
APPENDIX I**ACCOUNTANT’S REPORT**

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[to insert the firm’s letterhead]

[DRAFT]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED AND FIRST SHANGHAI CAPITAL LIMITED

Introduction

We report on the historical financial information of HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-63, which comprises the combined balance sheets as at 31 December 2018, 2019 and 2020, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

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of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the combined financial position of the Group as at 31 December 2018, 2019 and 2020 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 36 to the Historical Financial Information which states that no dividends have been declared by HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED in respect of the Track Record Period.

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No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report. The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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A. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	102,281	133,664	205,392
Cost of sales	8	<u>(44,562)</u>	<u>(51,479)</u>	<u>(81,498)</u>
Gross profit		57,719	82,185	123,894
Other income	6	—	6,463	5,187
Other gains — net	7	77	(240)	412
Reversal/(provision) of impairment on financial assets		22	93	(113)
Selling expenses	8	(5,972)	(2,518)	(2,886)
Administrative expenses	8	<u>(8,700)</u>	<u>(17,347)</u>	<u>(23,962)</u>
Operating profit		43,146	68,636	102,532
Finance income	10	113	175	40
Finance costs	10	<u>(3,023)</u>	<u>(5,398)</u>	<u>(6,083)</u>
Finance costs — net	10	<u>(2,910)</u>	<u>(5,223)</u>	<u>(6,043)</u>
Profit before income tax		40,236	63,413	96,489
Income tax expense	11	<u>(9,540)</u>	<u>(14,936)</u>	<u>(23,624)</u>
Profit and total comprehensive income for the year, all attributable to owners of the Company		<u>30,696</u>	<u>48,477</u>	<u>72,865</u>
Earnings per share for the year attributable to owners of the Company				
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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B. COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2018	2019	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Right-of-use assets	13	29,489	28,701	28,299
Property, plant and equipment	14	31,946	129,396	130,434
Investment properties	15	103,142	138,363	133,977
Intangible assets	16	—	28	21
Prepayment for non-current assets	17	2,206	4,957	2,996
Deferred income tax assets	29	484	799	743
		<u>167,267</u>	<u>302,244</u>	<u>296,470</u>
Current assets				
Inventories	18	4,537	17,276	23,996
Trade receivables	20	18,902	348	22,833
Other receivables and prepayments	21	6,429	17,826	9,997
Amounts due from related parties	33	86,295	139,075	33,887
Financial assets measured at fair value through other comprehensive income	22	10,243	2,890	1,960
Restricted bank balance	23	6,000	—	—
Cash and cash equivalents	23	12,077	2,056	45,363
		<u>144,483</u>	<u>179,471</u>	<u>138,036</u>
Total assets		<u><u>311,750</u></u>	<u><u>481,715</u></u>	<u><u>434,506</u></u>
EQUITY				
Equity attributable to owners of the Company				
Combined capital	24, 25	—	—	29,619
Other reserves	25	7,669	12,217	13,301
Retained earnings		<u>10,224</u>	<u>54,153</u>	<u>63,204</u>
Total equity		<u><u>17,893</u></u>	<u><u>66,370</u></u>	<u><u>106,124</u></u>

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		As at 31 December		
		2018	2019	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	28	—	—	39,880
Dividend payable	33	—	—	40,600
Deferred income tax liabilities	29	—	—	104
Lease liabilities	13	408	683	823
Other liabilities	30	<u>60,016</u>	<u>147,004</u>	<u>118,714</u>
		<u>60,424</u>	<u>147,687</u>	<u>200,121</u>
Current liabilities				
Trade payables	26	9,174	13,224	20,147
Other payables and accruals	27	117,540	162,792	23,726
Dividend payable	33	—	—	11,600
Amount due to the Controlling Shareholder	33	50,679	23,572	8,217
Borrowings	28	28,480	32,000	2,120
Current income tax liabilities		3,781	5,123	17,803
Contract liabilities	5	12,468	15,241	10,827
Lease liabilities	13	4,486	539	762
Other liabilities	30	<u>6,825</u>	<u>15,167</u>	<u>33,059</u>
		<u>233,433</u>	<u>267,658</u>	<u>128,261</u>
Total liabilities		<u>293,857</u>	<u>415,345</u>	<u>328,382</u>
Total equity and liabilities		<u>311,750</u>	<u>481,715</u>	<u>434,506</u>

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C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	<u>Equity attributable to owners of the Company</u>			Total <i>RMB'000</i>
		Combined capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	(Accumulated losses)/ Retained earnings <i>RMB'000</i>	
Balance at 1 January 2018		—	5,330	(18,133)	(12,803)
Comprehensive income					
Profit for the year		—	—	30,696	30,696
Transactions with owners					
Profit appropriation to statutory reserves		—	2,339	(2,339)	—
Balance at 31 December 2018		<u>—</u>	<u>7,669</u>	<u>10,224</u>	<u>17,893</u>
Balance at 1 January 2019		—	7,669	10,224	17,893
Comprehensive income					
Profit for the year		—	—	48,477	48,477
Transactions with owners					
Profit appropriation to statutory reserves		—	4,548	(4,548)	—
Balance at 31 December 2019		<u>—</u>	<u>12,217</u>	<u>54,153</u>	<u>66,370</u>
Balance at 1 January 2020		—	12,217	54,153	66,370
Comprehensive income					
Profit for the year		—	—	72,865	72,865
Transactions with owners					
Profit appropriation to statutory reserves		—	5,814	(5,814)	—
Dividend distribution	36	—	—	(58,000)	(58,000)
Contribution from shareholders	25	29,619	—	—	29,619
Deemed contribution from shareholders	25	—	24,670	—	24,670
Deemed distribution to shareholders	25	—	(29,400)	—	(29,400)
Total transactions with owners		<u>29,619</u>	<u>1,084</u>	<u>(63,814)</u>	<u>(33,111)</u>
Balance at 31 December 2020		<u>29,619</u>	<u>13,301</u>	<u>63,204</u>	<u>106,124</u>

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D. COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December		
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities				
Cash generated from operations	31(a)	90,535	115,506	80,129
Interest received		113	175	40
Interest paid		(2,617)	(1,411)	(1,846)
Income tax paid		<u>(3,805)</u>	<u>(13,909)</u>	<u>(10,784)</u>
Net cash generated from operating activities		<u>84,226</u>	<u>100,361</u>	<u>67,539</u>
Cash flows from investing activities				
Advance to third parties		(118)	(14,628)	(6)
Repayments from third parties		2,211	10,241	8,724
Loans and advance to related parties	33(b)	(91,871)	(161,310)	(30,103)
Repayments from related parties		18,083	109,453	111,827
Proceeds from disposal of property, plant and equipment and other assets	31(b)	400	1,744	240
Purchase of land use rights		(19,566)	—	—
Purchases of property, plant and equipment and investment properties		(12,980)	(70,153)	(149,830)
Purchases of intangible assets		<u>—</u>	<u>(34)</u>	<u>—</u>
Net cash used in investing activities		<u>(103,841)</u>	<u>(124,687)</u>	<u>(59,148)</u>

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	<i>Note</i>	Year ended 31 December		
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities				
Proceeds from bank borrowings	31	42,480	32,000	84,000
Repayment of bank borrowings		(57,460)	(28,480)	(74,000)
Increase in amounts due to the Controlling Shareholder	33(b)	60,450	67,687	87,255
Repayments of amounts due to the Controlling Shareholder		(52,378)	(94,794)	(67,640)
Proceeds in relation to warehouse lease arrangements	30	37,874	46,290	—
Contributions from shareholders		—	—	29,619
Deemed distributions to shareholders in relation to reorganization		—	—	(22,651)
[REDACTED] expense paid		—	—	[REDACTED]
(Increase)/decrease in restricted cash balance		(6,000)	6,000	—
Principal and interest elements of lease payments		<u>(1,053)</u>	<u>(14,398)</u>	<u>(526)</u>
Net cash generated from financing activities		<u>23,913</u>	<u>14,305</u>	<u>[REDACTED]</u>
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of year		4,298	(10,021)	43,364
Effect of exchange rate changes on cash and cash equivalents		<u>7,779</u>	<u>12,077</u>	<u>2,056</u>
		<u>—</u>	<u>—</u>	<u>(57)</u>
Cash and cash equivalents at end of year	23	<u><u>12,077</u></u>	<u><u>2,056</u></u>	<u><u>45,363</u></u>

II NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 12 January 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company’s subsidiaries (together “the Group”) are engaged in the provision of gold mine hazardous waste treatment services and recycling and extracting therefrom resources with economic value for sale, such as pyrite concentrate (the “[REDACTED] Business”) in Shandong province of the People’s Republic of China (the “PRC”). The Group’s headquarter is in Laizhou City, Shandong province of the PRC.

The ultimate controlling party of the Company is Mr. Liu Zeming (the “Controlling Shareholder” or “Mr. Liu”).

1.2 Reorganisations

Immediately prior to the Reorganization as defined below and during the Track Record Period, the [REDACTED] Business of the Group was carried out by Laizhou Hongcheng Mining Environmental Protection Development Co., Ltd. (“HC Environmental”) and Shandong Hongcheng Mining (Group) Co., Ltd. (“HC Mining”) and their subsidiaries (collectively the “Operating Entities”). Both HC Environmental and HC Mining were established in the PRC and ultimately controlled by the Controlling Shareholder.

In preparation for the [REDACTED] and [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganization (the “Reorganization”), pursuant to which the beneficial interests of HC Environmental, HC Mining and the companies engaged in the [REDACTED] Business were transferred to the Company. Details of the Reorganization are set out below:

1. Incorporation of HC International and HC Hong Kong

On 30 March 2020, Hong Cheng International Investments Limited (“HC International”) was incorporated in the British Virgin Island (“BVI”) and wholly-owned by the Controlling Shareholder.

On 16 April 2020, Hong Kong Hong Cheng Environmental Protection Development Group Limited (“HC Hong Kong”) was incorporated in Hong Kong as a wholly-owned subsidiary of HC International.

