Property Law"[4]. We add relevant intellectual property protection provisions to the contractual terms, and the Legal Department of the Group handles all operational contracts to avoid any possible infringement of the ownership of the intellectual achievement of individuals or enterprises and to reduce losses to customers, suppliers and the Group. The Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to infringement of intellectual property rights by the Group during the year.

During the year, the Group's rare earth segment had a total of 56 active patents, including 43 patents for utility models, 11 patents for inventions and 2 patents for designs.

[4] Please refer to the Laws and Regulations section of this report for intellectual property protection-related laws and regulations.

Honest Operation

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

During the year, the Group conducted anti-corruption training for all management staff, and required all management staff to strictly perform their corresponding duties in anti-corruption campaign so as to create a moral defenses against corruption to form a corporate culture of anti-corruption and integrity promotion.

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

Project Management

- Open tender for large value projects
- Management approves the amount of different service contracts by level

Supplier Management

- Consolidated review and evaluation of qualified suppliers by multiple related departments
- Verification, approval and signatures are required prior to procurement

Personnel Management

- Set up an audit team and a reporting channel for all business partners and employees to report in a timely manner
- WeChat work groups are established to encourage employees to report information to their supervisors in a timely manner
- Employees are required to report potential conflict of interest situations to management in a timely manner

The Group strictly complies with relevant anti-corruption laws and regulations[5]. During the year, we were not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud, and money laundering, nor were we involved in any corruption cases.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Protection

Efficient utilisation of resources and efforts to minimise the impact of operations on the environment are essential for the Group to improve production efficiency and maintain long-term sustainable development.

Environmental management

The Group is fully aware of the importance of environmental protection for sustainable development and therefore actively practices the concept of green development in its daily operations. We strictly comply with relevant national and local laws and regulations[6], and on this basis, we have formulated and implemented a series of energy saving, consumption reduction and pollution prevention measures, and endeavoured to effectively control the consumption of resources and the emission of pollutants, such as dust and emissions, from our daily operations, so as to mitigate the impact on the environment. During the year, the Group was in compliance with the standards required by relevant laws and regulations in terms of environmental supervision and assessment.

Key work on environmental management in 2023

1. Technical transformation of exhaust gas ultra low emissions of cement kilns, achieving the objective of ultra low emissions
2. Strengthening the maintenance of environmental protection facilities to reduce pollutant emissions
3. Upgrading and transformation of flue gas online monitoring system
4. Domestic wastewater treatment facility renovation

6 Please refer to the Laws and Regulation section of this report for environmental management-related laws and regulations.

Management structure

The Group's environmental management system had passed the ISO14001: 2015 certification. We have set up an "environmental protection leading group" led by the general manager, supported by the deputy general managers and the management representatives, and coordinated among various departments, workshops, and offices. We carried out various inspections, internal audits and management reviews to ensure legal discharging of the Group; we also clarified the division of labor among personnel at all levels and focused on environmental protection management to improve the efficiency in environmental protection.

Environmental Protection Leading Group

Objective	Progress of 2023
100% pollutant emission compliance rate	Achieved
100% dust and noise emission compliance rate	Achieved
100% solid waste classification and collection rate	Achieved
100% integrated disposal of solid waste	Achieved

Environmental Management Objective and Progress

Identification of Potential Risks

According to Environmental Factors Identification and Evaluation Procedures, the Group established an expert evaluation team consisting of the deputy general managers, responsible personnel of each department and workshop and other relevant personnel to evaluate the environmental factors identified by each department. In 2023, the Group identified a total of 1,313 environmental factors and 28 key environmental factors. In order to standardise the operation of environmental emergency management, the Group's rare earth segment has prepared an Environmental Emergency Response Plan to minimise the time between the occurrence of a crisis and its effective handling. In addition, the Group's rare earth segment has also proactively taken positive control measures. In particular, the Group regularly appoints professional third-party testing organisations to carry out environmental testing, and is committed to effectively controlling emissions of waste gas and waste water as well as the level of noise pollution, thereby safeguarding the safety and sustainable development of the surrounding ecological environment in a practical manner. In the future, we will continue to inspect and rectify equipment and environmental hygiene, and strengthen the management of hazardous chemicals to ensure that risk management and control comply with the requirements of laws and regulations. During the year, the Group was not aware of any violations of laws and regulations relating to emissions of air and greenhouse gases, discharges to water or land and generation of hazardous or non-hazardous wastes that have a material impact on the Group.

Climate change

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

Mitigation

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

Adaptation

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

Policy Review

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

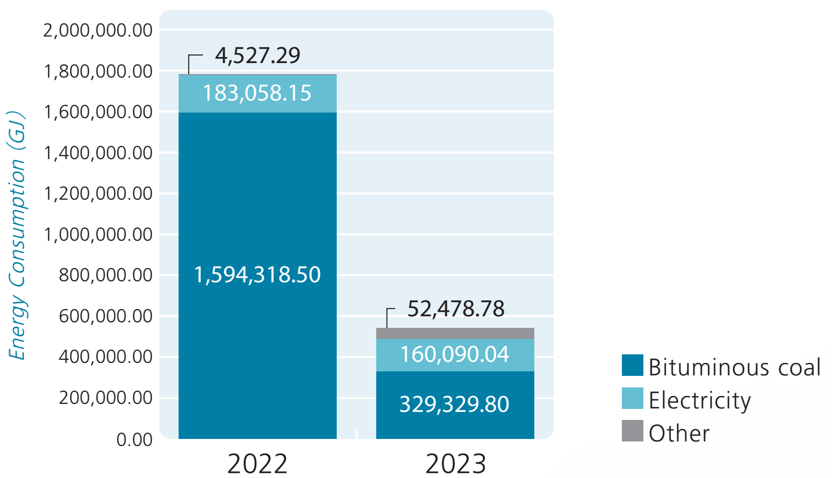
Energy Management

The Group strictly complied with the "Energy Conservation Law of the People's Republic of China", and thus established an internal "Energy Management Handbook" and successfully passed the national energy system certification and evaluation. The Group has set up an "Energy Leadership Group", which is composed of the deputy general manager and responsible personnel of various departments. It is required to work with various energy use departments to compile the "Energy Objectives and Targets Management Plan" for the following year, in December each year, and determine energy saving measures, use of resources and other matters for the following year. In addition, the Energy Leadership Group is responsible for receiving the latest energy policies from superiors and delivering such movements to employees to ensure smooth implementation of energy control measures. In 2023, under the leadership of the Energy Leadership Group, the Group continued to carry out energy-saving technical transformation, such as replacing electrostatic precipitators of kiln inlet collectors of cement kilns with baghouses, and strengthen the management of on-site production to eliminate waste of energy.

Energy Consumption

During the year, the Group's main energy consumption came from the use of electricity, bituminous coal, natural gas[7], petrol and diesel. The total energy consumption was 541,898.62 GJ[8], and the energy consumption intensity was 1.96 GJ per thousand HK$ revenue. The Group has achieved our energy efficiency target of saving 4.00 million kWh with a decrease in the total energy consumption of 69.56% compared with 2022.

Energy Consumption



Greenhouse Gas (GHG) Emissions

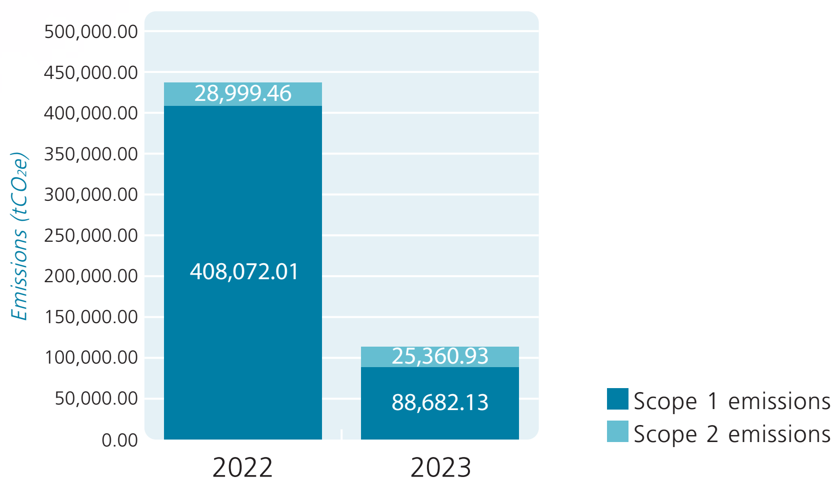
In accordance with the "Notice on the Organization of Greenhouse Gas Emission Reporting for Key Enterprises and Public Institutions (Fa Gai Qi Hou No.12014163)" Issued by the National Development and Reform Commission, "Interim Measures for the Administration of Carbon Emission Trading" and other documents,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

7 The rare earth sector is included in the report this year, resulting in the increase the calculation of natural gas consumption.

8 In 2023, the Company mainly used commercial clinker due to the impact of the market and raw material costs. Self-produced clinker and bituminous coal consumption was reduced, resulting in a significant decrease in energy consumption this year.

During the year, the Group's greenhouse gas emissions amounted to 114,043.06 tCO_2e[9], representing a year-onyear decrease of approximately 73.91%. Direct emission (Scope 1) was 88,682.13 tCO_2e, which were generated from fuel combustion emissions, raw material decomposition emissions, non-fuel carbon calcination emissions and vehicles' fuel combustion in the production process, representing a year-on-year decrease of approximately 78.27%. Indirect emission (Scope 2) amounted to 25,360.93 tCO_2e, representing a year-on-year decrease of approximately 12.55%. The emission intensity was 0.41 tCO_2e per thousand HK$ revenue.

GHG Emission



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

Improvement of Energy Conservation and Emission Reduction Process

The cement industry has always been the key management and control target of the country to promote energy conservation and emission reduction work. To this end, we have actively adopted energy-saving processes to minimize the consumption of necessary resources in cement production so as to reduce the impact on the environment. During the year, the Group developed 7 energy conservation and emission reduction management plans, covering areas such as electric conversion to bagging of kiln-end dust collector, operation and maintenance of flue gas on-line detectors, kiln-end fan energy saving technology conversion, and domestic wastewater treatment facility renovation, with a total investment of RMB7 million.

In addition, as of the end of 2023, we invested approximately RMB20 million in ultra-low emission technology improvement project for the cement kiln. Through the energy-saving technology improvement for fans at the kiln, replacement of electrostatic dust collector with bag-type dust collector, and adoption of the ERDIII ultralow emission denitrification facility, energy consumption and gas emissions have be reduced effectively. After the completion of improvement, we will save 1.20 million kWh of electricity annually, and reduce particulate matter emissions to less than 10 mg per cubic meter, sulfur dioxide emissions to less than 35 mg per cubic meter and nitrogen oxide emissions to less than 50 mg per cubic meter, thus achieving the ultra-low emission target.

9 In 2023, the Company mainly used commodity clinker due to the impact of the market and raw material costs, and self-produced clinker was reduced, resulting in a significant decrease in greenhouse gas emissions this year.

Water Resources Management

The water resources consumed by the Group were sourced from urban tap water, which are mainly for production and office operations. In 2023, total water consumption was 48,333 tonnes[10], with an intensity of 0.175 tonne per thousand HK$. All waste water is mainly used for greening after treatment. The Group has achieved the water efficiency goals of zero sewage discharge and 100% recycling of water consumption in the workshop. During the year, the Group encountered no water sourcing issue.

