淮北綠金產業投資股份有限公司

HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.*

(A joint stock company incorporated in the People's Republic of China with limited liability)

STOCK CODE：2450

2022
ANNUAL REPORT

** For identification purposes only*

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Yong *(Chairman)*
Ms. Zhao Li
Mr. Mao Hongxian
Mr. Qin Jiapeng
Mr. Zhang Lizhe
Ms. Shi Yinyan *(Chief financial officer)*

Independent Non-Executive Directors
Mr. Gao Wei
Mr. Liu Chaotian
Ms. Xing Mengwei

SUPERVISORS

Ms. Zhao Mingling *(Chairperson)*
Ms. Li Chi
Ms. Dong Jing

JOINT COMPANY SECRETARIES

Ms. Shi Yinyan
Mr. Li Kin Wai *(ACG, HKACG)*

AUDIT COMMITTEE

Mr. Gao Wei *(Chairman)*
Mr. Liu Chaotian
Ms. Xing Mengwei

REMUNERATION COMMITTEE

Mr. Liu Chaotian *(Chairman)*
Mr. Gao Wei
Mr. Liu Yong

NOMINATION COMMITTEE

Mr. Liu Yong *(Chairman)*
Mr. Gao Wei
Mr. Liu Chaotian

ESG COMMITTEE

Mr. Liu Yong *(Chairman)*
Mr. Mao Hongxian
Mr. Qin Jiapeng

AUTHORISED REPRESENTATIVES

Ms. Shi Yinyan
Mr. Li Kin Wai *(ACG, HKACG)*

INTERNATIONAL AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building,
10 Chater Road
Central, Hong Kong

LEGAL ADVISORS

as to Hong Kong laws
DeHeng Law Offices (Hong Kong) LLP

as to PRC laws
Beijing Deheng Law Offices

COMPLIANCE ADVISER

China Everbright Capital Limited

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

4/F
Shuangchuang Service Centre
No. 3 Taobo Road
Song Tuan Town, Lieshan District
Huaibei City
Anhui Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Co., Ltd. (Huaibei Huaihai Road Branch)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK NAME

HUAIBEI GD CO

STOCK CODE

2450

COMPANY'S WEBSITE

http://www.ljgfjt.com/

Chairman's Statement

On behalf of the Board of Directors, I am pleased to submit the Annual Report of HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.* (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022.

In 2022, through the efforts of our management and staff, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 20 January 2023. The proceeds from the Global Offering will be used in respect of our Phase II Gaoloushan Mine so as to expand the permitted extraction volume and our mining capacities as well as to fund our working capital.

During the year ended 31 December 2022, the Group recorded a revenue of approximately RMB407.71 million, representing an increase of approximately 10.09% from approximately RMB370.33 million for the year ended 31 December 2021. The profit attributable to owners of the Group was approximately RMB67.41 million for the year ended 31 December 2022, representing an increase of approximately 4.17% from approximately RMB64.71 million for the year ended 31 December 2021.Increase in net profits were due to the increase in sales volume of our products for the year ended 31 December 2022.

During the year under review, we have been focusing on Phase II of our Gaoloushan Project, which is located in Huaibei City, Anhui Province. We obtained the Phase II Mining Licence, which increased the designated mining area to 0.8777 km^2 and the permitted maximum production volume to 8 million tonnes per annum. The estimated mine life of our Gaoloushan Mine is 18 years based on the probable reserves of the mine and the anticipated annual production of up to 8 million tonnes in 2031 pursuant to our development plan. We mine the limestone in our Gaoloushan Mine and process the mined limestone at our nearby production facilities into our aggregate products, which are produced by way of conventional open-pit mining blasting and on-site crushing and screening. We have produced approximately 4.2 million tonnes of aggregate products for the year ended 31 December 2022.

The real estate industry is one of the important economic industries in Huaibei City. Construction activities will continue to increase with expected economy development in the following years, and there will be thriving demand for construction aggregates in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City, along with the positive polices carried out by the local government to support and encourage the development of fundamental infrastructure. In anticipation of the increasing demands of aggregate products, the sales value (i.e. sales volume multiplied by unit price) of construction aggregates in Huaibei City and its surrounding cities is expected to increase.

In 2023, it is expected our new production plant with a nameplate capacity of 8.0 million tonnes per annum will begin trial production. Looking ahead, we plan to gradually increase our annual production volume from 3.5 million tonnes to ultimately 8 million tonnes in 2031 with a view to meeting the increasing demand of aggregate products from our existing customers and potential customers who are expected to benefit from the economic development in Huaibei City and surrounding cities. Leveraging on our established presence in the region as we are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) in terms of sales volume in 2021, we believe that we are able to capture the increasing demand arises from the effective implementation of the above governmental measures and therefore bring positive impact on the business and financial performance of our Group in the future.

Chairman's Statement

In closing, on behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their continuous support and confidence in the Group. I must also thank our staff for their efforts and dedication. Our people are the backbone of our Company and the architects of our future.

Liu Yong
Chairman of the Board and Executive Director
淮北綠金產業投資股份有限公司
HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.*
Huaibei, the PRC, 29 March 2023

Financial Highlights

Operating Results	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Revenue	**407,709**	370,327	10.09
Profit before income tax	**140,057**	132,771	5.49
Profit for the year attributable to owners of the Company	**67,410**	64,706	4.17
Earnings per share for profit attributable to owners of the Company *(expressed in RMB per share)*	**0.34**	0.33	3.03
Diluted earnings per share *(expressed in RMB per share)*	**0.34**	0.33	3.03

Financial Position	As at 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*(%)*
Total assets	**2,292,652**	2,340,339	-2.04
Total liabilities	**1,749,905**	1,882,850	-7.06
Total equity	**542,747**	457,489	18.64
Equity attributable to owners of the Company	**371,534**	304,124	22.16