2. Mr. Sze acquired 2% equity interest in each of HC Mining and HC Environmental

On 30 March 2020, Mr. Liu Yuansheng, father of the Controlling Shareholder, transferred his 2% and 3% equity interest in HC Mining to Mr. Sze Weiwei (“Mr. Sze”), a third party investor, and the Controlling Shareholder, at cash considerations of HK\$220,000 (equivalent to approximately RMB200,000) and RMB300,000, respectively. Upon completion of the equity transfer, HC Mining became a foreign investment company in the PRC.

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On 19 June 2020, Mr. Liu Yuansheng, transferred his 2% and 8% equity interest in HC Environmental to Mr. Shi Weiwei and the Controlling Shareholder, at cash considerations of HK\$666,700 (equivalent to approximately RM600,000) and RMB1.6 million, respectively. Upon completion of the equity transfer, HC Mining became a foreign investment company in the PRC.

3. *Establishment of Shandong Jinjia and transfer of 98% of HC Mining and HC Environmental to Shandong Jinjia*

On 8 June 2020, Shandong Jinjia Environmental Protection Co., Ltd. (“Shandong Jinjia”) was established in the PRC as a wholly owned subsidiary of HC Hong Kong.

On 11 June and 17 July 2020, the Controlling Shareholder transferred his entire 98% equity interests in each of HC Mining and HC Environmental to Shandong Jinjia at considerations of RMB9,800,000 and RMB19,600,000 respectively, totalling RMB29,400,000. Upon completion of the equity transfers, Shandong Jinjia owns 98% equity interests in each of HC Mining and HC Environmental and remaining 2% were held by Mr. Sze.

4. *Disposal of entities*

On 1 April 2020, HC Mining entered into an equity transfer agreement with Beijing Yutaida Technology Limited (“Beijing Yutaida”), a company beneficially owned by the Controlling Shareholder, and transferred all its 61.68% equity interest in Yantai Zhonglian Cement Co., Ltd. (“Zhonglian Cement”) to Beijing Yutaida, at a consideration of RMB24.7 million. Zhonglian Cement is in the business of manufacturing and sale of cement in Shandong, the PRC (Note 25).

On 20 April 2020, HC Mining entered into an equity transfer agreement with the Controlling Shareholder and transferred all its 95% equity interest in Hexingten Banner Gold Mining Limited to the Controlling Shareholder at a consideration of RMB2.85 million (Note 31).

On 15 July 2020, HC Mining and HC Environmental entered into equity transfer agreements with Beijing Yutaida and transferred their respective 50% equity interest in Shandong Hongcheng Smelting Co., Ltd. (“HC Smelting”) to Beijing Yutaida at nil consideration. HC Smelting had no assets and liabilities at the date of disposal.

5. *Transfer of 2% of HC Mining and HC Environmental to HC Hong Kong*

On 8 January 2021, Mr. Sze transferred his 2% equity interest in each of HC Mining and HC Environmental to HC Hong Kong, in exchange, the Controlling Shareholder transferred 2% issued share capital in HC International to Mr. Sze. Upon completion of the equity transfer, HC Mining and HC Environmental became wholly owned subsidiaries of HC International through HC Hong Kong as to 2% and Shandong Jinjia as to 98%.

6. *[REDACTED]*

On 25 February 2021, the Controlling Shareholder entered into several sale and purchase agreements for the transfer of totaling [19.4%] issued share capital in HC International to various [REDACTED].

7. *Incorporation of the Company and transfer of HC International to the Company*

On 12 January 2021, the Company was incorporated in the Cayman Islands and indirectly wholly-owned by the Controlling Shareholder.

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On 15 April 2021, the Controlling Shareholder, Mr. Sze and the [REDACTED], as vendors, transferred all their in aggregate 100% equity interests in HC International to the Company as the purchaser, in exchange for the Company to issue in aggregate 999 shares of the Company to the vendors. Upon completion of the transfers, the Company became beneficially and indirectly owned as to 78.6% by Mr. Liu, 3.3% by Mr. Sze and 18.1% by the [REDACTED].

Upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Date of incorporation	Country/Place of incorporation, legal status	Paid in capital as of 31 December 2020	Effective interest held as at			Principal activities	Note
				31 December				
				2018	2019	2020		
Directly hold:								
Hong Cheng International Investments Limited 鴻承國際投資有限公司	30 March 2020	BVI	USD1	N/A	N/A	100%	Investment holding	(i)
Indirectly hold:								
Hong Kong Hong Cheng Environmental Protection Development Group Limited 香港鴻承環保開發集團有限公司	16 April 2020	Hong Kong, limited liability company	HKD1,000,000	N/A	N/A	100%	Investment holding	(i)
Shandong Jinjia Environment Co., Ltd. 山東金嘉環保有限公司	8 June 2020	PRC, limited liability company	USD10,000,000	N/A	N/A	100%	Investment holding	(i)
Shandong Hongcheng Mining (Group) Co., Ltd. 山東鴻承礦業(集團)有限公司	28 April 2011	PRC, limited liability company	RMB10,000,000	100%	100%	100%	Provision of gold mine hazardous waste treatment services and recycling gold mine	(ii)
Laizhou Hongcheng Mining Environmental Protection Development Co., Ltd. 萊州市鴻承礦業環保開發有限公司	12 February 2014	PRC, limited liability company	RMB20,000,000	100%	100%	100%	recycling gold mine hazardous waste into resources with economic value for sale.	(ii)
Shandong Hongcheng Resources Comprehensive Utilization Co., Ltd. 山東鴻承資源綜合利用有限公司	1 January 2019	PRC, limited liability company	RMB150,000,000 (Registered and unpaid capital)	N/A	100%	100%	Provision of metal waste processing services, processing and sales of iron powder, building materials, mental products, etc.	(i)
Laizhou Hongcheng Gold Tailings and Cyanidation Comprehensive Utilisation Research and Development Centre 萊州鴻承黃金尾礦及氰化渣綜合利用技術研究中心	11 June 2020	PRC, private non-enterprise institution	RMB200,000	N/A	N/A	100%	Research and development	(i)

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Note (i): No audit of statutory financial statements were performed for these subsidiaries as they are newly incorporated or not required to issue audited financial statements under local statutory requirements of their respective places of incorporation.

Note (ii): The statutory financial statements of HC Mining and HC Environmental for the years ended 31 December 2018, 2019 were audited by Shan Dong Huanuo CPA Co., Ltd. (“山東華諾會計師事務所有限公司”) and were audited by Yaitai Tianrun CPA Co., Ltd. (“烟台天潤聯合會計師事務所”) for the year ended 31 December 2020.

* *The English names of certain subsidiaries referred to above represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.*

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the [REDACTED] Business is carried out by the Operating Entities. Pursuant to the Reorganization, the Operating Entities are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the [REDACTED] Business with no changes in management of such business and the ultimate owners of the PRC [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [REDACTED] Business under the Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the [REDACTED] Business under the combined financial statements of the Operating Entities for all years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period, unless otherwise stated. The Historical Financial Information has been prepared on a historical cost basis.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”).

The preparation of the Historical Financial Information in conformity with IFRSs 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 significant to the Historical Financial Information are disclosed in Note 4.

New standards and interpretations not yet adopted

All effective standards, amendments to standards and interpretations, including IFRS 9 and IFRS 15, which are mandatory for the financial year beginning on 1 January 2018, and IFRS 16, which is mandatory for the financial year beginning on 1 January 2019, are consistently applied to the Group for the Track Record Period.

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Certain new accounting standards and interpretations have been published that are not mandatory for the Track Record Period and have not been early adopted by the Group. These new standards and interpretations are:

Standards and amendments	Effective for annual periods beginning on or after
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) ‘interest rate reform — phase 2’	1 January 2021
IAS 16 (Amendment) ‘Property, plant and equipment — proceeds before intended use’	1 January 2022
IAS 37 (Amendment) ‘Onerous contracts — cost of fulfilling a contract’	1 January 2022
IFRS 3 (Amendment) ‘Reference to the conceptual Framework’	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 1 (Amendment) ‘Classification of liabilities as current or non-current’	1 January 2023
IFRS 17 ‘Insurance contracts’	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment) ‘Disclosure of Accounting Policies’	1 January 2023
IAS 8 (Amendment) ‘Definition of Accounting Estimates’	1 January 2023
IFRS 10 (Amendment) and IAS 28 (Amendment) ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined

Management is currently assessing the effects of applying these new standards and amendments on the Group’s combined financial information. None of these is expected to have a significant effect on the combined financial information of the Group. The Group does not expect to adopt these new standards and amendments until their effective dates.

2.2 Principles of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

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Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee’s net assets including goodwill. Investments in subsidiaries are also assessed for impairment and written down to their recoverable amounts in accordance with note 2.10.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The chief operating decision maker of the Group consists of the executive directors and the chief financial officer.

2.5 Foreign currency translation

(i) Functional and presentation currency

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’). The combined financial statements are presented in Renminbi (‘RMB’), which is the Company’s functional and the Group’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the combined statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity instrument measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income. The Group does not have non-monetary items measured at fair value in a foreign currency during the Track Record Period.

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2.6 Leases

Lease of properties and equipment

The Group leases properties and equipment as a lessee. Rental contracts for properties are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate are initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group’s right-of-use assets consist of up-front the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Land use rights

For land use rights, the cost comprise the payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted.

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Amortisation of prepaid land lease payments is calculated on a straight-line basis over the lease terms of 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC or the best estimate based on the normal terms in the PRC and is charged to profit or loss in the combined statements of comprehensive income.

Leases where the Group is a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheets based on their nature.

2.7 Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year/period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Buildings including structures for storage of cyanide tailings and pyritic concentrate	10–30 years
Machinery	5–10 years
Furniture fixtures and equipment	5 years
Vehicle	10 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.8 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included

in the income statement when the changes arise. The gain or loss on disposal of investment property is calculated as the difference between the net disposal proceeds and the carrying amount at the date of disposal.

Investment properties are depreciated over the estimated useful lives of 30 years.

2.9 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 6 years. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life for example, goodwill or other non-amortising intangible assets are not subject to depreciation and are tested annually for impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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 Group classifies its debt instruments as:

- **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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss of the combined statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in “other gains/(losses) — net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “other gains/(losses) — net” and impairment losses are presented as a separate line item in profit or loss of the combined statements of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is exchanged in profit or loss and presented net within “other gains/(losses) — net” in the period in which it arises.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at a amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has the following types of assets that are subject to IFRS 9’s expected credit loss model:

- trade receivables
- other receivables
- cash and bank balances
- restricted bank balances

While cash and bank balances, restricted bank balances and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables, cash and bank balances and restricted bank balances are measured as lifetime expected credit losses if a significant increase in credit risk of a receivable has occurred since initial recognition.