Emission Control

Exhaust Gas Emissions

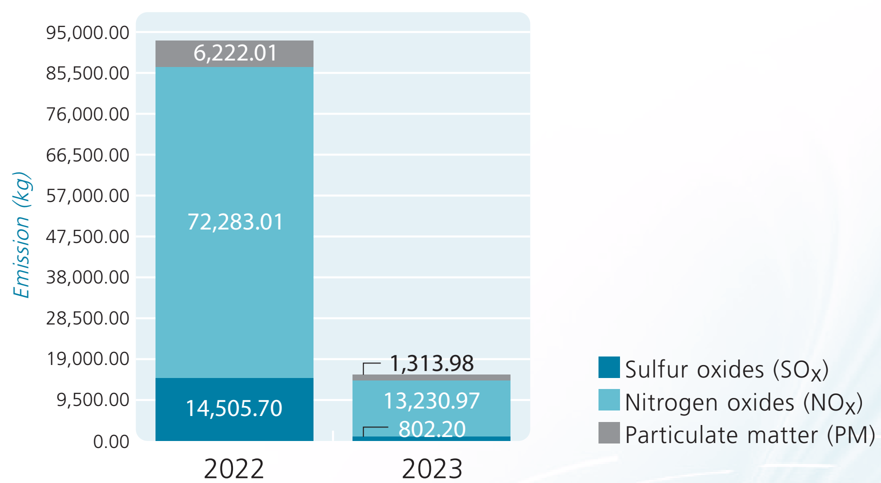
The exhaust gas pollutants emitted by the Group's daily operations are mainly sulphur oxides (SO_x), nitrogen oxides (NO_x) and particulate matter (PM) from kiln and vehicles. In addition to the introduction of advanced environmentallyfriendly production processes during the production process to reduce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

NO_x Emission Target:

15% decrease over the previous year

Exhaust Gas Emissions (Unit: Kg)	Stationary Source Emission	Mobile Source Emission (Vehicle Exhaust)	Total[11]
Sulfur oxides (SO_x)	801.74	0.46	802.20
Nitrogen oxides (NO_x)	12,912.30	318.67	13,230.97
Particulate matter (PM)	1,292.28	21.70	1,313.98

Exhaust Gas Emission



10 The rare earth sector is included in the report this year, resulting in the increase the calculation of natural gas consumption.

11 Due to the impact of market and raw material costs, we mainly used commodity clinker in 2023, resulting in a reduction of self-produced clinker and a significant decrease in emissions in the current year.

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

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

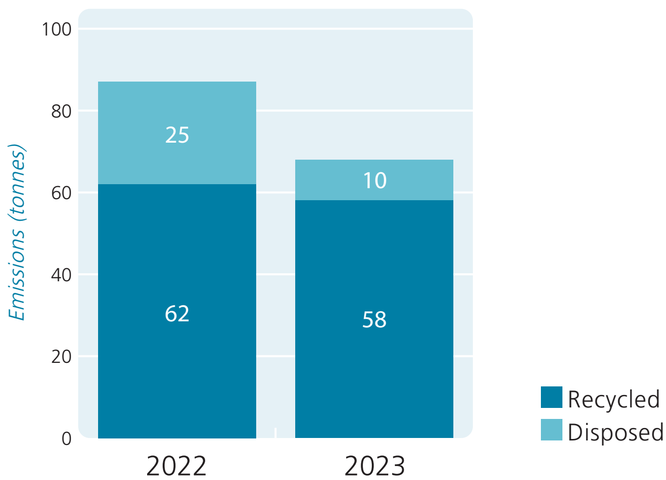
Major Emission Reduction Measures

Waste Disposal

The Group's cement production and operation processes do not generate any hazardous waste, but only non-hazardous waste, including solid waste and domestic waste. We engaged qualified third-party to collect and dispose domestic waste, while domestic waste is collected and disposed of by the sanitation department. During the year, 68 tonnes of non-hazardous waste was generated by the Group, with the recycling accounting for approximately 85% of total waste. Hazardous waste generated was 1.7 tonnes and derived from the rare earth segment. The Group's production and operation also require the use of plastic film woven bags and cartons as packaging materials, and the consumption during the year was 93 tonnes and 3 tonnes, respectively.

Adhering to the principle of repairing and utilizing old or discarded things, we strengthen the daily repair and maintenance of production equipment to extend the useful life of consumables to achieve the goal of waste reduction.

Non-hazardous Waste Discharge

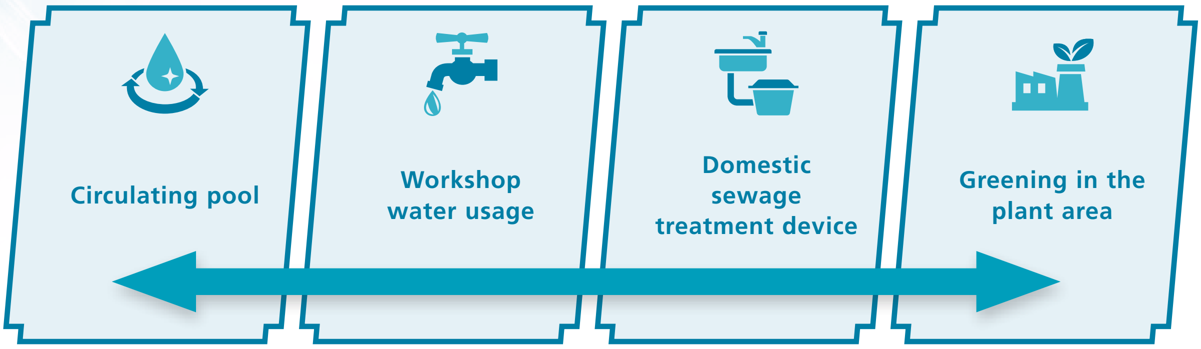


Waste reduction target:

10% decrease

Wastewater Management

The Group understands the importance of water resources to sustainability, and has adopted a closed-circuit water recycling system to achieve water conservation. Through the system in which the water used in the workshop has reached 100% recycling rate in the circulating pool, while the domestic sewage treatment device treats and purifies the unrecyclable sewage and then uses it for greening in the plant area, the Group has achieved zero sewage discharge. During the year, we generated approximately 8,924 liters[12] of wastewater. All wastewater was properly disposed of, with approximately 5,300 liters being recycled and used.



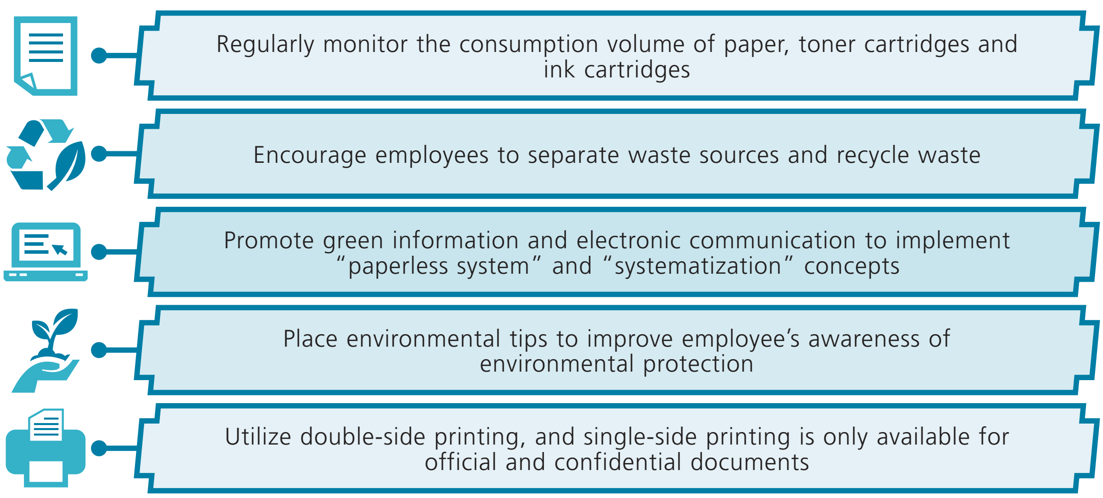
Closed-loop circulating water system

Noise Management

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

Green Operations

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



12 During the year, the rare earth sector was included in the report, and the amount of sewage generated increased.

The Group attaches great importance to greening construction and ecological restoration. We cooperate with professional greening companies to do regular maintenance to all greenings in office areas, living areas and factory areas. In order to further reduce the potential environmental impact caused by noise, exhaust gas and others, the Group has formulated the "Greening Plan in Factory". In 2023, the Group's green area was about 40,000 square meters, accounting for over 30% of the factory area.

- The planting of trees such as paulownia and cypress trees on both sides of the road and around the factory area, as well as the planting of lawn and trees in a large area of open space in the southwest of the factory take the diversity of vegetation into full consideration. A complex multi-level greening system of combining "trees, shrubs, flowers and grasses" is adopted, with a reasonable distribution of tall and low plants, making the factory area green throughout the year and a beautiful environment

- A certain amount of greenbelts around noise and waste gas sensitive points in the factory area being constructed to achieve noise reduction and dust absorption

- Greening landscape were built in the vacant space of office buildings

- Hiring a professional land scaping company to maintain the Company's greenery regularly

Response to Major Environmental Accidents

The Group strictly complies with laws and regulations[13] such as the "Environmental Protection Law of the People's Republic of China", the "Emergency Management Measure for Environmental Emergencies", and has formulated internal system documents such as the "Emergency Management Plan for Environmental Emergencies", the "Emergency Preparation and Corresponding Control Procedures" and the "Accident Handling and Control Procedures" to improve the emergency response mechanism for environmental emergencies so as to avoid damage to the ecological environment as a result of environmental emergencies. We also organized employees to carry out fire, water and oil pollution accident to enhance their emergency response capability, and to ensure that we can effectively deal with the related environmental pollution and minimize losses.

13 Please refer to the Laws and Regulations section of this report for environmental emergency management-related laws and regulations.

People-Oriented

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

Health and Safety

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


职业健康安全管理体系认证证书

注 册 号: 02520S30342R0S

苏州东吴水泥有限公司

(统一社会信用代码: 913205097500176290)

江苏省苏州市吴江区黎里镇 邮政编码: 215212

职业健康安全管理体系符合

GB/T 45001-2020 idt ISO45001:2018

《职业健康安全管理体系 要求及使用指南》

认证范围

位于江苏省苏州市吴江区黎里镇的苏州东吴水泥有限公司水泥的生产经营管理

获证组织须接受本机构年度监督审核，并将监督审核通过标识贴于证书指定位置上，此证书方为有效。

本证书信息可在国家认证认可监督管理委员会官方网站(www.cnca.gov.cn)或本机构网站查询

初次发证日期: 2020年09月16日

本证书有效期: 2020年09月16日至2023年09月15日

签发:

CNAS

MANAGEMENT SYSTEM

北京国建联信认证中心有限公司

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

The Group's rare earth segment has conducted an occupational disease hazard assessment of its production workshops with the aim of identifying risk factors that may potentially affect the health of its employees. At the same time, this segment has also developed and implemented a comprehensive internal management system, which sets out in detail the work guidelines and operating procedures to ensure that occupational health and safety management measures are implemented accurately and thoroughly. Currently, the rare earth segment has obtained the qualification of standardised production safety certification.