Financial Summary

	For the year ended 31 December			
	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
Revenue	**407,709**	370,327	506,382	492,542
Profit before income tax	**140,057**	132,771	243,642	225,334
Income tax expenses	**34,999**	33,877	61,129	56,458
Profit for the year attributable to owners of the Company	**67,410**	64,706	124,188	114,000
Profit for the year	**105,058**	98,894	182,513	168,876

	As at 31 December			
	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Total assets	**2,292,652**	2,340,339	702,015	796,388
Total liabilities	**1,749,905**	1,882,850	194,943	197,146
Total equity	**542,747**	457,489	507,072	599,242

Management Discussion and Analysis

OVERVIEW

The Group is a construction materials provider with state-owned background located in Huaibei City, Anhui Province. The main products of the Group include: aggregate products mined and processed by a subsidiary, Huaibei Tongming Mining Co., Ltd. ("Tongming Mining"), in the Gaoloushan Mine located in Lieshan District, Huaibei City and concrete products produced and manufactured by a subsidiary, Huaibei Liantong Municipal Engineering Co., Ltd. ("Liantong Municipal"), in Xiangshan District, Huaibei City. The Group mainly sells aggregate products and concrete products to construction companies, building materials companies and wholesalers. According to a report from China Insights Industry Consultancy Limited, an industry expert, Tongming Mining is the third largest construction aggregates producer in the markets of Huaibei City and its surrounding cities including Suzhou City and Bozhou City with the market share of approximately 12.9% in 2021 in terms of sales volume. Liantong Municipal is the fifth largest asphalt concrete supplier in Huaibei City with the market share of approximately 7.4% in 2020 in terms of sales volume.

The Gaoloushan Project is located in Gaoloushan in Song Tuan Town, Lieshan District, Huaibei City, Anhui Province. The Phase I Processing Plant of aggregate products is connected to other parts of Huaibei City via the Anhui Provincial Highway S101. Apart from Huaibei City, we have access to Suzhou City in the south via the G3 Expressway and other roads, and Bozhou City in the west via National Expressway G237 and other paved roads. Such transportation network provides a convenient network for the transportation of the aggregate products to Huaibei City and the surrounding areas, including Suzhou City and Bozhou City. In addition, the production premises of the concrete products are located in Xiangshan District, Huaibei City.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Aggregate products output

For the year ended 31 December 2022, the Group's total output of aggregate products amounted to 4.2 million tonnes, representing an increase of approximately 22.06% as compared to the previous year.

Revenue

The Group's business generally maintained a stable growth despite the occurrence of recurrent waves and outbreaks of COVID-19 in 2022.

In 2022, the revenue from sales of aggregate products and others of the Group amounted to RMB283.93 million, representing an increase of 10.96% as compared to that in 2021, mainly due to the increase in the sales volume of aggregate products of the Group from 3,444.5 thousand tonnes in 2021 to 4,204.5 thousand tonnes in 2022, representing an increase of 22.06%. Such increase is mainly due to the aggregate products generated from construction of the infrastructure of our Gaoloushan Project (Phase II).

In 2022, the revenue from sales of ready-mixed concrete of the Group amounted to RMB105.21 million, representing an increase of 6.91% as compared to that in 2021, mainly due to the increase in the sales volume of ready-mixed concrete of the Group from 202.2 thousand m^3 in 2021 to 232.8 thousand m^3 in 2022, representing an increase of 15.13%. This was mainly due to the increase in property construction projects such as the quarantine facilities in 2022.

In 2022, the revenue from sales of cement-stabilised macadam of the Group amounted to RMB7.39 million, representing an increase of 65.93% as compared to that in 2021, mainly due to the increase in the sales volume of cement-stabilised macadam of the Group from 31.6 thousand tonnes in 2021 to 61.8 thousand tonnes in 2022, representing an increase of 95.57%. Such increase is mainly due to the increase in the road construction projects such as Huili Road, Tonghu Road and Jusheng Road.

In 2022, the revenue from sales of asphalt concrete of the Group amounted to RMB11.18 million, representing a decrease of 3.45% as compared to that in 2021, mainly due to the decrease in the average selling price of asphalt concrete of the Group from RMB471.1 per tonne (exclusive of tax) in 2021 to RMB454.6 per tonne (exclusive of tax) in 2022, representing a decrease of 3.50%.

Net Profit

For the year ended 31 December 2022, the Group's net profit was approximately RMB105.06 million (2021: RMB98.89 million), representing an increase of approximately 6.24% as compared to the previous year. The increase in net profit was primarily due to the increase in sales volume of our products for the year ended 31 December 2022.

Dividend

The Board proposed that no payment of final dividend for the year ended 31 December 2022 is to be made by the Company.