Impairment on other receivables and amounts due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2.13 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for the provision of gold mine hazardous waste treatment services and sales of recycled products. Amounts due from related parties are loans provided to related parties with interest, and they are unsecured and repayable on demand. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.14 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.16 Cash and cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In the combined statements of cash flows, cash and cash equivalents includes cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity (Note 24).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the [REDACTED].

2.18 Trade and other payables and amounts due to related parties

Trade payables represent liabilities for products and services provided to the Group prior to the end of the reporting year which are unpaid. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year/period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is

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determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group’s contributions to these plans are expensed as incurred.

(iii) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each period.

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2.23 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized 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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(i) Revenue from provision of gold mine hazardous waste treatment services

Revenue from the provision of gold mine hazardous waste treatment services is recognised over the relevant period in which the services are rendered based on the completion percentage of the treatment services performance obligation which is in turn determined with reference to the percentage of cost incurred up to date to the total cost. Further analysis of the estimates and judgements applied in the recognition of revenue from provision of gold mine hazardous waste treatment services is set out in 4.1(c).

The portion of service revenue received from customers but not earned is recorded as contract liabilities on the combined statements of financial position as at the balance sheet date. Amounts which will be earned within one year is reflected as a current liability, and which will be earned beyond one year is reflected as a non-current liability.

(ii) Sales of recycled products

Revenue from sales of recycled products, namely the pyritic concentrate, is recognized at the point in time when control of the product is transferred to the customer, generally on delivery of the products.

Other revenue — rental income

The Group derives rental income from investment properties. Rental income is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease (if any) are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

2.24 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income and finance income.

Interest income is presented as other income and finance income and where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

(a) Market risk

(i) Interest rate risk

The Group’s interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the Track Record Period, the Group’s borrowings bore interest both at variable rates and fixed rates.

Bank deposits carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group’s interest rate risk exposure to ensure it is within an acceptable level. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

During the years ended 31 December 2018, 2019 and 2020, if interest rate on borrowings had been higher/lower by 50 basis points of current interest rate, with other variables held constant, post-tax profit for the years ended 31 December 2018, 2019 and 2020 would have been approximately RMB13,000 lower/higher, RMB7,000 lower/higher and RMB9,000 lower/higher, respectively.

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group operates mainly in the PRC so it is not exposed to significant foreign exchange risk arising from foreign currency transactions.

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(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group’s exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group’s financial assets, which mainly comprise cash and cash equivalents, trade and other receivables and amounts due from related parties, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group’s trade receivables, other receivables and amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(i) Credit risks of cash and bank balances, including restricted bank balances

As at 31 December 2018, 2019 and 2020, substantially all of the Group’s bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

(ii) Credit risks of trade receivables

The Group is engaged in the provision of gold mine hazardous waste treatment services and sales of recycled products. The Group’s customers for the provision of gold mine hazardous waste treatment services are mainly gold smelting companies while customers for the sale of recycled products are mainly companies primarily engaged in the business of production or trading of chemical products. The credit terms grant to customers are generally ranged from 30 to 60 days from the invoice date.

The Group applies the IFRS 9 simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging of trade receivables. The expected credit losses also incorporate forward looking information affecting the ability of the customers to settle the receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers’ ability to meet its obligations;
- actual or expected significant changes in the operating results of customers;
- significant changes in the expected performance and behaviour of customers, including changes in the payment status.

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The following table shows the loss allowance provision for the Group’s trade receivables as at 31 December 2018, 2019 and 2020. The expected credit losses below also incorporated forward looking information. As there is no significant change in the business, actual loss rates for trade receivables, customer profile and the adjustments for forward looking information during the Track Record Period, the change in the expected credit loss rates for the provision matrix is insignificant throughout the Track Record Period. With the outbreak of COVID-19 in 2020, although there is an economic downturn in all regions where the Group’s customers locate, management did not consider that there would be a significant change in the risk profile of its customer base as the Group continued to serve its long-standing customers and the cash flow recovery is good. Consequently, the Group expected credit loss rate remained unchanged during the Track Record Period.

Track Record Period	1-30 days	31-60 days	61-90 days	91-180	Over 180	Total
	RMB'000	RMB'000	RMB'000	days	days	
As at 31 December 2018						
Gross carrying amount	3,339	5,279	3,098	2,060	5,221	18,997
Expected loss rate	0.5%	0.5%	0.5%	0.5%	0.5%	
Total loss allowance	17	26	16	10	26	95
As at 31 December 2019						
Gross carrying amount	350	—	—	—	—	350
Expected loss rate	0.5%	—	—	—	—	
Total loss allowance	2	—	—	—	—	2
As at 31 December 2020						
Gross carrying amount	9,243	10,673	1,890	1,142	—	22,948
Expected loss rate	0.5%	0.5%	0.5%	0.5%	—	
Total loss allowance	46	53	10	6	—	115

As at 31 December 2018, 2019 and 2020, balances of trade receivables aged within 30 days were generally current and not past due.

The Group assesses the credit quality of its customers by taking into account various factors such as their financial position, past experience and other factors including but not limited to the economic impact of the unprecedented COVID-19 pandemic on the customers’ and the region in which they operate. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by the management.

(iii) Credit risks of other receivables and amounts due from related parties

For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

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As at 31 December 2018, 2019 and 2020, management consider the credit risks of other receivables and amounts due from related parties as low since the counterparties have a strong capacity to meet the contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables as immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognized during the Track Record Period for these balances is close to zero.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. Management believes that there is no significant liquidity risk in view of the expected cash flow from operations and continuous support from banks in the coming twelve months.

The tables below analyse the Group’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2018					
Trade payables	9,174	—	—	—	9,174
Other payables (excluding non-financial liabilities)	109,158	—	—	—	109,158
Amounts due to the Controlling Shareholder	50,679	—	—	—	50,679
Borrowings, including interest payables	29,670	—	—	—	29,670
Lease liabilities	4,596	575	977	810	6,958
Other liabilities — payable to LZ Assets	—	—	—	50,400	50,400
	<u>203,277</u>	<u>575</u>	<u>977</u>	<u>51,210</u>	<u>256,039</u>
As at 31 December 2019					
Trade payables	13,224	—	—	—	13,224
Other payables (excluding non-financial liabilities)	152,275	—	—	—	152,275
Amount due to the Controlling Shareholder	23,572	—	—	—	23,572
Borrowings, including interest payables	32,660	—	—	—	32,660
Lease liabilities	591	589	442	756	2,378
Other liabilities — retention payable	—	17,892	—	—	17,892
Other liabilities — payable to LZ Assets	—	—	112,000	—	112,000
	<u>222,322</u>	<u>18,481</u>	<u>112,442</u>	<u>756</u>	<u>354,001</u>
As at 31 December 2020					
Trade payables	20,147	—	—	—	20,147
Other payables (excluding non-financial liabilities)	9,212	—	—	—	9,212
Dividend Payable	11,600	40,600	—	—	52,200
Amount due to the Controlling Shareholder	8,217	—	—	—	8,217
Borrowings, including interest payables	3,800	3,714	39,268	—	46,782
Lease liabilities	589	334	162	702	1,787
Other liabilities — retention payable	17,892	—	—	—	17,892
Other liabilities — payable to LZ Assets	—	—	112,000	—	112,000
	<u>71,457</u>	<u>44,648</u>	<u>151,430</u>	<u>702</u>	<u>268,237</u>

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3.2 Capital management

The Group’s objectives when managing capital are to:

- safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio, being total net debt divided by total capital. Total capital is the total of net debts and total equity as shown on the combined statements of financial position.

The gearing ratios during the Track Record Period were as follow:

	Year ended 31 December		
	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Borrowings	28,480	32,000	42,000
Lease liabilities	4,894	1,222	1,585
Amount due to the Controlling Shareholder	50,679	23,572	8,217
Other liabilities — payable to LZ Assets	<u>38,162</u>	<u>88,380</u>	<u>92,489</u>
Total debt	122,215	145,174	144,291
Less: Cash and bank balances (<i>note 22</i>)	(12,077)	(2,056)	(45,363)
Restricted bank balance (<i>note 22</i>)	<u>(6,000)</u>	<u>—</u>	<u>—</u>
Net debt (a)	104,138	143,118	98,928
Total equity	<u>17,893</u>	<u>66,370</u>	<u>106,124</u>
Total capital (b)	<u>122,031</u>	<u>209,488</u>	<u>205,052</u>
Gearing ratio (a/b)	<u>85%</u>	<u>68%</u>	<u>48%</u>

The decrease in gearing ratio from 31 December 2018 to 31 December 2019 was resulted from the combined effects of a decrease in amount due to a related party, an increase in payable to LZ Assets (as defined in Note 30) and an increase in total equity due to increase in profit for the year ended 31 December 2019. The decrease in gearing ratio from 31 December 2019 to 31 December 2020 was mainly resulted from an increase in total equity due to increase in profit for the year ended 31 December 2020.

3.3 Fair value estimation

As at 31 December 2018, 2019 and 2020, the Group did not have any assets and liabilities that were measured at fair value other than the financial assets and liabilities which the carrying values are considered to approximate their fair values due to the short term maturity.

The fair value estimation of the investment property is categorised in level 3 hierarchy.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives and residual values of property, plant and equipment

The Group’s management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realization of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(b) Impairment of property, plant and equipment

The carrying amounts of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.7 to the Historical Financial Information. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group’s results of operations or financial position. The carrying amounts of property, plant and equipment in the combined statements of financial positions as at 31 December 2018, 2019 and 2020 are set out in note 14 to the Historical Financial Information.

(c) Revenue recognition from provision of gold mine hazardous waste treatment services

The Group’s gold mine hazardous waste treatment services are conducted in various detoxing processes and integrated with the production process of recycled products such as pyrite concentrate and high-gold pyrite concentrate which can be sold for sales revenue. The Group recognises revenue based on the completion percentage of the treatment services performance obligation which is in turn determined with reference to the percentage of cost incurred up to date to the total cost. The determination of performance obligation and the completion percentage of performance obligation involves judgements.