Safe Production

In order to prevent and reduce the occurrence of production accidents, we strengthen the supervision and management of safety production, conduct regular inspections and maintenance on our production equipment to ensure employees' health and safety. During the year, we organized monthly inspections on equipment, safety, environmental hygiene, occupational health, labor discipline, lubricants of special equipment and main engine for timely identifying and rectifying any problem related to equipment, environment and safety. We strengthen the safety production measures, clearly standardize the necessary products for safety production, strengthen the distribution and use of labor protection supplies and strictly manage the warehouses hazardous chemicals. Meanwhile, we also require our laboratory inspectors and speciality staff to work with certificates to ensure the safety and compliance of production and operation and the implementation of safe production. The Group's rare earth segment has formulated an Emergency Response Plan for Production Safety Accidents, which provides forward-looking planning for potential production safety hazards and minimises the impact of crises on personnel, property and the ecological environment through analysis and scientific prediction. In the past three years, the number of work-related deaths of the Group was zero.

Safety Management Objectives	Progress of the Year 2023
Zero incident rate of major casualty	Achieved
Zero fire incident rate	Achieved
Zero occupational disease incident rate	Achieved
Less than 1% general work-related injury	Achieved
100% protective equipment distribution rate	Achieved
100% certificates rate for special type of work	Achieved

Occupational safety and health target and the progress of 2023

Safety Education

The Group attaches great importance to employees' safety education. During the year, we recorded a total of 871 participants in safety training with a total of 210 training hours. The Group also ingrains safety awareness in the minds of employees through preparation, improvement and distribution of internal safety management system documents. We formulated a training implementation plan at the beginning of the year, to provide corresponding safety training for the personnel in important, critical and special positions in quality, environment and safety through a combination of internal and external trainings. At the same time, we actively carried out activities of safe production month, organized online safety training, and conducted safe production knowledge examinations, etc., to continuously enhance the safety awareness of our employees.

In order to enhance the emergency management capability, the Group formulated an emergency drill plan during the year and carried out emergency drills on fire incidents, environmental pollution incidents and hazardous chemical spills for all employees to enhance their speed and coordination capability in emergency rescue, minimising the potential damage caused by unexpected incidents.

In addition to formulating and implementing various emergency drills, the Group's rare earth segment regulates the work of its employees through the implementation of a stringent supervision and assessment mechanism, with a view to consolidating the foundation of safety management and ensuring the safety of its employees during the production process.

Employment Practices

The Group strives to create a fair, respectful and diversified working environment and prohibits discrimination in any form. We treat all employees equally, regardless of their identity, race, and gender, and provide equal treatment and promotion opportunities. The Group strictly complies with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and other relevant laws and regulations[14], and has formulated policies such as the "Human Resources Procedures" and the "Human Resources Management System" to protect the legitimate rights and interests of employees. During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, antidiscrimination, prevention of child and forced labor, and other benefits and welfare, and there were no cases of child labor and forced labor.

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

↓

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

↓

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

↓

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

↓

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

Employee recruitment process

14 Please refer to the Laws and Regulations section of this report for employment-related laws and regulations.

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

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

Staff Training

The Group places great emphasis on staff training. In terms of the training content, we focus on the environment, quality, and occupational safety and health training, as well as training for special positions; while in terms of the training method, we conduct training activities with different themes for employees in different departments by internal and external trainings. After training, we adopt methods such as on-site questioning and evaluation as well as practical assessment to ensure the practical learning of employees. According to statistics, the Group's cement segment carried out 7 targeted trainings, covering 87 participants in 2023. During the year, the Group's various training sessions recorded a total of 682 participants, with a total of 269 hours, and achieved 100% coverage in training. We actively listen to the opinions from our employees and provide diversified training that suits their career as well as the development of the Group, so that we can grow with employees.

Type of Training	Training Related to Product Quality	Safety Management Training	Training Related to Environment and Integrated Management
Training Courses	• Training for inspection personnel • Quality and quality awareness training • On-site 6S management and improvement	• Training on special equipment management • Training on safe production • Training for central control office operator	• Training on Integrated System Management Manual • Training on environmental knowledge • Training on Green and Low Carbon Development
Training Contents	• Training on test method of cement mortar strength (ISO method) • Dissemination of Laboratory Quality Management Manual • Quality and quality awareness • On-site 6S management introduction and improvement	• Knowledge of safety management for special equipment • Training on safe production knowledge covering areas such as production safety procedures, prevention and control of occupational diseases and emergency response • Training on the Operation Manual of the Central Control Office and production safety knowledge	• Dissemination of Management Handbook and procedure documents • Requirements for the use of pollutant online monitors, knowledge of operation and obligations and responsibilities of monitors • Green and Low Carbon Development policies and concept
Training Purpose	• Acquiring knowledge of quality inspection and clarifying laboratory quality management system and internal control standard requirements • Enhancing quality control awareness and overall quality management level	• Acquiring knowledge of safety management of special equipment, safe production related knowledge, and improving the overall safety management capability	• Acquiring knowledge of integrated management system standards and the contents of the Company's Management Handbook and procedure documents • Acquiring knowledge and responsibility for online monitoring • Acquiring knowledge of Green and low carbon development

Key Training Contents in 2023

In addition, the Group conducts assessments monthly and yearly to evaluate employees' work efficiency, operating ability, work attitude, and professional knowledge. Employees with outstanding year-end assessment results will be offered higher priority in promotion and better benefits and welfare.

Environmental Management Training

Safe Production Training

Corporate Management Training

Energy Management Training

Social Investment

The Group is committed to fulfilling its corporate social responsibility and making contributions to the community with a positive impact. Looking forward, we will continue to explore opportunities to make more contributions to the local community and promote community development in the areas where it operates.

Laws and Regulations

Regarding different aspects of sustainable development, the Group strictly complies with the applicable national laws and regulations, which are listed in the following table:

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

ASPECTS	LAWS AND REGULATIONS	RELEVANT SECTIONS
Environment and Natural Resources	Environmental Protection Law of the People's Republic of China Emergency Response Law of the People's Republic of China	Environmental Protection – Response to Major Environmental Accidents
Health and Safety	Production Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Special Equipment Safety Law of the People's Republic of China Regulation of the People's Republic of China on Prevention and Control of Pneumoconiosis Fire Control Law of the People's Republic of China Regulations of Jiangsu Province on Firefighting and Prevention Regulation on Work-related Injury Insurance of Jiangsu Province	People-Oriented – Health and Safety
Employment Labor Standards	Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Provisions on the Prohibition of Using Child Labor of the People's Republic of China Social Insurance Law of the People's Republic of China Law of the People's Republic of China on the Protection of Women's Rights and Interests Law of the People's Republic of China on the Protection of Disabled Persons	People-Oriented – Employment Practices
Product Responsibility	Quality Management Procedures of Cement Enterprise Basic Conditions of Cement Enterprise Laboratory Product Quality Law of the People's Republic of China Advertising Law of the People's Republic of china Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Copyright law of the People's Republic of China Personal Data (Privacy) Ordinance of Hong Kong Hong Kong Intellectual Property Law	Operational Excellence – Product Quality Management Operational Excellence – Intellectual Property Protection Operational Excellence – Information Security and Privacy
Anti-corruption	Criminal Law of the People's Republic of China Anti-unfair Competition Law of the People's Republic of China Prevention of Bribery Ordinance of Hong Kong	Operational Excellence – Honest Operation

Performance Data Summary

		2023	2022
Environment	**Resource consumption**		
	Energy consumption (GJ) Energy	541,899	1,780,272
	Energy consumption intensity (GJ per thousand HK$ revenue)	1.96	5.52[17]
	Electricity (kWh)	44,469,457	50,849,485
	Bitumite (Tonnes)	12,618	61,085
	Petrol (Liters)	16,559	17,270
	Diesel (Liters)	42,904	65,439
	Water resource (Tonnes)	48,333	15,749
	Water recourses consumption intensity (Tonnes per thousand HK$ revenue)	0.175	0.049[18]
	Greenhouse Gas Emission		
	Greenhouse gas emission (tCO_2e)		
	Scope 1: direct carbon emission	88,682	408,072
	Scope 2: indirect carbon emission	25,361	28,999
	Total	114,043	437,071
	Greenhouse gas emission intensity (tCO_2e per thousand HK$ revenue)	0.41	1.35[19]
	Exhaust Gas Emission (kg)		
	NO_x	13,231	72,283
	SO_x	802	14,506
	PM	1,314	6,222
	Mercury	0	3.02
	Ammonia	244	3,111
	Fluoride[16]	0	923.59
	Waste (Tonnes)		
	Hazardous waste (Tonnes)	1.7[16]	–
	Non-hazardous waste (Tonnes)		
	Generated	68	87
	Recycled	58	62
	Disposed	10	25
	Sewage (Liters)		
	Generated	8,924	7,200
	Recycled	5,300	7,200
	Disposed	3,624	–
	Packaging Materials (Tonnes)		
	Compound plastic bags	93	102
	Carton boxes	3	–

15 Including dust and gas fluoride.
16 The rare earth business segment was newly added during the year, resulting in hazardous waste emissions
17 Intensity in 2022 is presented in "GJ per thousand RMB revenue"
18 Intensity in 2022 is presented in "tonnes per thousand RMB revenue)"
19 Intensity in 2022 is presented in "tCO_2e per thousand RMB revenue)"

		2023	2022
Employee	**Total headcount**		
	By geographical distributions		
	Hong Kong	0	0
	Mainland China	336	197
	By age		
	≤30	24	12
	31-50	170	96
	≥51	142	89
	By gender		
	Male	226	148
	Female	110	49
	By employment type		
	Full-time	336	197
	Part-time	0	0
	By function		
	Management	50	33
	General employees	286	164
	Employee turnover rate (%)		
	By geographical		
	Hong Kong	–	–
	Mainland China	12	12
	By age		
	≤30	29	17
	31-50	7	1
	≥51	15	22
	By gender		
	Male	12	15
	Female	11	2
	Employee new hire (%)		
	By geographical		
	Hong Kong	–	–
	Mainland China	6	3
	By age		
	≤30	–	–
	31-50	6	2
	≥51	8	4
	By gender		
	Male	7	3
	Female	5	2

		2023	2022
Occupational Safety and Health	**Performance of occupational safety and health**		
	Number of work-related accidents	0	0
	Number of work-related injuries	0	0
	Number of work-related death	0	0
	Lost days due to work-related injury	0	0
	Training on occupational safety and health		
	Total person-times training	871	427
	Total training hours	210	192
Development and Training	**Average training hours per employee**		
	By gender		
	Male	3.65	4.08
	Female	5.03	5.52
	By Function		
	Management	5.26	5.33
	General employees	3.75	4.26
	Percentage of employees trained (%)		
	By gender		
	Male	100	100
	Female	100	100
	By Function		
	Management	100	100
	General employees	100	100
Suppliers	**Suppliers distribution**		
	Hong Kong	0	0
	Mainland China	86	17
Society	**Community investment**		
	Donation (HKD)	0	115,000