Overview of the Construction Market

In order to stabilise the real estate sector, several favourable policies have been adopted. The "Implementation Opinions on Preferential Policies for Housing Purchases in Huaibei City" (《關於淮北市購房優惠政策的實施意見》) ("Implementation Opinions") was issued in April 2022, pursuant to which, local and non-local residents or enterprises could enjoy financial incentives and/or subsidies from the local government, financial institutions, and/or property developers when they purchase commodity properties in the urban area of Huaibei City. Such policy aims to support the residents' need for properties and promote the healthy development of the real estate market in Huaibei City. In May 2022, "Ten Measures for Huaibei City to Respond to the Epidemic Warming and Relief to Help the Real Estate Market Development Steady and Orderly" (《淮北市應對疫情暖企紓困助力房地產市場平穩有序發展十條措施》) was introduced to provide preferential policies to support aspects including land transfer, provident funds and financing etc. so as to promote the healthy development of the real estate market in Huaibei City. In June 2022, the Bengbu Housing and Urban-Rural Development Bureau (蚌埠市住房和城鄉建設局) issued the "Several Measures to Promote the Stable and Healthy Development of the Real Estate Market" (關於促進房地產市場平穩健康發展的若干措施), which sets out measures to promote the development of real estate industry, such as the provision of allowances to first-time homeowner who can fulfil the eligibility requirement (i.e. academic or occupational qualifications) and the provision of further credit support for real estate companies. "Several Measures to Continuously Promote the High-quality Development of the Construction Industry in Huaibei City" (《淮北市持續推進建築業高質量發展若干措施》) ("Several Measures") was announced in June 2022, which sets out measures to enhance the competitiveness of construction companies and promotes the development of the city's construction industry, including encouraging financial institutions to provide financing to major construction companies, providing financial incentives to construction companies reaching certain amount of output value, and optimising the bidding procedure of housing and infrastructure projects etc. On the supply side, the Directors are of the view that the above governmental measures could provide support and incentive to the property developers and construction companies to continue to invest in the real estate market and build properties, while on the demand side, measures such as (i) providing financial incentives and/or subsidies to the local and non-local residents or enterprises by the local government, financial institutions, and/or property developers when residents purchase commodity properties in the urban area of Huaibei City pursuant to the Implementation Opinions; and (ii) providing allowances to first-time homeowner who can fulfil the eligibility requirements (i.e. academic and occupational qualifications) pursuant to the Several Measures could boost up the demand of private properties. While the exact effect and actual trend from these governmental measures remain to be seen in the longer term, the Directors believe that these measures may have begun to generate some positive results. In light of the above, the Directors believe that the above measures could help stimulate and stabilise the real estate market in the foreseeable future and the construction materials industry would benefit from the future growth in the property market in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) as concrete is the key construction materials in the PRC and construction aggregate is one of the primary raw materials in producing concrete products.

Business Review

In 2022, through the efforts of the management and its staff, the Group was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 January 2023. The proceeds from the Global Offering will be used in respect of the Gaoloushan Project (Phase II) so as to expand the permitted extraction volume and our mining capacities as well as to fund our working capital.

Looking forward in 2023, the Group will continue to adopt its business strategies of expanding the production volume by implementing the Gaoloushan Project (Phase II), and achieved quantitative and qualitative growth in business expansion throughout the year.

Progress of basic construction projects

During the year ended 31 December 2022, we have been focusing on Phase II of the Gaoloushan Project, which is located in Huaibei City, Anhui Province. We obtained the Phase II Mining Licence, which increased the designated mining area to 0.8777 km^2 and the permitted maximum production volume to 8 million tonnes per annum. The estimated mine life of the Gaoloushan Mine is 18 years based on the probable reserves of the mine and the anticipated annual production of up to 8 million tonnes in 2031 pursuant to the development plan. We mine the limestone in the Gaoloushan Mine and process the mined limestone at the nearby production facilities into the aggregate products, which are produced by way of conventional open-pit mining and on-site crushing and screening.

Safety and environmental protection

The Group adheres to the safety and environmental protection policies of "Safety First, Precaution Foremost and Comprehensive Treatment" and "Equal Emphasis on Both Resources Development and Environmental Protection" earnestly to ensure its production safety and environmental protection. In 2022, the Group achieved its target of production safety. The environmental protection was stringently observed in compliance with the relevant national laws and regulations.

Table 1: Mineral Resource of Gaoloushan Mine as at 31 December 2022

Domain	Mineral Resource category	Volume ('000 m^3)	Tonnes (kt)
Limestone	Indicated	60,426	163,151
	Inferred	1,601	4,323
	Total	62,027	167,474
Diorite	Indicated	5,656	14,819
	Inferred	403	1,056
	Total	6,059	15,875
Total	Indicated	66,082	177,970
	Inferred	2,004	5,379
	Total	68,086	183,349

Note:
The Mineral Resource has been limited to the area within the Phase II Mining Licence. The latest topography of the project area as at 30 June 2021 was used to clip the defined aggregate Mineral Resources to reflect the resources extracted from the current pit. Production between 30 June 2021 and 31 December 2022 has been depleted from the Mineral Resource.Both D1 Limestone and D2 Diorite domains are considered generally suitable for the production of construction aggregates with different potential applications; bulk density used: 2.70 t/m^3 for D1, and 2.62 t/m^3 for D2. Appropriate rounding has been applied to tonnages and grades, which may result in apparent summation differences between tonnes, grade, and contained mineral content. SRK Consulting (Hong Kong) Limited ("SRK") does not consider these differences to be material. Other assumptions remain unchanged, compared with those used in the previous disclosed estimates and can be found in Appendix VII of the prospectus of the Company dated 30 December 2022 ("Prospectus").

Competent Persons Statement:
The information in this Report that relates to Mineral Resources is based on information compiled by Dr. (Gavin) Heung Ngai Chan, who is a Fellow of The Australasian Institute of Geoscientists (AIG). He is a full-time employee of SRK and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves ("JORC Code"). Dr. Chan consents to the inclusion in the Report of the Mineral Resources in the form and context which it appears.

Table 2: Ore Reserve of Gaoloushan Mine as at 31 December 2022

Domain	**Reserve Category**	**Volume** *('000 m³)*	**Tonnes** *(kt)*
Limestone	Probable	46,602	125,824
Total		46,602	125,824

Note:
Ore Reserve is inclusive of Mineral Resource with a 2% mining loss is factored. The Ore Reserve has been updated by depleting the production between 30 June 2021 and 31 December 2022. Appropriate rounding has been applied to tonnages and grades, which may result in apparent summation differences between tonnes, grade, and contained mineral content. SRK does not consider these differences to be material. Other assumptions remain unchanged, compared with those used in the previous disclosed estimates and can be found in Appendix VII of the Prospectus.

Competent Person Statement:
The information in this Report that relates to Ore Reserves is based on information compiled by Falong Hu, who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). He is a full-time employee of SRK Consulting (China) Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2012 Edition of the JORC Code. Falong Hu consents to the inclusion in the Report of the Ore Reserves in the form and context which it appears. The assumptions remain unchanged, compared with those used in the previous disclosed estimates and can be found in Appendix VII of the Prospectus.