(d) Estimated lease term of warehouses

The Group leased two warehouses to LZ Assets (as defined in Note 30). The lease term in the lease contracts is 20 years with a committed minimum lease period of 5 years and with an option by the Group and the lessee to terminate the lease arrangement upon the expiry of the committed 5 years lease period subject to a compensation of one year rental. The Group considers that there is a likelihood that the lessee will exercise the right to terminate the lease arrangement upon the expiry of the committed 5 years lease period and accordingly, the Group accounted for the transaction as a five year lease contract, with part of the refundable rental payment from LZ Assets being accounted for as other liability.

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(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the note 3.1(b).

(f) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. 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 income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

5 SEGMENT INFORMATION**(a) Description of segments and principal activities**

The Group’s CODM has been identified as the executive directors of the board and the chief financial controller.

The Group is principally engaged in the provision of gold mine hazardous waste treatment services and sales of recycled products such as pyrite concentrate in the PRC. The process of the treatment services and production of the resultant recycled products are in one integral process. Also, for the purpose of resource allocation and performance assessment, the CODM reviews and assesses the overall results and financial position of the Group as a whole. Accordingly, the CODM determines that the Group has only one single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the combined statements of comprehensive income.

Geographical information

The Group’s principal market, majority of revenue and operating profit and all operations and non-current assets are in Shandong province of the PRC. Accordingly, no geographical segment information is presented.

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(b) Revenue during the Track Record Period

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customers within the scope of IFRS 15			
Revenue from provision of gold mine hazardous waste treatment services	41,014	61,567	107,958
Revenue from sales of recycled products	57,642	56,413	82,514
Others	<u>2,542</u>	<u>1,194</u>	<u>413</u>
	101,198	119,174	190,885
Other revenue			
Rental income	<u>1,083</u>	<u>14,490</u>	<u>14,507</u>
	<u><u>102,281</u></u>	<u><u>133,664</u></u>	<u><u>205,392</u></u>

The analysis of revenue from contract with customers within the Scope of IFRS 15 recognised over time and at a point in time as required by IFRS 15 is set out below:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recognized over time			
Revenue from provision of gold mine hazardous waste treatment services	41,014	61,567	107,958
Recognized at a point in time			
Revenue from sales of recycled products	57,642	56,413	82,514
Others	<u>2,542</u>	<u>1,194</u>	<u>413</u>
	<u><u>101,198</u></u>	<u><u>119,174</u></u>	<u><u>190,885</u></u>

(c) Contract liabilities

The Group recognized the following contract liabilities:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities related to provision of gold mine hazardous waste treatment services	7,010	11,279	8,676
Contract liabilities related to sales of recycled products	<u>5,458</u>	<u>3,962</u>	<u>2,151</u>
	<u><u>12,468</u></u>	<u><u>15,241</u></u>	<u><u>10,827</u></u>

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The following table shows how much of the revenue recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year			
— Provision of gold mine hazardous waste treatment services	—	7,010	11,279
— Sales of recycled products	2,434	5,458	3,962
	<u>2,434</u>	<u>12,468</u>	<u>15,241</u>

(d) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts with customers:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected to be recognized within one year			
Provision of gold mine hazardous waste treatment services	7,010	11,279	8,676
Sales of recycled products	5,458	3,962	2,151
	<u>12,468</u>	<u>15,241</u>	<u>10,827</u>

(e) Information about major customers

Revenue from individual customers which individually accounted for 10% or more of the Group’s total revenue during the Track Record Period is set out below:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	15,049	28,569	56,074
Customer B	23,136	20,566	34,822
Customer C	10,245	17,021	20,852
Customer D	18,060	N/A(i)	N/A(i)
Customer E	N/A(i)	14,490	N/A(i)

(i) Contributed less than 10% of the Group’s total revenue for the relevant year.

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6 OTHER INCOME

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from a related party	—	6,460	5,144
Others	—	3	43
	<u>—</u>	<u>6,463</u>	<u>5,187</u>

The Group’s subsidiary HC Environmental, provided interest-bearing short term loans to its related party, Yaitai Zhonglian Cement Co., Ltd (note 33 (c)(i)). The loans were unsecured, bearing interest at 6.86% per annum, and repayable within one year.

7 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss	—	—	154
Insurance claim	—	—	175
Net gains/(losses) on disposal of property, plant and equipment and other assets (<i>Note 31</i>)	71	(232)	50
Others	6	(8)	33
	<u>77</u>	<u>(240)</u>	<u>412</u>

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8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses and administrative expenses is as follow:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Changes in inventories of finished goods and work-in-progress (<i>Note 18</i>)	(1,433)	(11,650)	(6,141)
Raw materials and consumables used	20,974	28,930	41,328
Transportation costs	16,064	13,427	12,451
Employee benefit expenses (<i>Note 9</i>)	6,077	9,865	12,615
Entertainment expense	757	2,673	3,563
Electricity and water expenses	4,760	7,689	13,015
Taxes and levies	2,064	2,535	3,717
Depreciation of right-of-use assets (<i>Note 13</i>)	782	894	1,129
Depreciation of property, plant and equipment (<i>Note 14</i>)	2,480	4,396	8,035
Depreciation of investment properties (<i>Note 15</i>)	792	3,410	4,386
Amortisation of intangible assets (<i>Note 16</i>)	—	6	7
Repair and maintenance costs	2,769	3,368	3,127
Production safety cost	887	424	1,621
Professional service fee	301	482	525
Donations	128	154	781
[REDACTED] expenses	—	—	[REDACTED]
Others	1,832	4,741	3,648
Total	<u>59,234</u>	<u>71,344</u>	<u>[REDACTED]</u>

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	5,502	8,021	11,590
Contributions to pension plan, medical insurance and other social insurance (a)	455	1,653	664
Housing fund	120	191	361
	<u>6,077</u>	<u>9,865</u>	<u>12,615</u>

(a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

Due to COVID-19, part of pension insurance, unemployment insurance and employee injury insurance were exempted by the local government in 2020.

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(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3, 3 and 3 directors for the years ended 31 December 2018, 2019 and 2020. Their emoluments are reflected in the analysis presented in Note 34. Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses	493	1,104	1,190
Contributions to pension plan, housing fund, medical insurance and other social benefits	<u>69</u>	<u>138</u>	<u>50</u>
	<u><u>562</u></u>	<u><u>1,242</u></u>	<u><u>1,240</u></u>

The number of highest paid non-director individuals whose remuneration for the Track Record Period fell within the following bands are as follows:

	Year ended 31 December		
	2018	2019	2020
Emolument bands (Nil to HK\$1,000,000)	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

During the Track Record Period, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10 FINANCE COSTS — NET

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance income			
— Interest income derived from bank balances	<u>(113)</u>	<u>(175)</u>	<u>(40)</u>
Finance costs			
— Interest expenses on bank borrowings	2,617	1,781	1,846
— Interest expenses relating to warehouse lease arrangements (<i>note 30</i>)	288	3,927	4,110
— Interest expenses on lease liabilities	118	60	70
— Other losses	<u>—</u>	<u>—</u>	<u>57</u>
	3,023	5,768	6,083
Less: borrowing costs capitalised in property, plant and equipment	<u>—</u>	<u>(370)</u>	<u>—</u>
	<u>3,023</u>	<u>5,398</u>	<u>6,083</u>
Finance costs — net	<u><u>2,910</u></u>	<u><u>5,223</u></u>	<u><u>6,043</u></u>

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The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the entity’s borrowings for constructions in process during the year of 5.61% per annum.

11 INCOME TAX EXPENSE

	Year ended 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC income tax			
— Current income tax expense	7,586	15,251	23,464
— Deferred income tax expense (<i>note 29</i>)	<u>1,954</u>	<u>(315)</u>	<u>160</u>
	<u>9,540</u>	<u>14,936</u>	<u>23,624</u>

The Group’s principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

The Company is an exempted company incorporated in the Cayman Islands and is not liable for taxation in the Cayman Islands.

(b) British Virgin Islands

The Group’s subsidiary incorporated in the BVI is exempted company and is not liable for taxation in the BVI.

(c) Hong Kong

Hong Kong profits tax was considered at the rate of 16.5% on the estimated assessable profits during the Track Record Period. The Group did not have assessable profits in Hong Kong during the Track Record Period.

(d) PRC corporate income tax (“CIT”)

Taxation on PRC income has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the PRC in which the Group operates. The Company’s subsidiaries incorporated in PRC are subject to CIT at the rate of 25% during the Track Record Period.

(e) PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies’ immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies and simultaneously certain conditions are satisfied.

During the Track Record Period, no PRC withholding income tax has been provided since the parent entities are able to control the timing of distributions from their subsidiaries and are not expected to distribute these profits in the near future.

As at 31 December 2020, deferred income tax liabilities of RMB6,320,000 have not been recognised for the withholding tax that would be payable on unremitted earnings of PRC subsidiaries of the Group amounting to RMB63,204,000. The Group does not have an intention to distribute the respective unremitted profits in the foreseeable future.

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The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the combined entities as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Profit before income tax	40,236	63,413	96,489
Tax calculated at CIT rate of 25%	10,059	15,853	24,122
Tax effects of:			
— Difference in tax base (i)	718	—	—
— Expenses not deductible for income tax purpose	204	536	1,227
— Income not subject to income tax (ii)	(1,441)	(1,410)	(2,063)
— Tax losses for which no deferred income tax asset was recognised (iii)	—	—	644
— Additional deduction on research and development expenses	—	(43)	(306)
Tax charge	<u>9,540</u>	<u>14,936</u>	<u>23,624</u>

- (i) For the year ended 31 December 2018, HC Mining was qualified as a small-scale taxpayer under the PRC CIT regime. HC Mining’s CIT was therefore assessed on a basis agreed with the local tax bureau, being the taxable income that is subject to CIT at the rate of 25% was pre-determined at 4% of the total revenue. Since the year ended 31 December 2019, with the increase in scale of operations and therefore revenue, HC Mining is no longer a small-scale taxpayer and is subject to CIT at the rate of 25% on its assessable taxable income according to its profit or loss for the year.
- (ii) In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008] 47號), an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that 90% of the sales revenue of the products is subject to the calculation of taxable income. The Group’s sales of recycled products qualify for the incentive tax arrangement and therefore 10% of the Group’s revenue from sales of recycled products was deducted from the taxable income of the Group in the calculation of CIT during the Track Record Period.
- (iii) This referred to the tax losses incurred by the Group’s intermediate holding company in Hong Kong which is not likely to generate taxable income in the foreseeable future and therefore no deferred income tax asserts were recognised. The tax losses of the companies in Hong Kong can be carried forward indefinitely.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganization and the preparation of the results for each of the years ended 31 December 2018, 2019 and 2020 on a combined basis as disclosed in Note 1.2 above.