ESG Content Index

Key Performance Indicator (KPI)	HKEX ESG Reporting Guide Requirements	Section/Remark
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Board Statement
Reporting Principles	A description of, or an explanation on, the application of the following reporting principles in the preparation of the ESG report: (a) Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. (b) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (c) Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Reporting Guidelines and Principles
Reporting Boundary	A narrative explaining the reporting boundary of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Boundary

Key Performance Indicator (KPI)	HKEX ESG Reporting Guide Requirements		Section/Remark
A. Environmental	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Protection – Environmental Management, Emission Control
Aspect A1: Emissions	KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection – Emission Control
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emission Control
	KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emission Control No hazardous waste was generated from the operation of the Group
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emission Control
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection – Emission Control
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection – Emission Control

Key Performance Indicator (KPI)	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect A2: Use of Resources	**General Disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.		Environmental Protection – Energy Management
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Energy Management
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Water Resources Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Energy Management
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Water Resources Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Protection – Energy Management

Key Performance Indicator (KPI)	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect A3: Environmental and Natural Resources	**General Disclosure** Policies on minimising the issuer's significant impacts on the environment and natural resources.		Environmental Protection – Environmental Management, Climate Change, Energy Management, Emission Control, Green Operations
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection – Climate Change, Emission Control, Green Operations
Aspect A4: Climate Change	**General Disclosure** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Environmental Protection – Climate Change, Green Operations
	KPI A4.1	Description of the significant climate related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Environmental Protection – Climate Change, Green Operations

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

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

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

Key Performance Indicator (KPI)	HKEX ESG Reporting Guide Requirements		Section/Remark
Aspect B6: Product Responsibility	**General Disclosure** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.		Operational Excellence – Product Quality Management, Customer Service, Intellectual Property Protection
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no recall due to safety and health reasons during the year
	KPI B 6.2	Number of products and service-related complaints received and how they are dealt with.	Operational Excellence – Customer Complaint Handling There were no complaints about products and services received during the year
	KPI B 6.3	Description of practices relating to observing and protecting intellectual rights.	Operational Excellence – Intellectual Right Protection
	KPI B 6.4	Description of quality assurance process and recall procedures.	Operational Excellence – Product Quality Management
	KPI B 6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operational Excellence – Intellectual Right Protection

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

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF DONGWU CEMENT INTERNATIONAL LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Dongwu Cement International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 104 to 176, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters *(Continued)*

Impairment assessment of trade receivables

Refer to Notes 5(c), 23 and 36(c) to the consolidated financial statements.

The gross carrying amounts of the Group's gross trade receivables as at 31 December 2023 was approximately HKD31,181,000 and provisions for impairment loss thereon was approximately HKD330,000.

Management applied judgement in assessing the expected credit losses. The Group maintains a provision for impairment of trade and other receivables arising from the inability of its customers and debtors to make the required repayments. The Group makes its estimates mainly based on the ageing of its trade receivable balances, debtors' creditworthiness, historical default experience and other forward looking factors. If the financial condition of its debtors was to deteriorate so that actual impairment loss might be higher than expected, the Group would revise the basis of making the impairment.

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

Our response:

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

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

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

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

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

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

– Checking the arithmetic accuracy of the expected credit loss allowance computation.

Other Information in the Annual Report

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

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

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

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

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

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

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

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HKD'000	2022 HKD'000
Revenue	7	**307,263**	372,338
Cost of sales		**(311,750)**	(368,961)
Gross (loss)/profit		**(4,487)**	3,377
Distribution expenses		**(2,714)**	(3,077)
Administrative expenses		**(50,728)**	(59,461)
Other income and other gain/(loss), net	8	**13,981**	2,810
Operating loss		**(43,948)**	(56,351)
Finance income		**10,256**	8,840
Finance expenses		**(8,556)**	(6,701)
Finance income – net	9	**1,700**	2,139
Share of results of associates	20	**678**	2,392
Loss before income tax expense	10	**(41,570)**	(51,820)
Income tax credit	14	**392**	8,747
Loss for the year		**(41,178)**	(43,073)
Other comprehensive income for the year, net of tax			
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(14,483)**	(58,376)
Other comprehensive income, net of tax		**(14,483)**	(58,376)
Total comprehensive income for the year		**(55,661)**	(101,449)
Loss for the year attributable to:			
Owners of the Company		**(36,525)**	(40,468)
Non-controlling interests		**(4,653)**	(2,605)
		(41,178)	(43,073)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(52,358)**	(99,303)
Non-controlling interests		**(3,303)**	(2,146)
		(55,661)	(101,449)
Loss per share			
– Basic and diluted (HKD per share)	12	**(0.066)**	(0.073)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 HKD'000	2022 HKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**220,625**	194,137
Goodwill	17	**61,589**	13,064
Intangible assets	18	**22,046**	6,767
Deposit paid for purchase of machineries and intangible assets	23	**1,812**	3,106
Deposit paid for acquisition of property	23	**24,716**	25,361
Investments in associates	20	**34,798**	43,339
Deferred tax assets	30	**5,313**	5,790
Financial assets at fair value through profit or loss	21	**–**	112,715
Total non-current assets		**370,899**	404,279
Current assets			
Inventories	22	**211,580**	44,028
Trade and other receivables	23	**61,158**	51,834
Short-term bank deposits	24	**450,385**	466,640
Pledged bank deposits	25	**37,785**	60,200
Cash and bank balances	25	**21,895**	7,662
Total current assets		**782,803**	630,364
Current liabilities			
Lease liabilities	16	**83**	1,032
Trade and other payables	26	**178,210**	223,619
Contract liabilities	27	**17,206**	15,175
Income tax payables		**5**	–
Borrowings	28	**141,806**	178,439
Total current liabilities		**337,310**	418,265
Net current assets		**445,493**	212,099
Total assets less current liabilities		**816,392**	616,378

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 HKD'000	2022 HKD'000
Non-current liabilities			
Lease liabilities	16	–	794
Borrowings	28	**120,835**	–
Deferred income	29	**23,278**	–
Deferred tax liabilities	30	**35,540**	35,307
Total non-current liabilities		**179,653**	36,101
Net assets		**636,739**	580,277
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**5,520**	5,520
Reserves		**529,335**	581,693
		534,855	587,213
Non-controlling interests	40	**101,884**	(6,936)
Total equity		**636,739**	580,277

On behalf of the Board

Liu Dong
Director

Wu Junxian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

		Equity attributable to owners of the Company						
	Notes	**Share capital** *HKD'000*	**Other reserves** *HKD'000* *(Note 32)*	**Translation reserve** *HKD'000*	**Retained earnings** *HKD'000*	**Total** *HKD'000*	**Non-controlling interests** *HKD'000* *(Note 40)*	**Total equity** *HKD'000*
As at 1 January 2022		5,520	460,321	4,516	216,159	686,516	(4,790)	681,726
Loss for the year		–	–	–	(40,468)	(40,468)	(2,605)	(43,073)
Exchange difference arising on translation of financial statements of foreign operations		–	–	(58,835)	–	(58,835)	459	(58,376)
Total comprehensive income		–	–	(58,835)	(40,468)	(99,303)	(2,146)	(101,449)
At 31 December 2022 and 1 January 2023		5,520	460,321	(54,319)	175,691	587,213	(6,936)	580,277
Loss for the year		–	–	–	(36,525)	(36,525)	(4,653)	(41,178)
Exchange difference arising on translation of financial statements of foreign operations		–	–	(15,833)	–	(15,833)	1,350	(14,483)
Total comprehensive income		–	–	(15,833)	(36,525)	(52,358)	(3,303)	(55,661)
Appropriations to statutory reserves		–	22	–	(22)	–	–	–
Addition through business combination	34	–	–	–	–	–	112,123	112,123
At 31 December 2023		5,520	460,343	(70,152)	139,144	534,855	101,884	636,739

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HKD'000	2022 HKD'000
Cash flows from operating activities			
Loss before income tax expense		**(41,570)**	(51,820)
Adjustments for:			
Depreciation of property, plant and equipment	*15*	**23,049**	25,014
Depreciation of right-of–use assets	*15*	**1,399**	1,347
Amortisation of intangible assets	*18*	**1,199**	874
Provision for/(reversal of provision for) impairment on trade receivables, net	*23*	**160**	(3,016)
Provision for impairment on other receivables, net	*23*	**89**	31
Gain on lease modification	*8*	**(141)**	–
Government grants		**(2,442)**	–
Loss on disposal of property, plant and equipment	*8*	**420**	–
Exchange loss, net	*8*	**267**	35
Change in fair value of financial assets at fair value through profit or loss	*8*	**(5,762)**	–
Finance income	*9*	**(10,256)**	(8,840)
Finance expenses	*9*	**8,556**	6,701
Share of results of associates		**(678)**	(2,392)
Operating loss before working capital changes		**(25,710)**	(32,066)
Decrease in inventories		**889**	18,927
Decrease in trade and other receivables		**9,955**	135,943
(Decrease)/increase in trade and other payables and contract liabilities		**(98,542)**	9,930
Increase in deferred income		**1,127**	–
Cash (used in)/generated from operating activities		**(112,281)**	132,734
Income tax paid		**(14)**	(8,259)
Net cash (used in)/generated from operating activities		**(112,295)**	124,475

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HKD'000	2022 HKD'000
Cash flows from investing activities			
Interest received		**10,256**	8,840
Acquisition of subsidiaries, net of cash acquired	34	**(20,919)**	–
Purchases of property, plant and equipment		**(14,072)**	(12,825)
Purchases of intangible assets		**(244)**	(8)
Proceeds from redemption of investment in financial assets at fair value through profit or loss		**116,063**	–
Purchase of financial assets at fair value through profit or loss		**–**	(116,020)
Dividend received from an associate		**8,148**	–
Proceed from disposal of property, plant and equipment		**478**	–
Deposit refunded for purchase of intangible assets		**1,901**	–
Placement of short-term deposits		**(452,233)**	(480,325)
Release of short-term deposits		**456,645**	384,956
Placement of pledged bank deposits		**(37,940)**	(61,965)
Release of pledged bank deposits		**58,911**	57,983
Deposit paid for purchase of machineries		**(1,461)**	(3,197)
Deposit paid for acquisition of property		**–**	(26,105)
Net cash generated from/(used in) investing activities		**125,533**	(248,666)
Cash flows from financing activities	41		
Interest paid		**(7,790)**	(5,965)
Proceeds from borrowings		**247,319**	191,085
Repayments of borrowings		**(239,605)**	(138,064)
Repayment of principal portion of the lease liabilities		**(707)**	(655)
Net cash (used in)/generated from financing activities		**(783)**	46,401
Net increase/(decrease) in cash and bank balances		**12,455**	(77,790)
Cash and bank balances at beginning of the year		**7,662**	90,292
Effect of exchange rate changes on cash and bank balances		**1,778**	(4,840)
Cash and bank balances at end of the year		**21,895**	7,662

1. GENERAL INFORMATION

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

The Company is an investing holding company. The Company and its subsidiaries as mentioned in Note 19 are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cement, the research and development in biotechnology, the production and sales of magnetic materials and other application products and the trading business. The principal place of the Group's business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, People's Republic of China (the "PRC").

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2024.