FINANCIAL REVIEW

Operating Results

The COVID-19 pandemic did not have any material adverse impact on the Group's operating results during the year ended 31 December 2022. In 2022, the revenue of the Group amounted to RMB407.71 million, representing an increase of 10.09% as compared to RMB370.33 million in 2021; the Group focused on the implementation plan of our development programme to increase our production of aggregate products and facilitate our sales volume of aggregate products and concrete products.

In 2022, there were no significant changes to the general business model of the Group, and our business generally maintained a stable growth despite the occurrence of recurrent waves and outbreaks of COVID-19.

With the aim of further developing our business and maintaining our growth momentum, we have (i) acquired the land use rights of the land where the Phase II Processing Plant is expected to be constructed upon and (ii) completed the construction of mine roads, drainage and other infrastructure of our Gaoloushan Project (Phase II).

The following table sets forth the analysis on the production and sales volume of the aggregate products:

	For the year ended 31 December			
	2022		2021	
Products	**Production volume *(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)***	**Sales volume *(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)***	Production volume *(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	Sales volume *(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*
Aggregate products				
Scalping	**41.2**	**41.2**	41.2	41.2
Sand powder	**1,326.8**	**1,326.8**	1,047.3	1,047.3
0.5-1 construction aggregate	**1,121.9**	**1,121.9**	982.4	982.4
1-2 construction aggregate	**1,222.1**	**1,222.1**	935.6	935.6
1-3 construction aggregate	**386.3**	**386.3**	359.5	359.5
Others (e.g. soil and stone, mountain plots, waste materials, etc.)	**104.8**	**104.8**	78.5	78.5
Black mountain plots	**1.3**	**1.3**	–	–
Total	**4,204.5**	**4,204.5**	3,444.5	3,444.5

The following table sets forth the sales analysis by products:

Products	2022 Average selling price (RMB per m^3/tonne)	2022 Sales volume (thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	2022 Revenue RMB'000	2021 Average selling price (RMB per m^3/tonne)	2021 Sales volume (thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	2021 Revenue RMB'000
Aggregate products						
Scalping	**35.9**	**41.2**	**1,479**	39.5	41.2	1,625
Sand powder	**54.9**	**1,326.8**	**72,844**	61.1	1,047.3	63,964
0.5-1 construction aggregate	**73.5**	**1,121.9**	**82,433**	79.9	982.4	78,464
1-2 construction aggregate	**78.9**	**1,222.1**	**96,484**	86.8	935.6	81,193
1-3 construction aggregate	**75.3**	**386.3**	**29,077**	81.0	359.5	29,132
Subtotal	**68.9**	**4,098.3**	**282,317**	75.6	3,366.0	254,378
Others	**15.3**	**104.8**	**1,599**	19.2	78.5	1,510
Black mountain plots	**6.9**	**1.3**	**9**	–	–	–
Subtotal	**67.5**	**4,204.5**	**283,925**	74.3	3,444.5	255,888
Concrete products						
Ready-mixed concrete	**451.9**	**232.8**	**105,213**	486.8	202.2	98,407
Cement stabilised macadam	**119.5**	**61.8**	**7,389**	140.7	31.6	4,453
Asphalt concrete	**454.6**	**24.6**	**11,182**	471.1	24.6	11,579
Sub-total			**123,784**			114,439
Total			**407,709**			370,327

Management Discussion and Analysis

Revenue of the Principal Businesses

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2022 and 31 December 2021:

	2022			2021		
	Revenue	**Sales volume**	**Unit price**	Revenue	Sales volume	Unit price
	RMB'000	***Thousand tonnes/m³***	***RMB per tonne/m³***	*RMB'000*	*Thousand tonnes/m³*	*RMB per tonne/m³*
Sales of aggregate products and others (including black mountain plots)						
– Aggregate products and others	**283,925**	**4,204.5**	**67.5**	255,888	3,444.5	74.3
Sales of concrete products						
– Ready-mixed concrete	**105,213**	**232.8**	**451.9**	98,407	202.2	486.8
– Cement-stabilised macadam	**7,389**	**61.8**	**119.5**	4,453	31.6	140.7
– Asphalt concrete	**11,182**	**24.6**	**454.6**	11,579	24.6	471.1
	123,784			114,439		
Total	**407,709**			370,327		

In 2022, the revenue from sales of aggregates products and others (including black mountain plots) of the Group amounted to RMB283.93 million, representing an increase of 10.96% as compared to that in 2021, which is due to the combined effect of (i) the increase in the sales volume of aggregate products and others (including black mountain plots) of the Group from 3,444.5 thousand tonnes in 2021 to 4,204.5 thousand tonnes in 2022, representing an increase of 22.06%; and (ii) the decrease in the average selling price of aggregate products and others (including black mountain plots) from RMB74.3 per tonne (exclusive of tax) in 2021 to RMB67.5 per tonne (exclusive of tax) in 2022, representing a decrease of 9.15%.

In 2022, the revenue from sales of ready-mixed concrete of the Group amounted to RMB105.21 million, representing an increase of 6.91% as compared to that in 2021. Such increase is due to the combined effect of (i) the increase in sales volume of ready-mixed concrete of the Group from 202.2 thousand m^3 in 2021 to 232.8 thousand m^3 in 2022, representing an increase of 15.13%; and (ii) the decrease in the average selling price of ready-mixed concrete of the Group from RMB486.8 per m^3 (exclusive of tax) in 2021 to RMB451.9 per m^3 (exclusive of tax) in 2022, representing a decrease of 7.17%.

In 2022, the revenue from sales of cement-stabilised macadam of the Group amounted to RMB7.39 million, representing an increase of 66.07% as compared to that in 2021. Such increase is due to the combined effect of (i) the increase in the sales volume of cement-stabilised macadam of the Group from 31.6 thousand tonnes in 2021 to 61.8 thousand tonnes in 2022, representing an increase of 95.57%; and (ii) the decrease in the average selling price of cement-stablised macadam of the Group from RMB140.7 per tonne (exclusive of tax) in 2021 to RMB119.5 per tonne (exclusive of tax) in 2022, representing a decrease of 15.07%.