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13 RIGHT-OF-USE ASSETS

(i) Amounts recognised in the combined statements of financial position

	As at 31 December		
	2018 <i>RMB’000</i>	2019 <i>RMB’000</i>	2020 <i>RMB’000</i>
Right-of-use assets			
Land use rights	26,522	25,930	25,336
Leased equipment	2,967	2,126	1,867
Leased properties	—	645	1,096
	<u>29,489</u>	<u>28,701</u>	<u>28,299</u>
Lease liabilities			
Land use rights			
— Current	(3,495)	(16)	—
Leased properties			
— Non-current	(408)	(683)	(823)
— Current	(991)	(523)	(762)
	<u>(4,894)</u>	<u>(1,222)</u>	<u>(1,585)</u>

Movements in right-of-use assets in 2018,2019 and 2020 are analysed as follows:

	Land use rights <i>RMB’000</i>	Leased equipment <i>RMB’000</i>	Leased properties <i>RMB’000</i>	Total <i>RMB’000</i>
At 1 January 2018	6,467	2,184	—	8,651
Additions	20,540	1,080	—	21,620
Depreciation (<i>Note 8</i>)	(485)	(297)	—	(782)
At 31 December 2018	<u>26,522</u>	<u>2,967</u>	<u>—</u>	<u>29,489</u>
At 1 January 2019	26,522	2,967	—	29,489
Additions	—	—	653	653
Termination of lease contracts	—	(547)	—	(547)
Depreciation (<i>Note 8</i>)	(592)	(294)	(8)	(894)
At 31 December 2019	<u>25,930</u>	<u>2,126</u>	<u>645</u>	<u>28,701</u>
At 1 January 2020	25,930	2,126	645	28,701
Additions	—	—	727	727
Depreciation (<i>Note 8</i>)	(594)	(259)	(276)	(1,129)
At 31 December 2020	<u>25,336</u>	<u>1,867</u>	<u>1,096</u>	<u>28,299</u>

The estimated useful life of the Group’s land use rights is determined to be 50 years which is the best estimate of the useful life based on the normal terms of land use right leases in the PRC.

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As at 31 December 2018, 2019 and 2020, land use rights of the Group with a total net book value of RMB6,313,000, RMB6,159,000 and RMB6,004,000 were pledged as security for short-term and long-term bank borrowings of the Group as disclosed in Note 28.

(ii) Amounts recognised in the combined statements of comprehensive income

	Year ended 31 December		
	2018 RMB'000	2019 RMB'000	2020 RMB'000
Cost of sales	452	534	809
Administrative expenses	330	360	320
	<u>782</u>	<u>894</u>	<u>1,129</u>
Interest expense (included in finance cost) (Note 10)	<u>118</u>	<u>60</u>	<u>70</u>

The total cash outflow for leases during the year ended 31 December 2018, 2019 and 2020 were RMB1,053,000, RMB14,398,000 and RMB526,000, respectively.

14 PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2018						
Opening net book amount	8,715	6,843	688	601	1,850	18,697
Additions	325	2,055	—	2,779	10,899	16,058
Transfer upon completion	2,921	—	—	—	(2,921)	—
Disposals	—	—	—	(329)	—	(329)
Depreciation (note 8)	<u>(1,018)</u>	<u>(1,018)</u>	<u>(233)</u>	<u>(211)</u>	<u>—</u>	<u>(2,480)</u>
Closing net book amount	<u>10,943</u>	<u>7,880</u>	<u>455</u>	<u>2,840</u>	<u>9,828</u>	<u>31,946</u>
At 31 December 2018						
Cost	14,001	11,344	1,228	3,080	9,828	39,481
Accumulated depreciation	<u>(3,058)</u>	<u>(3,464)</u>	<u>(773)</u>	<u>(240)</u>	<u>—</u>	<u>(7,535)</u>
Net book amount	<u>10,943</u>	<u>7,880</u>	<u>455</u>	<u>2,840</u>	<u>9,828</u>	<u>31,946</u>
Year ended 31 December 2019						
Opening net book amount	10,943	7,880	455	2,840	9,828	31,946
Additions	2,272	14,940	1,538	2,083	82,442	103,275
Transfer upon completion	88,042	—	—	—	(88,042)	—
Disposals	—	(1,429)	—	—	—	(1,429)
Depreciation (note 8)	<u>(1,964)</u>	<u>(1,655)</u>	<u>(381)</u>	<u>(396)</u>	<u>—</u>	<u>(4,396)</u>
Closing net book amount	<u>99,293</u>	<u>19,736</u>	<u>1,612</u>	<u>4,527</u>	<u>4,228</u>	<u>129,396</u>

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	Building RMB'000	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2019						
Cost	104,315	24,358	2,766	5,163	4,228	140,830
Accumulated depreciation	<u>(5,022)</u>	<u>(4,622)</u>	<u>(1,154)</u>	<u>(636)</u>	<u>—</u>	<u>(11,434)</u>
Net book amount	<u>99,293</u>	<u>19,736</u>	<u>1,612</u>	<u>4,527</u>	<u>4,228</u>	<u>129,396</u>
Year ended 31 December 2020						
Opening net book amount	99,293	19,736	1,612	4,527	4,228	129,396
Additions	—	4,800	954	506	3,003	9,263
Transfer upon completion	7,231	—	—	—	(7,231)	—
Disposals	—	(190)	—	—	—	(190)
Depreciation (note 8)	<u>(4,465)</u>	<u>(2,554)</u>	<u>(478)</u>	<u>(538)</u>	<u>—</u>	<u>(8,035)</u>
Closing net book amount	<u>102,059</u>	<u>21,792</u>	<u>2,088</u>	<u>4,495</u>	<u>—</u>	<u>130,434</u>
At 31 December 2020						
Cost	111,546	28,790	3,720	5,669	—	149,725
Accumulated depreciation	<u>(9,487)</u>	<u>(6,998)</u>	<u>(1,632)</u>	<u>(1,174)</u>	<u>—</u>	<u>(19,291)</u>
Net book amount	<u>102,059</u>	<u>21,792</u>	<u>2,088</u>	<u>4,495</u>	<u>—</u>	<u>130,434</u>

Depreciation of property, plant and equipment is included in the following categories in the combined statements of comprehensive income:

	Year ended 31 December		
	2018 RMB'000	2019 RMB'000	2020 RMB'000
Cost of sales	1,595	2,587	6,270
Administrative expenses	<u>885</u>	<u>1,809</u>	<u>1,765</u>
Total	<u>2,480</u>	<u>4,396</u>	<u>8,035</u>

During the years ended 31 December 2018, 2019 and 2020, the Group capitalised interest on borrowings amounting to approximately Nil, RMB370,000 and Nil on qualifying assets, respectively (Note 10). Borrowing costs were capitalised at the weighted average rate of 5.61% for the year ended 31 December 2019.

Construction-in-progress mainly comprises buildings under construction in the PRC.

As at 31 December 2018, 2019 and 2020, buildings of the Group with a total net book value of RMB4,532,000, RMB4,224,000 and RMB71,380,000 were pledged to secure borrowings of the Group as disclosed in Note 28, respectively.

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15 INVESTMENT PROPERTIES

	Building <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2018			
Opening net book amount	—	—	—
Addition	12,522	91,412	103,934
Transfer upon completion	56,016	(56,016)	—
Depreciation (<i>Note 8</i>)	<u>(792)</u>	<u>—</u>	<u>(792)</u>
Closing net book amount	<u>67,746</u>	<u>35,396</u>	<u>103,142</u>
As at 31 December 2018			
Cost	68,538	35,396	103,934
Accumulated depreciation	<u>(792)</u>	<u>—</u>	<u>(792)</u>
Net book amount	<u>67,746</u>	<u>35,396</u>	<u>103,142</u>
Year ended 31 December 2019			
Opening net book amount	67,746	35,396	103,142
Addition	—	38,631	38,631
Transfer upon completion	74,027	(74,027)	—
Depreciation (<i>Note 8</i>)	<u>(3,410)</u>	<u>—</u>	<u>(3,410)</u>
Closing net book amount	<u>138,363</u>	<u>—</u>	<u>138,363</u>
As at 31 December 2019			
Cost	142,565	—	142,565
Accumulated depreciation	<u>(4,202)</u>	<u>—</u>	<u>(4,202)</u>
Net book amount	<u>138,363</u>	<u>—</u>	<u>138,363</u>
Year ended 31 December 2020			
Opening net book amount	138,363	—	138,363
Depreciation (<i>Note 8</i>)	<u>(4,386)</u>	<u>—</u>	<u>(4,386)</u>
Closing net book amount	<u>133,977</u>	<u>—</u>	<u>133,977</u>
As at 31 December 2020			
Cost	142,565	—	142,565
Accumulated depreciation	<u>(8,588)</u>	<u>—</u>	<u>(8,588)</u>
Net book amount	<u>133,977</u>	<u>—</u>	<u>133,977</u>

- (a) As at 31 December 2018, 2019 and 2020, the fair value of the Group’s investment properties were approximately RMB107,831,000, RMB164,401,000 and RMB160,600,000, respectively. The fair values of the investment properties as at 31 December 2018 and 2019 were estimated by the management of the Group and the fair value as at 31 December 2020 was determined by Cushman & Wakefield Limited, a professional valuer.
- (b) Investment properties of the Group as at 31 December 2020 with a total net book value of RMB70,315,000 were pledged to secure bank borrowings of the Group as disclosed in Note 28.