2 Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Use of estimates and judgements

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

(d) Functional and presentation currencies

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

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

4. MATERIAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Associate

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

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

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

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

(c) Goodwill

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Goodwill (Continued)

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

(d) Property, plant and equipment

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

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

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

Properties and plant	20-40 years
Machinery	5-20 years
Motor vehicles	4-5 years
Furniture, fittings and equipment	3-10 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets

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

Technical know-how	10 years

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

(f) Leases

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

Right-of-use assets

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments

(i) Financial assets

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

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

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

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

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

Equity instruments

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

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

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (see Note 36(c)) to calculate ECLs.

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

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

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

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full; or (2) the financial asset is more than 90 days past due.

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (Continued)

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

Definition of default

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

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments (Continued)

(iii) Financial liabilities

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

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Inventories

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

(i) Revenue recognition

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition (Continued)

(i) Sales of products

Customers obtain control of the products, including cement products, motor machines and parts, rare earth materials and metals, when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. The Group's contracts with customers from the sale of products generally do not provide customers a right of return and volume rebate.

(ii) Solid waste processing service income

Revenue from the solid waste processing services is recognised over time as the customer simultaneously receives and consumes all of the benefits provided by the Group's performance as the Group performs.

(iii) Metal processing service income

Revenue from metal processing services is recognised over time as the Group's performance enhances an asset that the customer controls as the asset is enhanced.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(j) Income taxes and deferred tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for temporary difference arising on (i) goodwill and (ii) initial recognition of assets and liabilities that is not part of the business combination which affect neither accounting nor taxable profits and does not give rise to equal taxable and deductible temporary differences, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Income taxes and deferred tax (Continued)

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

(k) Foreign currency

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits

(i) Pension schemes

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

(ii) Other benefits

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

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

(m) Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets, investment in associates and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. Goodwill is tested for impairment annually, irrespective of whether there is any indication that they may be impaired.

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to profit or loss. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(o) Segment reporting

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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

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

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

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

(b) Useful lives of property, plant and equipment

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

(c) Estimated impairment of trade and other receivables

The Group maintains a provision for impairment of trade and other receivables arising from the inability of its customers and debtors to make the required repayments. The Group makes its estimates mainly based on the ageing of its trade receivable balances, debtors' creditworthiness, historical default experience and other forward looking factors. If the financial condition of its debtors was to deteriorate so that actual impairment loss might be higher than expected, the Group would revise the basis of making the impairment. As at 31 December 2023, provision for impairment on trade receivables and other receivables amounted to HKD330,000 (2022: HKD176,000) and HKD177,000 (2022: HKD91,000) respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

(d) Estimated write-down of inventories

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

(e) Income taxes

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

(f) Impairment of goodwill

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

(g) Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets utilises 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).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

(g) Fair value measurement *(Continued)*

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.

The Group measures the financial assets at FVTPL at fair value (Note 21 and 36(e))

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT INFORMATION

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

Reportable segment:

– Production and sale of cement

– Research and development in biotechnology

– Production and sale of magnetic materials and other application products

– Trading business

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

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

6. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2023

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

6. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022

	Production and sale of cement *HKD'000*	Research and development in biotechnology *HKD'000*	Total *HKD'000*
Time of revenue Recognition			
At a point in time	371,737	–	371,737
Transferred over time	601	–	601
Segment revenue	372,338	–	372,338
Segment results	(36,782)	(7,461)	(44,243)
Unallocated expenses			(7,577)
Income tax credit	8,747	–	8,747
Loss for the year			(43,073)
As at 31 December 2022			
Segment assets	867,291	25,159	892,450
Deposit paid for acquisition of property			25,361
Financial assets at FVTPL			112,715
Unallocated assets			4,117
Total assets			1,034,643
Segment liabilities	385,779	2,795	388,574
Unallocated liabilities			65,792
Total liabilities			454,366

6. SEGMENT INFORMATION *(Continued)*

Other segment information

Year ended 31 December 2023	Production and sale of cement HKD'000	Research and development in biotechnology HKD'000	Production and sale of magnetic materials and other application products HKD'000	Unallocated HKD'000	Total HKD'000
Depreciation of property, plant and equipment	**22,604**	**399**	**775**	**670**	**24,448**
Amortisation of intangible assets	**–**	**827**	**372**	**–**	**1,199**
(Reversal of provision for)/provision for impairment on trade and other receivables, net	**149**	**(9)**	**112**	**(3)**	**249**
Government grants	**(141)**	**(100)**	**(2,201)**	**–**	**(2,442)**
Finance expenses	**4,366**	**43**	**3,178**	**969**	**8,556**
Finance income	**(10,187)**	**(1)**	**(64)**	**(4)**	**(10,256)**
Share of results of associates	**415**	**–**	**–**	**263**	**678**
Additions to property, plant and equipment	**4,235**	**27**	**3,139**	**7,809**	**15,210**
Carrying amount of investment in associates	**31,507**	**–**	**–**	**3,291**	**34,798**

Year ended 31 December 2022	Production and sale of cement HKD'000	Research and development in biotechnology HKD'000	Unallocated HKD'000	Total HKD'000
Depreciation of property, plant and equipment	25,121	754	486	26,361
Amortisation of intangible assets	–	874	–	874
(Reversal of provision for)/provision for impairment on trade and other receivable, net	(2,992)	6	1	(2,985)
Government grants	(2,548)	(166)	–	(2,714)
Finance expenses	5,671	52	978	6,701
Finance income	(8,837)	(2)	(1)	(8,840)
Share of results of associates	2,392	–	–	2,392
Additions to property, plant and equipment	18,443	1,882	–	20,325
Carrying amount of investment in associates	40,231	–	3,108	43,339

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

7. REVENUE

An analysis of revenue is as follows:

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

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

	2023	2022
	HKD'000	*HKD'000*
Receivables		
– Trade and bills receivables, net *(Note 23)*	**30,851**	43,209
Contract liabilities *(Note 27)*	**(17,206)**	(15,175)

The contract liabilities mainly relate to the advance consideration received from customers. HKD15,175,000 (2022: HKD15,876,000) of the contract liabilities as of 1 January 2023 has been recognised as revenue for the year ended 31 December 2023 from performance obligations satisfied in current year.

The Group has applied the practical expedient to its sales contracts for sales of cement products, motor machines and parts and rare earth materials, 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/(LOSS), NET

	2023	2022
	HKD'000	*HKD'000*
Other income		
Government grants *(note(a))*	**2,442**	2,714
Change in fair value of financial assets at FVTPL	**5,762**	–
Bad debt recovered	**5,330**	–
Exchange loss, net	**(267)**	(35)
Others	**993**	131
	14,260	2,810
Other gain/(loss), net		
Loss on disposal of property, plant and equipment	**(420)**	–
Gain on lease modification	**141**	–
	(279)	–
Total	**13,981**	2,810

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.

9. FINANCE INCOME – NET

	2023	2022
	HKD'000	*HKD'000*
Finance expenses:		
– Bank and other loan	**(8,507)**	(6,634)
– Lease liabilities *(Note 16)*	**(49)**	(67)
	(8,556)	(6,701)
Finance income:		
– Bank deposits	**10,256**	8,840
Net finance income	**1,700**	2,139

10. LOSS BEFORE INCOME TAX EXPENSE

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

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

11. DIVIDENDS

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

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

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HKD 36,525,000 (2022: HKD 40,468,000) by the weighted average number of ordinary shares in issue during the year of 552,000,000 (2022: 552,000,000).

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

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

Name	Fees	Salary, allowance and other benefits	Employer's contribution to pension scheme and discretionary bonus	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Year ended 31 December 2023				
Executive directors				
Mr. Liu Dong	–	240	–	240
Mr. Wu Junxian	–	451	–	451
Non-executive director				
Mr. Tseung Hok Ming ("Mr. Tseung")	240	–	–	240
Ms. Xie Yingxia	240	–	–	240
Independent non-executive directors				
Mr. Cao Kuangyu	180	–	–	180
Ms. Yu Xiaoying	180	–	–	180
Mr. Suo Suo	180	–	–	180
	1,020	691	–	1,711

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Name	Fees	Salary, allowance and other benefits	Employer's contribution to pension scheme and discretionary bonus	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Year ended 31 December 2022				
Executive directors				
Mr. Liu Dong	–	240	–	240
Mr. Wu Junxian	–	336	–	336
Non-executive director				
Mr. Tseung Hok Ming ("Mr. Tseung")	240	–	–	240
Ms. Xie Yingxia	240	–	–	240
Mr. Chen Xuanlin *(note(i))*	550	–	24	574
Independent non-executive directors				
Mr. Cao Kuangyu	180	–	–	180
Mr. Yu Xiaoying	180	–	–	180
Mr. Suo Suo	180	–	–	180
	1,570	576	24	2,170

Notes:

(i): Resigned on 2 December 2022

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2023 (2022: Nil).

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included one of the directors of the Company (2022: two).

Emoluments paid and payable to the remaining four (2022: three) individuals for the year ended 31 December 2023 were as follows:

	2023	2022
	HKD'000	*HKD'000*
Salaries and other benefits	**2,873**	1,408
Employer's contribution to pension scheme	**48**	135
	2,921	1,543

Emoluments paid to the above non-director highest paid individuals three of them fell within the band of Nil – HKD1,000,000 and one of them fell within the band of HKD1,000,001 – HKD1,500,000 (2022: three within Nil – HKD1,000,000).

During the year, no emolument was paid by the Group to the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2022: Nil).

14. INCOME TAX CREDIT

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

Pursuant to the relevant laws and regulations in the PRC, the PRC enterprise income tax rate of the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2023 and 2022. For the PRC subsidiaries approved as High and New Technology Enterprise or Advance Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

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

14. INCOME TAX CREDIT *(Continued)*

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

	2023	2022
	HKD'000	*HKD'000*
Current tax		
– Current year	**19**	–
– Under provision in respect of prior years	**–**	1,035
	19	1,035
Deferred tax *(Note 30)*	**(411)**	(9,782)
Income tax credit	**(392)**	(8,747)

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Properties and plant *HKD'000*	Machinery *HKD'000*	Motor vehicles *HKD'000*	Furniture, fittings and equipment *HKD'000*	Right-of-use assets *HKD'000* *(note(a))*	Construction in progress *HKD'000*	Total *HKD'000*
Year ended 31 December 2023							
Opening net book amount	75,429	97,128	1,405	3,161	17,014	–	194,137
Addition through business acquisition	24,066	5,187	796	192	4,649	6,783	41,673
Additions	1,771	4,261	73	49	–	9,056	15,210
Depreciation	(9,044)	(12,389)	(500)	(1,116)	(1,399)	–	(24,448)
Disposals	–	(888)	(10)	–	–	–	(898)
Lease modification	–	–	–	–	(599)	–	(599)
Exchange differences	(1,640)	(2,378)	(26)	(75)	(364)	33	(4,450)
Closing net book amount	90,582	90,921	1,738	2,211	19,301	15,872	220,625
At 31 December 2023							
Cost	245,043	329,211	4,826	17,475	28,375	15,872	640,802
Accumulated depreciation	(154,461)	(238,290)	(3,088)	(15,264)	(9,074)	–	(420,177)
Net book amount	90,582	90,921	1,738	2,211	19,301	15,872	220,625
Year ended 31 December 2022							
Opening net book amount	93,318	99,203	2,054	4,471	18,348	–	217,394
Additions	444	18,201	–	262	1,418	–	20,325
Depreciation	(11,141)	(12,134)	(498)	(1,241)	(1,347)	–	(26,361)
Exchange differences	(7,192)	(8,142)	(151)	(331)	(1,405)	–	(17,221)
Closing net book amount	75,429	97,128	1,405	3,161	17,014	–	194,137
At 31 December 2022							
Cost	225,817	329,267	4,263	17,692	25,635	–	602,674
Accumulated depreciation	(150,388)	(232,139)	(2,858)	(14,531)	(8,621)	–	(408,537)
Net book amount	75,429	97,128	1,405	3,161	17,014	–	194,137

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note (a)

Right-of-use assets	Land use rights	Leasehold land and buildings	Total
	HKD'000	*HKD'000*	*HKD'000*
At 1 January 2022	17,256	1,092	18,348
Addition	–	1,418	1,418
Depreciation	(469)	(878)	(1,347)
Exchange differences	(1,373)	(32)	(1,405)
At 31 December 2022 and 1 January 2023	15,414	1,600	17,014
Addition through business acquisition	4,649	–	4,649
Lease modification	–	(599)	(599)
Depreciation	(501)	(898)	(1,399)
Exchange differences	(342)	(22)	(364)
At 31 December 2023	19,220	81	19,301

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

Note (b):

As at 31 December 2023, 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 HKD137,916,000 (2022: nil) (Note 28).