In 2022, the revenue from sales of asphalt concrete of the Group amounted to RMB11.18 million, representing a decrease of 3.45% as compared to that in 2021. Such decrease is due to the decrease in the average selling price of asphalt concrete of the Group from RMB471.1 per tonne (exclusive of tax) in 2021 to RMB454.6 per tonne (exclusive of tax) in 2022, representing a decrease of 3.50%.

Gross profit and gross profit margin

In 2022, the gross profit of the Group amounted to RMB194.82 million, representing an increase of RMB16.47 million as compared to RMB178.35 million in 2021. The gross profit margin in 2022 was 48%, remaining constant as compared to 48% in 2021.

Cost of sales

For the year ended 31 December 2022, the Group's cost of sales was approximately RMB212.89 million (2021: RMB191.98 million), representing an increase of approximately 10.89% (2021: a decrease of approximately 11.88%) as compared to the previous year. The increase was mainly due to (i) the increase in depreciation and amortization resulted from the increase in the property, plant and equipment, and (ii) the increase in raw material resulted from the increase in sale volume of our products.

	For the year ended 31 December			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Raw material	**87,170**	**41.0**	77,551	40.4
Subcontracting fees	**25,581**	**12.0**	25,252	13.2
Depreciation and amortisation	**56,672**	**26.6**	47,882	24.9
Staff cost	**17,241**	**8.1**	17,701	9.2
Utilities	**6,140**	**2.9**	6,252	3.3
Vehicle expense	**10,031**	**4.7**	9,669	5.0
Others	**10,058**	**4.7**	7,671	4.0
Total	**212,893**	**100**	191,978	100

Capital expenditures

During the year ended 31 December 2022, the Group's capital expenditures were approximately RMB297.0 million (2021: RMB725.4 million), representing a decrease of approximately 59.1%.

Other income

During the year ended 31 December 2022, the Group's other income were approximately RMB9.86 million (2021: RMB20.89 million), representing a decrease of approximately 52.8% (2021: an increase of approximately 252.6%) as compared to the previous year. The decrease in other income was mainly due to the decrease in interest income of approximately RMB14 million as compared to the previous year.

Administrative expenses

In 2022, the administrative expenses of the Group increased by 6.7% (2021: an increase of approximately 43.9%) to RMB19.41 million from RMB18.19 million in 2021, primarily due to the increase in the amount of taxes and surcharges in 2022, as well as the increase in the expenses of the Group's administrative personnel.

Impairment reversal on trade receivables

The Group's net trade receivables reversal were approximately RMB25.81 million during the year ended 31 December 2022 (2021: RMB6.1 million), representing an increase of approximately 324.8% (2021: a change from impairment loss of 33.02 million to impairment reversal of 6.08 million) as compared to the previous year. The increase was mainly due to the increase in recovery of the trade receivables by successful lawsuit in 2022.

Finance costs

In 2022, the financial costs of the Group were RMB71.01 million, representing an increase of RMB16.66 million as compared to RMB54.35 million in 2021, primarily due to the increase of interest expenses on the mining rights payables of Gaoloushan Project (Phase II) in 2022.

Management Discussion and Analysis

Income tax expenses

For the year ended 31 December 2022, the Group's income tax expenses increased by approximately RMB1,122,000 as compared to the previous year. The increase was primarily due to the increase in deferred income tax as a result of the higher reversal of bad debts on accounts receivable in 2022 as compared to 2021. During the year ended 31 December 2022, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2021: 25%) on the taxable income (except for the high and new technology enterprises and western-region-development subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2022. The Group did not incur any Hong Kong profits tax during the year ended 31 December 2022. The effective tax rate of the Group is approximately 25% during the year ended 31 December 2022 (2021: 25%).

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2022, the Group's profit attributable to the equity shareholders of the Company was approximately RMB67.41 million, representing an increase of approximately 4.2% from approximately RMB64.71 million in 2021.

Financial condition

In 2022, total equity increased from RMB457.49 million in 2021 to RMB542.75 million, mainly due to the profit in 2022. The total assets decreased from RMB2,340.34 million in 2021 to RMB2,292.65 million, mainly due to the decrease in cash at bank and on hand of Tongming Mining as a result of the payment for Phase II mining rights, land and prepayment of engineering equipment to Huaibei Huaihai Construction Engineering Co., Ltd..

Liquidity and financial resources

As at 31 December 2022, the Group had a total of RMB40.68 million in cash and cash equivalents, a decrease of RMB540.99 million from RMB581.67 million in 2021, mainly due to the payment for Phase II mining rights, land and prepayment of engineering equipment to Huaibei Huaihai Construction Engineering Co., Ltd. for Tongming Mining.

As at 31 December 2022, guarantees and pledge provided by the Group to related parties amounted to RMB383 million.

Cash flows and working capital

The Group's cash and cash equivalents have decreased from approximately RMB581.67 million as at 31 December 2021 to approximately RMB40.68 million as at 31 December 2022. The decrease was mainly due to the payment of Phase II mining rights, land, and advance payment for engineering equipment of Huaibei Huaihai Construction Engineering Co., Ltd. for Tongming Mining.

As at 31 December 2022, the cash and cash equivalents of the Group denominated in Renminbi amounted to approximately RMB40.68 million (2021: RMB581.67 million).

Borrowings

As at 31 December 2022, the Group had outstanding bank loans of approximately RMB900.37 million (2021: RMB934.87 million), of which approximately RMB36.60 million (2021: RMB34.50 million) must be repaid within one year, approximately RMB592.27 million (2021: RMB36.60 million) must be repaid after one year but within two years, approximately RMB136.20 million (2021: RMB683.07 million) must be repaid after two year but within five years and approximately RMB135.30 million (2021: RMB180.70 million) will be repayable in more than five years.