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(c) Valuation techniques

Income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property;

There were no changes to the valuation techniques for each of the two investment properties during the Track Record Period.

Information about fair value measurements of investment properties using significant unobservable inputs (level 3) is as follows:

Factory building, income approach:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fair value (<i>RMB’000</i>)	107,831	164,401	160,600
Unobservable inputs			
— Term yield	5.0% per annum	5.0% per annum	5.0% per annum
— Reversion yield	5.5% per annum	5.5% per annum	5.5% per annum
— Annually market rent (<i>RMB/square meter/annum</i>)	11–23	12–25	11–22

(d) Rental income relating to the lease of investment properties was included in the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Rental income	<u>1,083</u>	<u>14,490</u>	<u>14,507</u>

The rental income is included in revenue. The Group leases investment properties under operating leases. The operating leases are estimated to have a lease period of 5 years. Details of the lease arrangement are set out in note 30.

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16 INTANGIBLE ASSETS

	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Software:			
As at the beginning of the year			
Cost	—	—	34
Accumulated amortisation	<u>—</u>	<u>—</u>	<u>(6)</u>
Net book amount	<u>—</u>	<u>—</u>	<u>28</u>
Opening net book amount	—	—	—
Additions	—	34	—
Amortisation (<i>Note 8</i>)	<u>—</u>	<u>(6)</u>	<u>(7)</u>
Closing net book amount	<u>—</u>	<u>28</u>	<u>(7)</u>
As at the end of the year			
Cost	—	34	34
Accumulated amortisation	<u>—</u>	<u>(6)</u>	<u>(13)</u>
Net book amount	<u>—</u>	<u>28</u>	<u>21</u>

Amortisation of the intangible assets was included in administrative expenses in the combined statements of comprehensive income:

17 PREPAYMENT FOR NON-CURRENT ASSETS

	As at 31 December		
	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayment for purchase of equipment and vehicle	328	3,627	2,500
Prepayment for construction in progress	<u>1,878</u>	<u>1,330</u>	<u>496</u>
	<u>2,206</u>	<u>4,957</u>	<u>2,996</u>

18 INVENTORIES

	As at 31 December		
	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	918	2,007	2,586
Work-in-progress	502	1,491	1,304
Finished goods, recycled products	<u>3,117</u>	<u>13,778</u>	<u>20,106</u>
Total	<u>4,537</u>	<u>17,276</u>	<u>23,996</u>

During the year ended 31 December 2018, 2019 and 2020, the cost of inventories recognised as an expense and included in “cost of sales” amounted to RMB19,541,000, RMB17,280,000 and RMB35,187,000, respectively.

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19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group has the following financial instruments:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Assets at amortized cost			
Trade and other receivables excluding prepayments (Notes 20 and 21)	24,725	11,536	24,690
Amounts due from related parties (Note 33(c))	86,295	140,173	33,887
Restricted bank deposit (Note 23)	6,000	—	—
Cash and cash equivalents (Note 23)	<u>12,077</u>	<u>2,056</u>	<u>45,363</u>
	<u>129,097</u>	<u>153,765</u>	<u>103,940</u>
Liabilities at amortized cost			
Trade payable (Note 26)	9,174	13,224	20,147
Other payables excluding non-financial liabilities (Note 27)	109,158	152,275	9,172
Dividend payable	—	—	52,200
Amounts due to the Controlling Shareholder (Note 33(c))	50,679	23,572	8,217
Borrowings (Note 28)	28,480	32,000	42,000
Other liabilities (Note 30)	<u>38,162</u>	<u>106,272</u>	<u>110,381</u>
	<u>235,653</u>	<u>327,343</u>	<u>242,117</u>

20 TRADE RECEIVABLES

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade receivables			
— related to provision of gold mine hazardous waste treatment services	7,787	—	1,781
— related to sales of recycled products	<u>11,210</u>	<u>350</u>	<u>21,167</u>
	18,997	350	22,948
Less: provision for impairment	<u>(95)</u>	<u>(2)</u>	<u>(115)</u>
	<u>18,902</u>	<u>348</u>	<u>22,833</u>

(i) Ageing analysis of the trade receivables

The trade receivables represent receivable relating to provision of gold mine hazardous waste treatment services and receivable relating to sales of recycled products. The credit terms grant to customers are generally from 30 to 60 days.

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As at 31 December 2018, 2019 and 2020, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
1–30 days	3,339	350	9,243
31–60 days	5,279	—	10,673
61–90 days	3,098	—	1,890
91–180 days	2,060	—	1,142
Over 180 days	5,221	—	—
	<u>18,997</u>	<u>350</u>	<u>22,948</u>

Due to the short-term nature of the trade receivables, their carrying amounts approximated their fair values as at the balance sheet dates and were dominated in RMB.

(ii) Impairment of the trade receivables

The Group applies the simplified approach to provide for expected credit loss which was a lifetime expected loss allowance for all trade receivables and retention receivables as prescribed by HKFRS 9. Details of the expected loss rates based on the payment profile of sales are set out in Note 3.1 b (ii).

The movements in provision for impairment of trade receivables were as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
As at 1 January	117	95	2
Loss allowance recognised/(reversal) in profit or loss during the year	<u>(22)</u>	<u>(93)</u>	<u>113</u>
As at 31 December	<u>95</u>	<u>2</u>	<u>115</u>

21 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Amounts due from third parties	4,827	9,215	491
Prepayments for:			
— transportation costs	—	—	1,792
— technical consulting	—	600	1,554
— [REDACTED] expenses	—	—	[REDACTED]
— electricity and water	52	3,129	791
— purchase of raw materials	606	467	1,287
Value-added tax recoverables	—	2,788	1,164
Others	944	1,627	1,366
	<u>6,429</u>	<u>17,826</u>	<u>[REDACTED]</u>

The amounts due from third parties represented advances to third parties during the Track Record Period and were unsecured, interest free and without fixed repayment terms.

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22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Debt investments at FVOCI			
Current assets — bank acceptance notes			
At 1 January	6,940	10,243	2,890
Additions	3,303	—	—
Disposals	—	(7,353)	(930)
At 31 December	<u>10,243</u>	<u>2,890</u>	<u>1,960</u>

(a) Classification of financial assets at fair value through other comprehensive income (FVOCI)

FVOCI comprise:

Debt instruments where the contractual cash flows are solely principal and the objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Debt investment at FVOCI

Bank acceptance notes are classified as current assets due to its short maturity.

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

23 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCE

	As at 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalent			
Cash in hand and at bank	12,077	2,056	45,363
Restricted bank balance			
Restricted bank deposits	<u>6,000</u>	—	—
	<u>18,077</u>	<u>2,056</u>	<u>45,363</u>

The restricted bank balance as at 31 December 2018 of RMB6,000,000 represented deposits of the Group pledged as security for issue of bills payable (Note 27). The deposits were released during the year ended 31 December 2019 when the bills were fully settled.

As at 31 December 2018, 2019 and 2020, cash and cash equivalents and restricted bank balance of the Group were denominated in RMB.

24 COMBINED CAPITAL

Combined capital represented the share capital of HC Hong Kong.

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25 RESERVES

(a) Capital reserve

Capital reserve represents the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Reorganisation.

As mentioned in Note 1.2(3), in April 2020, the Controlling Shareholder made cash contribution totalling USD4,540,000 (equivalent to RMB29,619,000) to HC Hong Kong, of which RMB29,400,000 was used to settle the consideration payable to the Controlling Shareholder for the acquisition of the equity interest in HC Mining and HC Environmental from the Controlling Shareholder. The settlement of consideration payable of RMB29,400,000 was regarded as deemed distribution to shareholders during the year ended 31 December 2020.

As mentioned in Note 1.2, in April 2020, HC Mining transferred its 61.68% equity interest in Zhonglian Cement to Beijing Yutaida, a company beneficially owned by the Controlling Shareholder. The settlement of consideration receivable of RMB24,670,000 was regarded as a deemed contribution from shareholders during the year ended 31 December 2020.

(b) Statutory surplus reserves

Pursuant to the relevant laws and regulations in the PRC, the Company’s subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the “PRC Subsidiaries”), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years’ losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserves fund can be used to offset prior years’ losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

26 TRADE PAYABLES

	As at 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables			
— related to transportation costs	7,092	13,117	17,308
— related to raw materials	<u>2,082</u>	<u>107</u>	<u>2,839</u>
	<u>9,174</u>	<u>13,224</u>	<u>20,147</u>

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The ageing analysis of trade payables is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
1–30 days	3,670	964	5,898
31–60 days	1,630	2,173	8,908
61–90 days	1,008	3,422	2,337
91–180 days	2,708	4,610	2,611
Over 180 days	158	2,055	393
	<u>9,174</u>	<u>13,224</u>	<u>20,147</u>

27 OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Payable for construction and purchases of property, plant and equipment	90,765	148,874	6,347
Bills payable for purchase of land use rights and construction projects	11,500	—	—
Employee benefits payables	1,860	2,542	3,048
Payable for [REDACTED] expense	—	—	[REDACTED]
Other taxes payable	6,522	7,975	11,506
Others	<u>6,893</u>	<u>3,401</u>	<u>1,278</u>
Total	<u>117,540</u>	<u>162,792</u>	<u>[REDACTED]</u>

The carrying amounts of other payables approximated their fair values as at the balance sheet dates and were denominated in RMB.

28 BORROWINGS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Non-current:			
Long term bank borrowings, secured and guaranteed (a)	<u>—</u>	<u>—</u>	<u>39,880</u>
Current:			
Short term bank borrowings, secured and guaranteed (b)	28,480	32,000	—
Current portion of long-term bank borrowings, secured and guaranteed (a)	<u>—</u>	<u>—</u>	<u>2,120</u>
Total borrowings	<u>28,480</u>	<u>32,000</u>	<u>42,000</u>

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- (a) The Group’s long-term bank borrowings as at 31 December 2020 of RMB42,000,000 were secured by the Group’s land use rights with net book value of RMB6,004,000, and property, plant and equipment with net book value of RMB71,380,000 and investment properties with net book value of RMB70,315,000, respectively, and were guaranteed by related parties (Note 33(a)). The long term borrowings are for a term of 3 years and interest bearing at 4.05% per annum.
- (b) The Group’s short term bank borrowings as at 31 December 2018 and 2019 were secured by the Group’s land use rights with net book value of RMB6,313,000 and RMB6,159,000, and property, plant and equipment with net book value of RMB4,532,000 and RMB4,224,000 respectively, and were guaranteed by related parties (Note 33(a)). The short term borrowings are interest bearing from 4.05% to 6.53% per annum.
- (c) For the years ended 31 December 2018, 2019 and 2020, the weighted average effective interest rates of bank borrowings were 5.93%, 5.61% and 4.83%, respectively.
- (d) The carrying amounts of the Group’s current bank borrowings approximated their fair values as at the balance sheet date due to their short term maturity.