16. LEASE LIABILITIES

Leasehold land and buildings	**2023** ***HKD'000***	2022 *HKD'000*
At 1 January	**1,826**	1,102
Addition	**–**	1,418
Lease modification	**(1,026)**	–
Interest expenses	**49**	67
Lease payments	**(738)**	(722)
Exchange differences	**(28)**	(39)
At 31 December	**83**	1,826

Future lease payments are due as follows:

	Minimum lease payments 31 December 2023 *HKD'000*	**Interest 31 December 2023** *HKD'000*	**Present value 31 December 2023** *HKD'000*
Not later than one year	83	–	83

	Minimum lease payments 31 December 2022 *HKD'000*	**Interest 31 December 2022** *HKD'000*	**Present value 31 December 2022** *HKD'000*
Not later than one year	1,085	53	1,032
After one year but within two years	668	20	648
After two years but within five years	146	–	146
	1,899	73	1,826

17. GOODWILL

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

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

	2023	2022
	HKD'000	*HKD'000*
Everhealth CGU *(note (a))*	**12,732**	13,064
Chengzheng CGU *(note (b))*	**48,857**	–
	61,589	13,064

17. GOODWILL *(Continued)*

Note (a):

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

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

The recoverable amount of the CGU, in which the goodwill, property, plant and equipment, and the intangible assets in Note 18 have been included that generate cash flows together in the respective CGU for the purpose of impairment assessment as at 31 December 2023, has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.22% (2022: 2.0%), which does not exceed the long-term growth rate for the biotechnology industry in the PRC. Discount rate used of 21.86% (2022: 21.76%) is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience.

Note (b):

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

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

The recoverable amount of the CGU, in which the goodwill, property, plant and equipment, certain non-refundable deposits, and the intangible assets in Note 18 have been included that generate cash flows together in the respective CGU for the purpose of impairment assessment as at 31 December 2023 has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.22%, which does not exceed the long-term growth rate for the rare earth industry in the PRC. Discount rate used of 19.87% is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience.

18. INTANGIBLE ASSETS

	Technical know-how *HKD'000* *note (a)*
Cost	
As at 1 January 2022	9,183
Additions	8
Exchange differences	(738)
As at 31 December 2022 and 1 January 2023	8,453
Addition through business acquisition	16,235
Additions	244
Exchange differences	(49)
	24,883
As at 31 December 2023	
Amortisation and impairment	
As at 1 January 2022	(910)
Charge for the year	(874)
Exchange differences	98
As at 31 December 2022 and 1 January 2023	(1,686)
Charge for the year	(1,199)
Exchange differences	48
As at 31 December 2023	(2,837)
Net book value	
As at 31 December 2023	22,046
As at 31 December 2022	6,767

Note:

(a) Technical know-how was recognised as part of business combination in prior years and current year and represents the intellectual property rights and self-developed technical know-how which have finite useful life and are amortised on a straight-line basis over its estimated useful life of 10 years respectively.

19. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 December 2023 and 2022 are as follows:

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered capital	Equity interest held	
				Direct	Indirect
Dongwu International Investment Limited ("Dongwu Investment")	British Virgin Islands, 29 November 2011	Investment holding in Hong Kong, a limited liability company	USD50,000	100% (2022:100%)	–
Orient Chengzheng Rare Earth Co., Limited ("Orient Chengzheng")	Hong Kong, 25 November 2023	Investment holding in Hong Kong, a limited liability company	HKD10,000	100% (2022: 100%)	–
Dongwu Cement (Hong Kong) Limited ("Dongwu HK")	Hong Kong, 16 December 2011	Investment holding in Hong Kong, a limited liability company	HKD1	–	100% (2022: 100%)
蘇州東吳水泥有限公司 (Suzhou Dongwu Cement Co., Ltd.*, "Dongwu Cement")	PRC, 5 June 2003	Production and sales of cement in the PRC, a limited liability company	USD29,000,000	–	100% (2022: 100%)
Dongwu Science & Technology Investment Company Limited ("Dongwu Technology")	Hong Kong, 2 October 2013	Science and technology investment in Hong Kong, a limited liability company	HKD1	–	100% (2022: 100%)
熙華(上海)投資管理有限公司 (Xihua Shanghai Investment Management Co., Ltd.*, "Xihua Investment")	PRC, 19 November 2014	Investment management and consultation in the PRC, a limited liability company	USD10,000,000	–	100% (2022: 100%)
東方恒康生命科學有限公司 (Orient Everhealth Biomedical Company Limited*, "Orient Everhealth")	PRC, 21 June 2018	Investment holding in the PRC, a limited liability company	RMB27,500,000	–	100% (2022: 100%)
蘇州恆康生命科學有限公司 (Suzhou Everhealth Biomedical Company Limited, "Suzhou Everhealth")	PRC, 25 December 2018	Research and development in biotechnology in the PRC, a limited liability company	RMB21,083,360	–	65% (2022: 65%)
Orient Chengzheng Rare Earth International Co., Limited ("Chengzheng International")	Hong Kong, 25 November 2023	Investment holding in Hong Kong, a limited liability company	HKD10,000	–	62.75% (2022: N/A)
Orient Chengzheng Overseas Resources (Laos) Sole Co., Ltd	Lao People's Democratic Republic ("Laos")	Dormant company in Laos, a limited company	KIP20,000,000,000	–	62.75% (2022: N/A)

19. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation	Place of operation, principal activities and type of entity	Particulars of issued and paid-in capital/ registered capital	Equity interest held Direct	Indirect
東方誠正稀土科技 (贛州) 有限公司 (Orient Chengzheng Rare Earth Technology (Ganzhou) Company Limited*)	PRC, 17 April 2023	Investment holding in the PRC, a limited liability company	RMB67,000,500	–	100% (2022: N/A)
東吳誠正科技 (蘇州) 有限公司 (Dongwu Chengzheng Technology (Suzhou) Company Limited *)	PRC, 24 May 2023	Investment holding in the PRC, a limited liability company	USD1,000,000	–	100% (2022: N/A)
贛州誠正稀土新材料股份有限公司 (Ganzhou Chengzheng Rare Earth New Material Co., Limited*, (Ganzhou Chengzheng"))	PRC, 9 May 2008	Production and sales of magnetic materials and other application products in the PRC, a limited liability company	RMB112,000,000	–	62.5% (2022: N/A)
贛州誠正電機有限公司 (Ganzhou Chengzheng Motor Co., Limited*)	PRC, 18 April 2017	Production and sales of magnetic materials and other application products in the PRC, a limited liability company	RMB37,000,000	–	46.87% (2022: N/A)
贛州能贊稀土材料有限公司 (Ganzhou Nengzan Rare Earth Material Co., Limited*)	PRC, 7 August 2015	Production and sales of magnetic materials and other application products in the PRC, a limited liability company	RMB4,408,500	–	62.5% (2022: N/A)
江西東涵科技協同創新股份有限公司 (Jiangxi Donghan Technology Innovation Co., Limited*)	PRC, 20 September 2019	Research and development in magnetic materials and other application products in the PRC, a limited liability company	RMB100,000	–	62.5% (2022: N/A)
江西為本新能源科技有限公司 (Jiangxi Weiben New Energy Technology Co., Limited*)	PRC, 30 March 2013	Dormant company in the PRC, a limited liability company	RMB2,000,000	–	62.5% (2022: N/A)
贛州瑞之興金屬表面處理有限公司 (Ganzhou Ruizhixing Metal Plating Co., Limited*)	PRC, 6 April 2023	Production and sales of magnetic materials and other application products in the PRC, a limited liability company	RMB5,000,000	–	62.5% (2022: N/A)
贛州市瑞興電鍍加工廠 (Ganzhou Ruixing Metal Plating Company*)	PRC, 15 December 2011	Dormant company in the PRC, a unlimited liability company	RMB500,000	–	62.5% (2022: N/A)

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

20. INVESTMENTS IN ASSOCIATES

	2023	2022
	HKD'000	*HKD'000*
Unlisted equity investment:		
Cost of investment	**30,964**	30,964
Share of results of associates, net of dividends received	**3,834**	12,375
Unlisted equity investment:	**34,798**	43,339

The Group has a 43.2% (31 December 2022: 43.2%) interest in an associate, Suzhou Dongtong Environment and Technology Company Limited* (蘇州東通環保科技有限公司，"Dongtong Environment and Technology"), which was incorporated in the PRC. The principal activity of Dongtong Environment and Technology is research and development on environmental technology and provision of related services in the PRC. The cost of the investment was HKD27,637,000 (equivalent to RMB24,000,000).

The Group has a 30% (31 December 2022: 30%) interest in another associate, Zhuhai Huiyinhuiheng Investment Fund Management Company Limited* (珠海匯垠匯恒股權投資資金管理有限公司), which was incorporated in the PRC. The principal activity of the Company is financial investment management in the PRC. The cost of the investment was HKD3,327,000 (equivalent to RMB2,757,000).

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

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

Summarised financial information of material associates

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

	2023	2022
Dongtong Environment and Technology	***HKD'000***	*HKD'000*
Non-current assets	**7,009**	8,686
Current assets	**78,437**	97,499
Current liabilities	**(12,521)**	(13,067)

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

	2023	2022
	HKD'000	*HKD'000*
Revenue	**6,521**	14,680
Profit for the year	**962**	5,535
Other comprehensive income for the year	**(2,294)**	(7,820)
Total comprehensive income for the year	**(1,332)**	(2,285)
Dividends received from the associate during the year	**8,148**	–

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

	2023	2022
	HKD'000	*HKD'000*
Net assets of Dongtong Environment and Technology	**72,925**	93,118
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	**31,507**	40,231

Aggregate information of an associate that is not material

	2023	2022
	HKD'000	*HKD'000*
Aggregate carrying amount	**3,291**	3,108
Aggregate amounts of the Group's share of the associate's:		
– Profit for the year	**263**	–
– Other comprehensive income for the year	**(80)**	(271)
– Total comprehensive income for the year	**183**	(271)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	HKD'000	*HKD'000*
Unlisted fund investment	–	112,715

On 26 December 2022, the Group entered into a trust agreement with National Trust, which is an unlisted fund in the PRC. National Trust is responsible for managing and utilizing the Trust Assets to generate investment returns for the Group. Such financial asset was redeemed during the year.