As at 31 December 2022, the bank loans were denominated in RMB. As at 31 December 2022, approximately 100% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

Gearing ratio

The Group monitors capital by gearing ratio, which is total debts divided by total assets as at the ended of the year/ period and multiplied by 100%. As at 31 December 2022, the gearing ratio of the Group was 76.3% (31 December 2021: 80.5%). As the Group's financing needs had decreased during the year ended 31 December 2022, the gearing ratio had therefore decreased.

Market risks

The Group is exposed to various types of market risks, including raw materials price and other commodities price risk, changes in interest rates and risk of change in industry policies.

Raw materials price and other commodities price risk: our competitiveness, costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices, particularly for our concrete products. The raw materials that we use in our concrete products primarily include binding materials (such as cement, mineral powder and coal ash), aggregates (such as sand) and admixtures. In the production of asphalt concrete products, the major raw materials include asphalt, aggregates and mineral powder. We procure all of our raw materials in the PRC.

Our costs of raw materials for the year ended 31 December 2022 amounted to RMB87.17 million (2021: RMB77.55 million), representing 41.0% of our total cost of sales (2021: 40.4%).

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the cash and bank deposits held by the Group, interest-bearing bank and other borrowings. The Group mainly controls its exposure to interest rate risks associated with certain cash holdings and bank deposits, interest-bearing bank and other borrowings by placing them into appropriate short-term deposits at fixed rate of interest and at the same time by borrowing loans at a mixture of fixed rates of interest.

The Group had not used any interest rate swaps to hedge its exposure to interest rate risk during the year ended 31 December 2022.

Exposure to fluctuations in exchange rates and related hedges

The Group's present operations are carried on in the PRC and all of the Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"). During the year ended 31 December 2022, the Group was not exposed to any significant foreign currency exchange risk in its operations. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure during the year ended 31 December 2022.

Risk of change in industry policies

An array of laws, regulations and rules on the construction industry in China constitute the external regulatory and legal environment for the Company's ordinary and continuous operation and have great influence on the Company's business development, production and operation, domestic and foreign trade, and capital investment etc. Changes in relevant industry policies may have corresponding effects on the Company's production and operation.

Capital structure

The H shares of the Company were listed on Main Board of the Stock Exchange on 20 January 2023 (the "Listing Date"). There has been no change in the capital structure of the Company since that date.

Information on employees

As at 31 December 2022, the Group had 152 employees (2021: 150), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB27 million, as compared to approximately RMB26 million for the year ended 31 December 2021. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

Significant investments, acquisition and disposal

During the year ended 31 December 2022, saved as disclosed in the prospectus and herein, there were no significant assets acquisition or disposal, merger or equity investments of the Company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and in the section headed "Future Plans and Use of Proceeds" in this report, the Group did not have plan for material investments and capital assets as of the date of this report.

Charges on Group assets

As at 31 December 2022, the Group have pledged time deposits of RMB173 million (2021: Nil)

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2022 (2021: Nil).

Management Discussion and Analysis

OUTLOOK

Operating Environment

The real estate industry is one of the important economic industries in Huaibei City. Construction activities will continue to increase with expected economy development in the following years, and there will be thriving demand for construction aggregates in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City, along with the positive polices carried out by the local government to support and encourage the development of fundamental infrastructure. In anticipation of the increasing demands of aggregate products, the sales value (i.e. sales volume multiplied by unit price) of construction aggregates in Huaibei City and its surrounding cities is expected to increase.

In 2023, the Group will strengthen its management, enhance the Group's overall management level and operational efficiency and explore its internal potential to ensure stabilized production of aggregates and concrete products, so as to realize stabilization in the production level of the main products.

Operational Objectives

In 2023, it is expected our new production plant with a nameplate capacity of 8.0 million tonnes per annum will begin trial production. Looking ahead, we plan to gradually increase our annual production volume from 3.5 million tonnes to ultimately 8 million tonnes in 2031 with a view to meeting the increasing demand of aggregate products from our existing customers and potential customers who are expected to benefit from the economic development in Huaibei City and surrounding cities. Leveraging on our established presence in the region as we are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) in terms of sales volume in 2021, we believe that we are able to capture the increasing demand arises from the effective implementation of the above plans and therefore bring positive impact on the business and financial performance of our Group in the future.

Phase II development plan

The implementation of the expansion plan of Gaoloushan Project (Phase II) can be carried out as scheduled, the work safety licence of Phase II Project was obtained by the end of the first quarter of 2023, and the construction of the foundation and structure, supporting facilities, and roads and other infrastructure of our Phase II Processing Plant were completed; the plan to complete installation of machinery and equipment in the second quarter of 2023 is basically implemented as scheduled. We estimate the annual production of up to 8 million tonnes in 2031 as scheduled. We are obtaining construction planning permit and land planning permit for the construction project.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Liu Yong (劉勇), age 50, has been the chairman of our Board and an executive Director since 6 December 2018. He is primarily responsible for, among others, overseeing the Board, operation and management, business coordination, safe production and business coordination of the Group.

Mr. Liu has over 17 years of relevant experience in management. From December 2017 to March 2018, he served as a director of Huaibei Construction Investment Dongming Petrochemical Oil Sales Co., Ltd. (淮北市建投東明石化油品銷售有限公司). From November 2017 to May 2018, he served as the chairman of Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司). From March 2017 to March 2018, he served as a director of Sanya Xinhu Concrete Co., Ltd.* (三亞新湖混凝土有限公司). From April 2016 to January 2019, he served as a director of Huaibei Tongming Mining Co., Ltd.* (淮北通鳴礦業有限公司) ("**Tongming Mining**"), a non-wholly owned subsidiary of our Company. From February 2016 to June 2018, he served as a director of Huaibei Liantong Municipal Engineering Co., Ltd.* (淮北連通市政工程有限公司) ("**Liantong Municipal**"), a non-wholly owned subsidiary of our Company. From July 2015 to December 2018, he served as the head of business development of Huaibei City Construction Investment Transportation Investment Co., Ltd.* (淮北市建投交通投資有限公司) ("**Huaibei Transportation Investment**"). From September 2006 to July 2015, he was an officer in Huaibei Tongchuang Financial Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司), who was responsible for managerial work.