The carrying amounts of the Group’s non-current bank borrowings approximated their fair values as at the balance sheet date as they were carried at fixed interest rates and the discounting impact was not material.

- (d) The Group’s borrowings as at the balance sheet dates during the Track Record Period were repayable as follows:

	As at 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	28,480	32,000	2,120
1–2 year	—	—	2,120
2–3 year	—	—	37,760
Total	<u>28,480</u>	<u>32,000</u>	<u>42,000</u>

29 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December		
	2018	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deferred income tax assets:			
— to be recovered after 12 months	183	403	208
— to be recovered within 12 months	<u>301</u>	<u>396</u>	<u>535</u>
	484	799	743
Deferred income tax liabilities:			
— to be recovered after 12 months	<u>—</u>	<u>—</u>	<u>(104)</u>
Deferred income tax assets — net	<u>484</u>	<u>799</u>	<u>639</u>

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The gross movement of deferred income tax assets/liabilities — net is as follows:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year	2,438	484	799
(Charged)/credit to combined statements of comprehensive income (<i>Note 11</i>)	<u>(1,954)</u>	<u>315</u>	<u>(160)</u>
At the end of year	<u><u>484</u></u>	<u><u>799</u></u>	<u><u>639</u></u>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Decelerated depreciation of property, plant and equipment	Impairment of trade receivables	Accrued payroll	Tax losses	Expenses accrual	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018	183	29	268	1,958	—	2,438
Credited/(charged) to the combined statements of comprehensive income	<u>94</u>	<u>(6)</u>	<u>(84)</u>	<u>(1,958)</u>	<u>—</u>	<u>(1,954)</u>
At 31 December 2018	<u><u>277</u></u>	<u><u>23</u></u>	<u><u>184</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>484</u></u>
At 1 January 2019	277	23	184	—	—	484
Credited/(charged) to the combined statements of comprehensive income	<u>119</u>	<u>(23)</u>	<u>23</u>	<u>—</u>	<u>196</u>	<u>315</u>
At 31 December 2019	<u><u>396</u></u>	<u><u>—</u></u>	<u><u>207</u></u>	<u><u>—</u></u>	<u><u>196</u></u>	<u><u>799</u></u>
At 1 January 2020	396	—	207	—	196	799
Credited/(charged) the combined statements of comprehensive income	<u>125</u>	<u>13</u>	<u>2</u>	<u>—</u>	<u>(196)</u>	<u>(56)</u>
At 31 December 2020	<u><u>521</u></u>	<u><u>13</u></u>	<u><u>209</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>743</u></u>

Deferred income tax liabilities	Accelerated depreciation of property, plant and equipment
	<i>RMB'000</i>
At 1 January 2018, 2019 and 2020	—
Charged to the combined statements of comprehensive income	<u>(104)</u>
At 31 December 2020	<u><u>(104)</u></u>

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30 OTHER LIABILITIES

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Retention payable for construction projects (a)			
Current	—	—	17,892
Non-current	—	17,892	—
	—	17,892	17,892
Warehouse lease arrangements (b)			
Advance from lessee (i)			
— Current portion	6,825	15,167	15,167
— Non-current portion	21,854	40,732	26,225
	28,679	55,899	41,392
Payable to LZ Assets — non-current (ii)	38,162	88,380	92,489
	66,841	144,279	133,881
Grand total	66,841	162,171	151,773
Presented on the balance sheet as:			
Other liabilities — current portion	6,825	15,167	33,059
Other liabilities — non-current portion	60,016	147,004	118,714
	66,841	162,171	151,773

(a) Retention payable for construction projects

According to the construction contracts with the contractors of the Group’s buildings under property, plant and equipment and investment properties, 10% of the total payables for construction cost was set aside as retention fund with a warranty period of 2 years from the date of inspection for certification of completion of the buildings.

(b) Warehouse lease arrangements

In October 2018 and December 2018, HC Environmental entered into two gold mine hazardous waste storage warehouse lease agreements with Laizhou City State-owned Assets Management Company Limited (萊州市國有資產經營有限公司, “LZ Assets”), a state-owned enterprise. LZ Assets advanced RMB72 million in the fourth quarter of 2018 and RMB88 million in the first half year of 2019, totalling RMB160 million, to HC Environmental for leases of two warehouses at an annual rental of RMB3.6 million from 1 November 2018 for the first warehouse; and RMB4.4 million from 1 January 2019 for the second warehouse, totalling RMB8 million per annum.

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Both LZ Assets and HC Environmental agreed that the minimum term of the lease period shall be five years from the respective lease commencement dates, unless the cyanide tailings in the warehouse is put for tender through public bidding for detoxing treatment during the five year term, and HC Environmental wins the tender, by then the lease term will terminate and the treatment fee will then be firstly deducted from the remaining amount of the advanced payment made by LZ Assets. From the sixth year since the signing date of the lease agreements, either LZ Assets or HC Environmental has the right to terminate the lease arrangement by paying an amount equivalent to one year rental, being RMB8 million, as compensation, and HC Environmental will be required to repay the remaining balance of the advances to LZ Assets within three years, being 20% for the first year, 30% for the second year and full repayment in the third year, from the receipt of the notice of termination of the lease agreements.

The Group considers there is a likelihood that LZ Assets will exercise the right to terminate the lease agreements upon expiry of the 5 years committed lease term upon which the Group would have an obligation to pay LZ Assets RMB50.4 million and RMB61.6 million totalling RMB112 million, being the total advances of RMB160 million less 5 years of rental income of RMB40 million and compensation of RMB8 million upon the expiry of the 5 years lease terms in October and December 2023 for the two warehouses, respectively. Accordingly, on initial recognition, the obligations to pay back LZ Assets of RMB50.4 million and RMB61.6 million was recorded as payables to LZ Assets under other liabilities, and based on the present value of the amount to be payable to LZ Assets under the contracts. The remaining balances were recorded as advance from lessee. The discount rate applied in deriving the present value of the payable was the current market rate available to the Group for similar financial instruments. Accordingly, as at 31 December 2018, 2019 and 2020, the Group had long-term payables to LZ Assets amounting to RMB38,162,000, RMB88,380,000 and RMB92,489,000, respectively.

The difference between the advance of RMB160 million and the payable to LZ Assets was recognized as advances from lessee. As at 31 December 2018, 2019 and 2020, the Group recognized advances from lessee of RMB28,679,000, RMB55,899,000 and RMB41,392,000 respectively, of which advances from lessee to be realized in one year was recognized as current portion amounting to RMB6,825,000, RMB15,167,000, RMB15,167,000 respectively and the remaining part was recognized as non-current portion amounting to RMB21,854,000, RMB40,732,000 and RMB26,225,000 respectively.

The advances from lessee was amortized as rental income evenly over 5 years. The rental income recognized for the years ended 31 December 2018, 2019 and 2020 was RMB1,083,000, RMB14,490,000 and RMB14,507,000 respectively (Note 5).

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31 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	40,236	63,413	96,489
Adjustments for			
— (Gains)/loss on disposal of property, plant and equipment and others (<i>Note 7</i>)	(71)	232	(50)
— Finance costs — net (<i>Note 10</i>)	2,910	5,223	6,043
— Depreciation of right-of-use assets (<i>Note 13</i>)	782	894	1,129
— Depreciation of property, plant and equipment (<i>Note 14</i>)	2,480	4,396	8,035
— Depreciation of investment property (<i>Note 15</i>)	792	3,410	4,386
— Amortisation of intangible assets (<i>Note 16</i>)	—	6	7
— Reversal/(provision) of impairment on financial assets	(22)	(93)	113
Changes in working capital:			
— Inventories	(119)	(12,739)	(6,720)
— Contract liabilities	9,645	2,773	(4,414)
— Advances from lessee	28,679	27,220	(14,507)
— Trade and other payables	(18,772)	(88)	11,716
— Trade and other receivables and prepayments	23,995	20,859	(22,098)
Net cash generated from operating activities	<u>90,535</u>	<u>115,506</u>	<u>80,129</u>

(b) Proceeds from disposal of properties, plant and equipment:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net book value (<i>Note 14</i>)	329	1,429	190
Gains/(losses) on disposal of property, plant and equipment (<i>Note 7</i>)	<u>71</u>	<u>(45)</u>	<u>50</u>
Proceeds from the disposal	<u>400</u>	<u>1,384</u>	<u>240</u>

(c) Proceeds from disposal of other assets

During the year ended 31 December 2019, the Group disposed certain financial leasing equipment with net book value of RMB547,000 and record a loss of RMB187,000. In this transaction the Group received cash proceeds of RMB360,000.

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(d) Reconciliation of liabilities arising from financing activities

	Bank borrowings and interest payable <i>RMB'000</i>	Lease liabilities and bills payables related to purchase of land use rights <i>RMB'000</i>	Amount due to the Controlling Shareholder <i>RMB'000</i>	Payable to LZ Assets <i>RMB'000</i>	Total <i>RMB'000</i>
Total debt as at 1 January 2018	43,460	1,497	42,607	—	87,564
Cash flows arising from financing activities	(14,980)	(1,053)	8,072	37,874	29,913
Cash flows arising from operating activities	(2,617)	—	—	—	(2,617)
New leases	—	14,332	—	—	14,332
Amortization of borrowing costs	2,617	118	—	288	3,023
Total debt as at 31 December 2018	28,480	14,894	50,679	38,162	132,215
Cash flows arising from financing activities	3,520	(14,398)	(27,107)	46,290	8,305
Cash flows arising from operating activities	(1,411)	—	—	—	(1,411)
Cash flows arising from investing activities	(370)	—	—	—	(370)
New leases	—	665	—	665	—
Amortization of borrowing costs	1,781	60	—	3,928	5,769
Total debt as at 31 December 2019	32,000	1,221	23,572	88,380	145,173
Cash flows arising from financing activities	10,000	(526)	19,615	—	29,089
Cash flows arising from operating activities	(1,846)	—	—	—	(1,846)
Non-cash transaction	—	—	(41,720)	—	(41,720)
New leases	—	820	—	—	820
Amortization of borrowing costs	1,846	70	—	4,109	6,025
Total debt as at 31 December 2020	42,000	1,585	1,467	92,489	137,541

(e) Non-cash transactions

(a) Non-cash transaction during the year ended 31 December 2018 comprise:

- (i) Purchase of land use rights and construction projects amounting to RMB11,500,000 for the year ended 31 December 2018 was settled by the issuance of bills payable to the suppliers.