22. INVENTORIES

	2023	2022
	HKD'000	*HKD'000*
Raw materials	**179,623**	16,038
Work-in-progress	**15,149**	19,293
Finished goods	**16,808**	8,697
	211,580	44,028

23. TRADE AND OTHER RECEIVABLES

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

(i) Trade and bills receivables

Credit terms given to its customers generally range from 30 to 90 days (2022: 30 to 90 days). For major customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1,000,000 and RMB50,000,000 with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

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

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(i) ***Trade and bills receivables*** *(Continued)*

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:

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

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

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

Notes:

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

(b) These are past due but not impaired and related to a number of independent customers that have a good track record with the Group. Based on past experience adjusted to current and forward-looking factors to the debtors and economic environment, the directors are of the opinion that these balances are not considered in default as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(ii) Prepayments and deposits

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

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

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

	2023	2022
	HKD'000	*HKD'000*
Other receivables:		
Beginning of year	**91**	67
Provision for the year	**89**	31
Exchange differences	**(3)**	(7)
End of year	**177**	91

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 stated in Note 4(g).

24. SHORT-TERM BANK DEPOSITS

The balances as at 31 December 2023 and 2022 are all short-term bank deposits with original maturities exceeding three months. These deposits are all denominated in RMB, with an interest rate from 1.95% to 2.50% (2022: 1.21% to 2.50%) per annum.

25. CASH AND BANK BALANCES/PLEDGED BANK DEPOSITS

HKD20,373,000 of the Group's cash and bank balances was denominated in RMB as at 31 December 2023 (2022: HKD7,444,000). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 1.25% (2022: 0.01% to 0.30%) per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, bank deposits of HKD37,785,000 (2022: HKD60,200,000) are pledged as security for bill payables (Note 26) which carries at fixed interest rate ranged from 1.30% to 1.43% (2022: 1.30% to 1.43%) per annum.

26. TRADE AND OTHER PAYABLES

	2023	2022
	HKD'000	*HKD'000*
Trade payables	**43,611**	73,300
Bill payables	**70,715**	85,420
Salary and bonus payables	**5,215**	4,834
VAT payables *(note (a))*	**577**	1,577
Amounts due to related parties *(Note 39)*	**8,222**	44,136
Other payables	**27,900**	14,352
Consideration payables	**21,970**	–
	178,210	223,619

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

As at 31 December 2023, bank deposit of HKD37,785,000 (2022: HKD60,200,000) (Note 25) are pledged as security for bill payables.

26. TRADE AND OTHER PAYABLES *(Continued)*

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

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

Notes:

(a) Domestic sales of self-manufactured products made by the PRC subsidiary are subject to VAT at 13% (2022: 13%). Input VAT on purchases of raw materials, fuel, utilities, other production materials and certain purchased equipment can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

27. CONTRACT LIABILITIES

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

27. CONTRACT LIABILITIES *(Continued)*

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

Sales of cement products

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

Sales of magnetic materials and other application products

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

Movements in advance from customers

	2023	2022
	HKD'000	*HKD'000*
Balance as at 1 January	**15,175**	15,876
– Revenue recognised for the balances included in the contract liabilities at the beginning of the year	**(14,850)**	(15,029)
– Addition through business acquisition	**1,361**	–
– Increase for the cash received for the balances where revenue is not yet recognised during the year	**15,896**	15,620
– Exchange differences	**(376)**	(1,292)
Balance as at 31 December	**17,206**	15,175

28. BORROWINGS

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

Notes:

(a) As at 31 December 2023, bank borrowings of approximately HKD114,025,000 (2022: HKD100,317,000) with fixed interest rates ranged from 4.20% to 4.95% (2022: 4.40% to 5.30%) per annum was secured by corporate guarantees from the Company.

(b) As at 31 December 2023, bank borrowings of approximately HKD137,916,000 (2022: nil) with fixed interest rates ranged from 4.20% to 8.10% (2022: nil) per annum was secured by equity interest of subsidiaries, land use rights of amount HKD2,392,000 and property, plant and equipment of amount HKD8,263,000 of the Group.

(c) As at 31 December 2023, the Group's other loans included a loan of HKD10,700,000 (2022: HKD10,700,000) with a fixed interest rate of 9% per annum from a third party.

(d) As at 31 December 2022, the Group's other loans included a loan of HKD890,000 with a fixed interest rate of 13% per annum from another third party, which was fully repaid during the year.

(e) As at 31 December 2022, the Group's other loans included an interest-free loan of HKD3,600,000 from a company under control of Mr. Tseung, which was fully repaid during the year.

(f) As at 31 December 2022, the Group's other loans included an interest-free loan of HKD62,782,000 from Dongtong Environment and Technology, an associate of the Group, which was fully repaid during the year.

(g) As at 31 December 2022, the Group's other loans included an unsecured interest-free loan of HKD150,000 provided by Mr. Tseung (Note 39), which was fully repaid during the year.

29. DEFERRED INCOME

	Government grants *HKD'000*
At 1 January 2023	–
Addition through business acquisition	24,337
Additions	502
Released to profit or loss	(1,817)
Exchange differences	256
At 31 December 2023	23,278

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

30. DEFERRED TAXATION

	2023 ***HKD'000***	2022 *HKD'000*
Deferred tax assets	**5,313**	5,790
Deferred tax liabilities	**(35,540)**	(35,307)
	(30,227)	(29,517)

30. DEFERRED TAXATION *(Continued)*

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

	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*
At 1 January 2022	(42,428)	–	–	(42,428)
Charged to profit or loss	3,822	5,960	–	9,782
Exchange differences	3,299	(170)	–	3,129
At 31 December 2022 and 1 January 2023	(35,307)	5,790	–	(29,517)
Addition through business acquisition	–	–	(1,851)	(1,851)
Charged to profit or loss	662	(331)	80	411
Exchange differences	894	(146)	(18)	730
At 31 December 2023	(33,751)	5,313	(1,789)	(30,227)

(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 31 December 2023, the Group had unused tax losses of approximately HKD46,810,000 (2022: HKD30,621,000), available to offset against future profits. The unused tax losses will expire in 5 years. As at 31 December 2023, unused tax losses of approximately HKD21,252,000 (2022: HKD23,160,000) had been recognised in deferred tax assets, while approximately HKD25,558,000 (2022: HKD7,461,000) had not been recognised as at 31 December 2023, due to the unpredictability of future profit streams.

31. SHARE CAPITAL

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

32. OTHER RESERVES

The Group	Share premium	***Statutory reserves*** *(note (a))*	Merger reserve *(note (b))*	Other reserve *(note (d))*	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	132,886	71,099	236,058	20,300	460,343

The Company	Share premium	Capital reserve *(note ©)*	Total
	HKD'000	*HKD'000*	*HKD'000*
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	132,886	249,558	382,444

32. OTHER RESERVES *(Continued)*

(a) Statutory reserves

The Company's subsidiaries in the PRC are required to appropriate 10% of their profit after income tax calculated in accordance with the PRC accounting standards to the statutory reserve until the balance reaches 50% of its registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any and may be converted into paid-in capital of the PRC subsidiaries in proportion to their existing shareholding after approval from the appropriate authorities, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of paid-in capital for the PRC subsidiaries. For the year ended 31 December 2023, one of the Company's subsidiaries in the PRC has appropriated HKD22,000, others have reported loss and no appropriation to the statutory reserve (2022: all of the Company's subsidiaries in the PRC have reported loss and no appropriation to the statutory reserve).

(b) Merger reserve

The Company was incorporated on 29 November 2011 and the Group's reorganisation was completed prior to 31 December 2011. This reserve as at 31 December 2022 and 2023 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

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

(d) Other reserve

In 2017, the Dongwu HK had planned to acquire the entire equity interest in a company, which owned five land parcels located in Saipan with a total site area of approximately 188,993 square metres, wholly owned by Mr. Tseung, a shareholder of the Company. The company was sold to an independent third party during the year ended 31 December 2021. Pursuant to the arrangement between the independent third party and Mr. Tseung, Mr. Tseung compensated the Group for the cost incurred for the incomplete acquisition amounted HKD20,300,000. As a result, the difference arising from the disposal amounting to HK$20,300,000 was deemed as contribution from the shareholder and credited to other reserve.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HKD'000	2022 HKD'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**249,955**	249,955
		249,955	249,955
Current assets			
Prepayment		**150**	–
Amounts due from subsidiaries		**83,425**	37,240
Cash and bank balances		**640**	27
Total current assets		**84,215**	37,267
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**83,416**	22,230
Other payables		**11,227**	9,504
Borrowings		**10,700**	15,340
Total current liabilities		**105,343**	47,074
Net current liabilities		**(21,128)**	(9,807)
Total assets less current liabilities		**228,827**	240,148
EQUITY			
Share capital	31	**5,520**	5,520
Other reserves	32	**382,444**	382,444
Accumulated losses		**(159,137)**	(147,816)
Total equity		**228,827**	240,148

On behalf of the Board

Liu Dong
Director

Wu Junxian
Director

34. BUSINESS COMBINATION

As at 31 July 2023, the Group acquired 62.5% of the equity interest of Ganzhou Chengzheng Rare Earth New Material Co., Ltd ("Ganzhou Chengzheng") and its subsidiaries (the "Chengzheng Group"). The principal activities of the Chengzheng Group are production and sales of magnetic materials and other application products. The cash consideration is RMB200,000,000 (equivalent to approximately HKD217,460,000) of which a consideration of RMB40,000,000 (equivalent to HKD43,492,000) to acquire 25% equity interest from an independent third party and a capital of RMB160,000,000 (equivalent to HKD173,968,000) to be inject into Chengzheng Group. The acquisition related costs of HKD604,000 have been expensed and are included in administrative expenses.

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

	HKD'000
Property, plant and equipment	37,024
Right-of-use assets	4,649
Intangible assets	16,235
Trade and other receivables	195,213
Cash and cash equivalents	827
Inventory	170,252
Trade and other payables	(35,565)
Contract liabilities	(1,361)
Borrowings	(79,862)
Deferred income	(24,337)
Deferred tax liabilities	(1,851)
Non-controlling interests	(112,123)
Net assets acquired	169,101
Total cash consideration	217,460
Less: Fair value of net assets acquired	(169,101)
Goodwill	48,359

34. BUSINESS COMBINATION *(Continued)*

An analysis of net cash outflow of bank balances and cash in respect of business combination is as follows:

	HKD'000
Total cash consideration	217,460
Less: Consideration paid through capital injection to Chengzheng Group	(173,968)
Less: Consideration remain unpaid	(21,746)
Less: Cash and cash equivalents acquired	(827)
Net cash outflow arising on acquisition of subsidiaries	20,919

The fair value of trade and other receivables at the date of acquisition amounted to HKD195,213,000, which is approximately the contractual amounts of those trade and other receivables acquired. The non-controlling interests recognised at acquisition was measured at 37.5% of the net asset of Chengzheng Group.