Mr. Liu is currently also a director of Huaibei Tongtai Tongjin Mining Co., Ltd.* (淮北通泰銅金礦業有限公司) ("**Tongtai Tongjin**"), a non-wholly owned subsidiary of our Company, and Anhui Zhongye Huaihai Prefabricated Construction Co., Ltd.* (安徽中冶淮海裝配式建築有限公司), and a supervisor of Huaibei Huxin Pawn Co., Ltd.* (淮北市互信典當有限公司).

Mr. Liu graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in December 1995 where he completed the course of industrial economics management. Mr. Liu was accredited the intermediate accountant qualification by the Ministry of Finance of PRC (中華人民共和國財政部) in May 1999.

Ms. Zhao Li (趙麗), age 39, has been an executive Director since 6 December 2018. She is primarily responsible for overseeing the general department and the overall management of fixed assets, documentations, seals and logistics support of the Group. The previous work experience of Ms. Zhao Li is set out below:

Ms. Zhao has over 17 years of relevant experience in accounting and management. She was a supervisor of Tongming Mining and Liantong Municipal during the periods from March 2018 to January 2019 and from July 2018 to July 2019, respectively. Prior to joining the Group, during the periods from July 2015 to June 2017 and from June 2017 to November 2020, she respectively worked as the chief of finance and the chief of general affairs of Huaibei Transportation Investment. From October 2006 to July 2015, she worked as a finance manager of Huaibei Tongchuang Financial Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司).

Ms. Zhao Li graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in January 2009 where she obtained her bachelor's degree in management. She was accredited the intermediate accountant qualification by the Ministry of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in August 2010.

Mr. Mao Hongxian (毛鴻顯), age 31, has been an executive Director since 6 December 2018. He is primarily responsible for overseeing the safe production, environmental work, internal control, sales and procurement of the Group and the overall management of Tongming Mining.

Mr. Mao has over 9 years of relevant experience in engineering and management. Prior to joining the Group, from April 2016 to December 2018, he served as a business manager of Huaibei Transportation Investment. From July 2013 to March 2016, he worked as a technician in Huaibei Mining Co., Ltd. (淮北礦業股份有限公司).

He is currently also a director and deputy general manager of Tongming Mining.

Mr. Mao graduated from the China University of Mining and Technology (中國礦業大學) in June 2013 where he obtained his bachelor's degree in engineering, majoring in electrical engineering and automation.

Mr. Qin Jiapeng (秦加朋), aged 52, has been an executive Director since 6 December 2018. He is primarily responsible for overseeing the safe production, internal control, production and sales of the Group and the overall management of Liantong Municipal.

Mr. Qin has over 20 years of relevant experience in management. Prior to joining the Group, from May 2017 to December 2017, he served as a deputy general manager of Huaibei Jinan Driving School Co., Ltd.* (淮北市金安駕校有限責任公司). From October 2016 to March 2018, he served as a director of Huaibei Gold Eagle Motor Vehicle Environmental Exhaust Detection Co., Ltd.* (淮北市金鷹機動車環保尾氣檢測有限公司). From October 2016 to March 2018, he served as a director of Huaibei Jindun Motor Vehicle Testing Co., Ltd.* (淮北市金盾機動車檢測有限公司). From August 2016 to August 2018, he served as a director of Huaibei Transportation Investment. From February 2014 to February 2018, he served as a director of Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司).

He is currently also a director and deputy general manager of Liantong Municipal and the person-in-charge of the First branch office of Liantong Municipal (淮北連通市政工程有限公司第一分公司).

Mr. Qin graduated from the Anhui Chemical School* (安徽省化工學校) in July 1991 where he obtained the certificate of instrument and automation profession. He further obtained the certificate of computer application in Anhui Open University* (安徽開放大學) (formerly known as Anhui Broadcast Television University* (安徽廣播電視大學)) in July 1995.

Mr. Zhang Lizhe (張立哲), aged 53, has been an executive Director since 6 December 2018. He is primarily responsible for overseeing the general department and management and administration, human resources and determining the remuneration packages of employees.

Mr. Zhang has over 20 years of relevant experience in management. Prior to joining the Group, from April 2015 to September 2022, he served as a director of Huaibei City Construction Investment Holding Group Co., Ltd.* (淮北市建投控股集團有限公司) ("**Huaibei Construction Investment**"), a controlling shareholder of the Group. From December 2017 to March 2018, he served as the general manager of Huaibei Construction Investment Dongming Petrochemical Oil Sales Co., Ltd.* (淮北市建投東明石化油品銷售有限公司). From March 2017 to October 2018, he served as the general manager of Sanya Xinhu Concrete Co., Ltd.* (三亞新湖混凝土有限公司). From July 2015 to November 2019, he served as a director of Huaibei Industry Support Fund Co., Ltd.* (淮北市產業扶持基金有限公司) formerly known as Huaibei Industrial Investment Guidance Fund Co., Ltd.* (淮北市產業投資引導基金有限公司). From July 2015 to December 2021, he served as the chairman of the board of Huaibei Gold Eagle Motor Vehicle Environmental Exhaust Detection Co., Ltd.* (淮北市金鷹機動車環保尾氣檢測有限公司) and Huaibei Jindun Motor Vehicle Testing Co., Ltd.* (淮北市金盾機動車檢測有限公司). From July 2015 to March 2022, he served as the chairman of the board and general manager of Huaibei Jin'n Driving School Co., Ltd.* (淮北市金安駕校有限責任公司).

Mr. Zhang is currently also a deputy general manager of Huaibei Construction Investment, a director of Liantong Municipal, Tongming Mining and Tongtai Tongjin, a director and general manager of Huaibei Transportation Investment, the chairman of Liantong Municipal and Tongming Mining, and the chairman of the board and general manager of Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司), Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司), and Huaibei Shizhijiguan Transportation Services.