(b) Non-cash transactions during the year ended 31 December 2020 comprise:

- (i) According to an agreement between Zhonglian Cement and the Controlling Shareholder, an amount due from Zhonglian Cement of RMB14,200,000 was settled by offsetting the amount due to the Controlling Shareholder.
- (ii) During the year ended 31 December 2020, the consideration receivable of RMB2,850,000 in respect of the disposal of Hexingten Banner Gold Mining Limited as detailed in Note 1.2(4) was settled by offsetting amount due to the Controlling Shareholder of the same amount.

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- (iii) During the year ended 31 December 2020, the consideration receivable of RMB24,670,000 in respect of the disposal of Zhonglian Cement as detailed in Note 1.2(4) was settled by offsetting with the payable to the Controlling Shareholder.

32 COMMITMENTS

Capital commitments

(a) Significant capital expenditure commitments:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Contracted but not recognised as liabilities			
— Commitments for construction and acquisition of property, plant and equipment	176,667	2,887	3,408

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The Controlling Shareholder, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Related parties of the Group

Name of related parties	Relationship
Beijing Yutaida (北京鈺泰達科技有限公司)	Controlled by the Controlling Shareholder
Zhonglian Cement (煙臺中聯水泥有限公司)	Controlled by the Controlling Shareholder
Laizhou Hongxiang New Building Materials Co., Ltd. (萊州市鴻祥新型建材有限公司)	Controlled by the Controlling Shareholder
Laizhou Coast Building Materials Co., Ltd. (萊州市海岸建材有限公司)	Controlled by the Controlling Shareholder
Laizhou Hengchang Building Materials Co., Ltd. (萊州市恒昌建材有限公司)	Controlled by the Controlling Shareholder
Laizhou Jiaming da New Building Materials Co., Ltd. (萊州市嘉銘達新型建材有限公司)	Controlled by the father of the Controlling Shareholder
Mr. Liu Zeming (劉澤銘)	The Controlling Shareholder, Chairman and executive director
Ms. Li Liyan	Spouse of the Controlling Shareholder
Ms. Lv Huamin	Mother of the Controlling Shareholder
Mr. Liu Yuansheng	Father of the Controlling Shareholder

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at the respective balance sheet dates.

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(b) Transactions with related parties

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Discontinued transactions:			
(i) Increase in amounts due from related parties			
Advance to Beijing Yutaida	—	94,642	—
Loans to Zhonglian Cement	91,871	66,668	30,103
	<u>91,871</u>	<u>161,310</u>	<u>30,103</u>
(ii) Increase in amounts due to the Controlling Shareholder	<u>60,450</u>	<u>67,687</u>	<u>87,255</u>
(iii) Interest charged to a related party	<u>—</u>	<u>6,460</u>	<u>5,144</u>
(iv) Purchases of goods and services			
Yantai Zhonglian Cement Co., Ltd.	—	1,000	960
Beijing Yutaida Technology Co., Ltd.	—	849	955
Laizhou Hengchang Building Materials Co., Ltd.	—	—	463
Laizhou Coast Building Materials Co., Ltd.	—	—	386
	<u>—</u>	<u>1,849</u>	<u>2,764</u>
(v) Sale of goods to related parties			
Laizhou Hongxiang New Building Materials Co., Ltd.	—	741	413
Yantai Zhonglian Cement Co., Ltd.	2,542	—	—
	<u>2,542</u>	<u>741</u>	<u>413</u>
(vi) Guarantees provided by related parties for the Group’s			
Bank borrowings	<u>28,480</u>	<u>32,000</u>	<u>10,000</u>

As at 31 December 2018, the Group’s short-term borrowings of RMB28,480,000 was guaranteed by the Controlling Shareholder together with Ms. Lv Huamin and Mr. Liu Yuansheng pursuant to the guarantee agreements between these individuals and the banks. The guarantees were free of charge and had been released upon the full repayment of the borrowings. And the borrowings were secured by the property, plant and equipment of Laizhou Jiaming da New Building Materials Co., Ltd. as at 31 December 2018.

As at 31 December 2019, the Group’s short-term borrowings of RMB32,000,000 was guaranteed by the Controlling Shareholder together with Ms. Lv Huamin pursuant to the guarantee agreements between these individuals and the banks. The guarantees were free of charge and had been released upon the full repayment of the borrowings. And the borrowings were secured by the property, plant and equipment of Zhonglian Cement as at 31 December 2019.

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As at 31 December 2020, the Group’s long-term borrowings of RMB10,000,000 were guaranteed by Ms. Li Liyan, the spouse of the Controlling Shareholder. The guarantee was released by end of February 2021.

(c) **Balances with related parties**

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(i) Amounts due from:			
Amount due from related parties			
Non-trade			
Zhonglian Cement	86,295	98,434	33,579
Beijing Yutaida	<u>—</u>	<u>39,719</u>	<u>—</u>
Subtotal	<u>86,295</u>	<u>138,153</u>	<u>33,579</u>
Trade			
Laizhou Hongxiang New Building Materials Co., Ltd.	—	742	—
Laizhou Hengchang Building Materials Co., Ltd.	<u>—</u>	<u>180</u>	<u>308</u>
	<u>—</u>	<u>922</u>	<u>308</u>
Total	<u>86,295</u>	<u>139,075</u>	<u>33,887</u>

The aging of the amounts due from related parties in trade nature is less than one year.

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Except for the amount due from Yantai Zhonglian Cement, which was unsecured, bearing an interest at 6.86% per annum and repayable within one year, the other amounts due from related parties were unsecured, non-interest bearing and repayable on demand.

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(ii) Amounts due to:			
Dividends payable			
The Controlling Shareholder	—	—	46,980
Ms. Lv Huamin	—	—	<u>5,220</u>
	<u>—</u>	<u>—</u>	<u>52,200</u>
Amount due to the Controlling Shareholder			
Non-trade			
The Controlling Shareholder	<u>50,679</u>	<u>23,572</u>	<u>8,217</u>

As at 20 January 2020, HC Environmental held a shareholder’s meeting and declared to distribute the profit realized in 2019 and previous years as dividends in the total amount of RMB58,000,000 to the then shareholders in proportion to their shareholding. The dividends will be settled by batches, being 10% in 2020, 20% in 2021 and 70% in 2022, being RMB5,800,000, RMB11,600,000 and RMB40,600,000 respectively. In December 2020, the first batch of dividend payment of RMB5,800,000 was offset with the amount due from a related party, Zhonglian Cement, according to an offsetting agreement between the parties.

The amount due to the Controlling Shareholder as at 31 December 2018 and 2020 were unsecured, non-interest bearing and repayable on demand.

[All non-trade balances will be settled prior to the [REDACTED].]

(d) Key management compensation

Key management includes directors (executive and non-executive), executive officers, and the Company Secretary. The compensation paid or payable to key management for employee services is as follows:

	Year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Salaries and bonus	561	1,228	1,357
— Other benefits	<u>80</u>	<u>163</u>	<u>58</u>
	<u>641</u>	<u>1,391</u>	<u>1,415</u>

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34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2018, 2019 and 2020 are set out as follows:

Name of Directors	Basic salaries <i>RMB'000</i>	Bonus <i>RMB'000</i>	Welfare, medical and other expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2018				
Executive directors				
The Controlling Shareholder	99	—	19	118
Mr. Zhan Yirong	96	—	12	108
Mr. Sheng Haiyan	<u>117</u>	<u>—</u>	<u>11</u>	<u>128</u>
	<u>312</u>	<u>—</u>	<u>42</u>	<u>354</u>
Year ended 31 December 2019				
Executive directors				
The Controlling Shareholder	171	—	33	204
Mr. Zhan Yirong	188	—	21	209
Mr. Sheng Haiyan	<u>338</u>	<u>—</u>	<u>24</u>	<u>362</u>
	<u>697</u>	<u>—</u>	<u>78</u>	<u>775</u>
Year ended 31 December 2020				
Executive directors				
The Controlling Shareholder	241	—	11	252
Mr. Zhan Yirong	183	—	8	191
Mr. Sheng Haiyan	<u>339</u>	<u>—</u>	<u>11</u>	<u>350</u>
	<u>763</u>	<u>—</u>	<u>30</u>	<u>793</u>

(b) Directors’ retirement benefits

There were no retirement benefits paid to or receivable by any Directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertakings during the Track Record Period.

(c) Directors’ termination benefits

There were no termination benefits paid to or receivable by any Director during the Track Record Period.

(d) Consideration provided to third parties for making available directors’ services

No payment was made to the former employer of Directors for making available the services of them as a Director of the Company during the Track Record Period.

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(e) Information about loans, quasi-loans and other dealings in favour of directors

Other than those disclosed in Note 33(b), there were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors during the Track Record Period.

(f) Directors’ material interests in transactions, arrangements or contracts

Other than those as disclosed in Note 33(b), there are no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

35 CONTINGENCIES

As at 31 December 2018, 2019 and 2020, the Group had no material contingencies.

36 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

As at 20 January 2020, HC Environmental held a shareholder’s meeting and declared to distribute the profit realized in 2019 and previous years as dividends in the total amount of RMB58,000,000 to the then shareholders in proportion to their shareholding.

37 SUBSEQUENT EVENTS

[•]

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III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 December 2020. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any companies comprising the Group in respect of any period subsequent to 31 December 2020.