Goodwill arose in the acquisition provides the Group with an opportunity to expand into magnetic materials and other application products sector, which can be seen as a way to diversify the Group's business in a realm with potential growth opportunity and enhance shareholder value.

Since the acquisition date, the Chengzheng Group has contributed revenue of HKD10,823,000 and loss of HKD8,693,000 to the Group for the year ended 31 December 2023. If the acquisition had occurred on 1 January 2023, Group's revenue and loss for the year ended 31 December 2023 would have been HKD318,222,000 and HKD49,113,000, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future performance.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2023	2022
	HKD'000	*HKD'000*
Financial assets:		
Financial assets at amortised cost		
– Trade and other receivables excluding non-financial assets	**39,306**	72,579
– Short-term bank deposits	**450,385**	466,640
– Pledged bank deposits	**37,785**	60,200
– Cash and bank balances	**21,895**	7,662
Financial assets at fair value through profit or loss		
– Unlisted fund investment	**–**	112,715
Total	**549,371**	719,796
Financial liabilities:		
Financial liabilities at amortised cost		
– Borrowings	**262,641**	178,439
– Trade and other payables excluding non-financial liabilities	**177,633**	222,042
Lease liabilities	**83**	1,826
Total	**440,357**	402,307

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

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

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

(a) Foreign currency risk

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

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(a) Foreign currency risk (Continued)

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

	2023		2022	
	Original currency in HKD	**Original currency in USD**	Original currency in HKD	Original currency in USD
	HKD'000	***HKD'000***	*HKD'000*	*HKD'000*
Trade and other receivables	**–**	**39**	200	–
Cash and bank balances	**887**	**344**	205	13
Trade and other payables	**(11,227)**	**–**	(49,604)	–
Borrowings	**(10,700)**	**–**	(15,340)	–
Overall net exposure	**(21,040)**	**383**	(64,539)	13

Sensitivity analysis

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

	Effect on loss for the year	
	2023	2022
	HKD'000	*HKD'000*
HKD to RMB		
Appreciated by 3%	**(631)**	(1,936)
Depreciated by 3%	**631**	1,936

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

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(b) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group have significant interest-bearing assets. Fluctuation of deposit interest rates to financial assets does not have a significant impact to the Group's performance.

The Group's fair value interest rate risk arises primarily from borrowings and lease liabilities as disclosed in Note 28 and 16, respectively. Borrowings were issued at fixed rates which expose the Group to fair value interest rate risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

	2023		2022	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	(% per annum)	***HKD'000***	*(% per annum)*	*HKD'000*
Financial assets				
Fixed rate receivables				
–- Short-term bank deposits	**1.95% – 2.50%**	**450,385**	1.21% – 2.50%	466,640
– Pledged bank deposits	**1.30% – 1.43%**	**37,785**	1.30% – 1.43%	60,200
Financial liabilities				
Fixed rate borrowing				
– Bill payables	**0.55%**	**70,715**	0.55%	85,420
– Borrowings	**4.20% – 13.00%**	**262,641**	0% – 13.00%	178,439
Lease liabilities	**4.94%**	**83**	4.94%	1,826

(c) Credit risk

The carrying amounts of the bank deposits and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2022 and 2023, the Group's bank deposits were placed in the commercial banks with high credit ratings.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(c) ***Credit risk*** *(Continued)*

The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivable is low. Based on past experience, the customer payment default rate is low. The Group has a significant concentration of credit risk in trade and bills receivables as 36.99% (2022: 25.44%) of the total trade and bills receivables was due from the Group's largest trade debtor and the amounts due from the Group's top five customers is as follows:

	As at 31 December	
	2023	2022
	HKD'000	*HKD'000*
Balance of trade receivables (net of provision) from top five customers	**21,523**	35,434
Balance of trade and bills receivables (net of provision) *(Note 23)*	**30,851**	43,209
Percentage	**69.76%**	82.01%

It is the Group's policy to receive settlement from customers in the form of cash, cheques or endorsed bank accepted bills. Credit sales are made generally to selected customers with long-term business trading history. The issuing banks of these bank acceptance bills are either state-owned banks with investment grade ratings or local banks with good reputation. The Group considered the default risk from these bank acceptance bills is low. Therefore, the directors consider the Group's bank acceptance bills and trade receivables have no significant exposure to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated based on individual assessment and collective assessment using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(c) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

As at 31 December 2023	**Expected loss rate** ***(%)***	**Gross carrying amount** ***(HKD'000)***	**Loss allowance** ***(HKD'000)***
Current (not past due)	**0.00**	**22,302**	**–**
1-90 days past due	**1.36**	**3,561**	**49**
91-180 days past due	**5.29**	**5,318**	**281**
181 days -1 year past due	**24.59**	**–**	**–**
		31,181	**330**

As at 31 December 2022	Expected loss rate *(%)*	Gross carrying amount *(HKD'000)*	Loss allowance *(HKD'000)*
Current (not past due)	0.01	40,160	3
1-90 days past due	1.34	2,688	36
91-180 days past due	5.57	–	–
181 days -1 year past due	25.39	537	137
		43,385	176

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience adjusted to current and forward-looking factors to the debtors and economic environment, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate (% per annum)	On demand or within 1 year	1 to 2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2023							
Trade and other payables		177,633	–	–	–	177,633	177,633
Borrowings	4.20% – 13.00%	151,080	25,066	64,886	47,150	288,182	262,641
Lease liabilities	4.94%	83	–	–	–	83	83
		328,796	25,066	64,886	47,150	465,898	440,357

	Effective interest rate (% per annum)	On demand or within 1 year	1 to 2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2022							
Trade and other payables		222,042	–	–	–	222,042	222,042
Borrowings	0% – 13.00%	181,970	–	–	–	181,970	178,439
Lease liabilities	4.94%	1,085	668	146	–	1,899	1,826
		405,097	668	146	–	405,911	402,307

The above liquidity table includes both interest and principal cash flows.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(e) Fair value

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

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

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

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and 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 FVTPL included in the consolidated 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.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(Continued)*

(e) ***Fair value*** *(Continued)*

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

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.

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 year ended 31 December 2023.

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

Financial assets at FVTPL	**2023** ***HKD'000***	2022 *HKD'000*
At 1 January	**112,715**	–
Purchase	**–**	116,020
Total gains or losses:		
– changes in fair value of financial assets	**5,762**	–
Redemption	**(116,063)**	–
Exchange differences	**(2,414)**	(3,305)
At 31 December	**–**	112,715

37. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the year.

Management regards total equity attributable to owners of the Company as capital. The amount of capital as at 31 December 2023 amounted to approximately HKD534,855,000 (2022: HKD587,213,000) which management considers as optimal having considered the projected capital expenditures and the strategic opportunities.

38. CAPITAL COMMITMENTS

	2023	2022
	HKD'000	*HKD'000*
Commitments for the acquisition of property, plant and equipment	**1,562**	1,154

39. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	2023	2022
	HKD'000	*HKD'000*
Basic salaries and benefits in kind	**4,646**	3,296

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

As disclosed in Note 28, on 1 November 2018, Mr. Tseung (as the lender) entered into an interest-free loan facility agreement with the Group (as borrower) to grant a loan facility up to HKD 1,500,000 to a subsidiary of the Company and subject to the lender's overriding right of repayment on demand. The borrowing of approximately HKD150,000 due to Mr. Tseung as at 31 December 2022 was fully repaid during the year.

39. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management compensation (Continued)

As disclosed in Note 28, the borrowing of approximately HKD62,782,000 due to Dongtong Environment and Technology, an associate of the Group, as at 31 December 2022 was fully repaid during the year.

As disclosed in Note 26, other payables included amounts due to companies under the control of Mr. Tseung, of HKD8,222,000 (2022: HKD44,136,000). The balances are unsecured, interest-free and repayable on demand.

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

(b) Material related party transactions

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

	Note	**2023** *HKD'000*	2022 *HKD'000*
Revenue received from			
– an associate	(i)	**221**	601
Dividend received from			
– an associate		**8,148**	–

Note:

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

40. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group as at 31 December 2023 and 2022 that have material non-controlling interests.

Names of subsidiaries	Place of incorporation/ operation	Ownership interests and rights held by non-controlling interests		Non-controlling interests arising from acquisition of subsidiaries		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Ganzhou Chengzheng and its subsidiaries	The PRC/ The PRC	**37.5%**	–	**112,123**	–	**(1,774)**	–	**110,349**	–
Individually immaterial subsidiaries with non-controlling interests		**35-37.5%**	35%	**–**	–	**(1,529)**	(2,146)	**(8,465)**	(6,936)
				112,123	–	**(3,303)**	(2,146)	**101,884**	(6,936)

40. NON-CONTROLLING INTERESTS *(Continued)*

Summarised consolidated financial information in respect of Ganzhou Chengzheng and its subsidiaries, which have material non-controlling interests are set out below. The summarised consolidated financial information below represented amounts before intragroup eliminations.

	2023 ***HKD'000***
For the year ended 31 December	
Revenue	**10,823**
Loss for the year	**(7,335)**
Total comprehensive income	**(4,609)**
Loss allocated to non-controlling interests	**(1,774)**
Dividend paid to non-controlling interests	**–**
Cash used in operating activities	**(21,422)**
Cash used in investing activities	**(3,323)**
Cash generated from financing activities	**24,496**
Effect of foreign exchange rate changes	**10**
Net cash outflows	**(239)**
Current assets	**316,681**
Non-current assets	**61,837**
Current liabilities	**(65,650)**
Non-current liabilities	**(34,263)**
Net assets	**278,605**
Accumulated non-controlling interests	**110,349**

41. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Borrowings *(Note 28)* *HKD'000*	Interest payables *HKD'000*	Lease liabilities *(Note 16)* *HKD'000*
At 1 January 2022	136,675	4,669	1,102
Changes from cash flows:			
Proceeds from new loans	191,085	–	–
Repayment of loans	(138,064)	–	–
Interest paid	–	(5,898)	(67)
Repayment of principal portion of the lease liabilities	–	–	(655)
Total changes from financing cash flows:	53,021	(5,898)	(722)
Addition of lease liabilities	–	–	1,418
Financial expenses	–	6,634	67
Foreign exchange adjustments	(11,257)	(25)	(39)
Total changes	41,764	711	724
At 31 December 2022 and 1 January 2023	178,439	5,380	1,826
Changes from cash flows:			
Proceeds from new loans	247,319	–	–
Repayment of loans	(239,605)	–	–
Interest paid	–	(7,759)	(31)
Repayment of principal portion of the lease liabilities	–	–	(707)
Total changes from financing cash flows:	7,714	(7,759)	(738)
Lease modification	–	–	(1,026)
Addition through business acquisition	79,862	605	–
Financial expenses	–	8,507	49
Foreign exchange adjustments	(3,374)	(537)	(28)
Total changes	84,202	816	(1,743)
At 31 December 2023	262,641	6,196	83

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 28 March 2024.