Mr. Zhang graduated from the East China University of Political Science and Law (華東政法大學) (formerly known as East China School of Political Science and Law (華東政法學院)) in July 1992 where he obtained his bachelor's degree in law. He further obtained the Master of Business Administration in Anhui Institute of Business Administration (安徽工商管理學院) in December 2009. Mr. Zhang is qualified as a senior economist by the Anhui Province Senior Economist Qualification Review Committee* (安徽省高級經濟師評審委員會) in November 2007.

Ms. Shi Yinyan (石銀燕), aged 48, has been the chief financial officer of our Company since December 2018 and an executive Director since 26 May 2021. She is primarily responsible for overseeing the finance, capital and audit department of our Group and financial management and supervision of our Group.

Ms. Shi has over 28 years of relevant experience in accounting and finance. Prior to joining the Group, from June 2016 to December 2018, she was an accountant in Huaibei Construction Investment. From January 2013 to May 2016, she was an accountant in Anhui Province Huaibei City Automobile Transportation Co., Ltd.* (安徽省淮北市汽車運輸有限責任公司). From July 1996 to December 2012, she was the accountant in charge in Anhui Province Huaibei City Automobile Transportation Co., Ltd.* (安徽省淮北市汽車運輸有限責任公司).

She is currently also a director of Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司).

Ms. Shi graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in October 1998 where she majored in accounting. Ms. Shi was accredited the senior accountant qualification by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in March 2016. Ms. Shi is qualified as a certified tax agent by the China Certified Tax Agents Association (中國註冊稅務師協會) in November 2020. Ms. Shi graduated from China University of Mining and Technology in July 2022 where she obtained her bachelor's degree in accounting.

Independent Non-executive Directors

Mr. Gao Wei (郜偉), aged 38, has been appointed as our independent non-executive Director since 16 June 2021 and is primarily responsible for supervising and providing independent judgement to our Board. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Gao has over 13 years of relevant experience in accounting and financial management. Prior to joining the Group, from December 2020 to November 2021, he served as an auditing manager of Beijing Chengyuxin Certified Public Accountants (General Partnership)* (北京誠與信會計師事務所(普通合夥)). From September 2019 to December 2020, he served as an auditing manager of Beijing Kuntai Ronghe Certified Public Accountants Co., Ltd.* (北京坤泰融和會計師事務所有限公司). From May 2016 to September 2019, he served as an investment advisory manager of Anhui Hongxin Asset Management Co., Ltd.* (安徽鴻信資產管理有限公司). From April 2012 to April 2016, he worked as a financial officer in Huaibei Newspaper Culture Media Group Co., Ltd.* (淮北報業文化傳媒集團有限公司). From February 2010 to March 2012, he worked as an auditor in Anhui Zhilian Accounting Firm (General Partnership)* (安徽智聯會計師事務所(普通合夥)).

He is currently also an audit project manager of Beijing Ruiying Kyoto Certified Public Accountants (General Partnership)* (北京瑞盈京都會計師事務所(普通合夥)).

Mr. Gao graduated from the Huaibei Normal University (淮北師範大學) (formerly known as Huaibei Coal Industry Teachers College (淮北煤炭師範學院)) where he obtained his bachelor's degree in economics in July 2008. He was accredited as a certified authorized accountant by the Chinese Institute of Certified Public Accountants in March 2015.

Mr. Liu Chaotian (劉朝田), aged 59, has been appointed as our independent non-executive Director since 16 June 2021 and is primarily responsible for supervising and providing independent judgement to our Board. He is also the chairman of the Remuneration committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Liu has over 38 years of relevant experience in accounting and financial management. Prior to joining the Group, from January 2003 to December 2021, he served as the chairman of the board of supervisors of Anhui Wanbei Coal and Electricity Hengxin Property Development Co., Ltd.* (安徽省皖北煤電恒馨房地產開發有限公司). From July 2018 to September 2020, he served as a deputy chief accountant and head of asset and finance department of Anhui Wanbei Coal and Electricity Group* (安徽省皖北煤電集團有限責任公司). From June 2015 to September 2020, he served as the chairman of the Supervisory Board of Anhui Hengyuan Coal and Electricity Co., Ltd.* (安徽恒源煤電股份有限公司). From July 2005 to August 2009, he served as a director of Audit Department of Anhui Wanbei Coal and Electricity Group Company* (安徽省皖北煤電集團有限責任公司審計處). From August 2000 to July 2005, he served as a director of Anhui Wanbei Coal and Electricity Group Capital Management Centre* (安徽省皖北煤電集團有限責任公司資金管理中心).

He is currently also a researcher in Anhui Wanbei Coal and Electricity Group (安徽省皖北煤電集團有限責任公司).

Mr. Liu graduated from Anhui School of Science and Technology* (安徽理工學校) (formerly known as Anqing Commercial School in Anhui Province (安徽省安慶商業學校)) in July 1984. He graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in June 1989 where he completed the course of accounting. He also obtained his master's degree in business administration from Anhui Institute of Business Administration* (安徽工商管理學院) in December 2004.

Ms. Xing Mengwei (邢夢瑋), aged 32, has been appointed as our independent non-executive Director since 16 June 2021 and is primarily responsible for supervising and providing independent judgement to our Board. She is also a member of the Audit Committee.

Ms. Xing has over 9 years of relevant experience in the securities and investment industry. Prior to joining the Group, from February 2020 to April 2022, she served as a director and responsible officer of Yee Tai Capital Limited. From May 2018 to June 2019, she was the chief investment officer of N Plus Capital Limited. From April 2018 to May 2018, she worked as an investment portfolio supervisor of Duo Asset Management Limited. From June 2015 to October 2015, she worked as an account executive of RHB Securities Hong Kong Limited. From July 2014 to April 2018, she served as an assistant vice president of IPS International Holdings Limited.

She is currently also an executive director, chief executive officer and an authorized representative of Renco Holdings Group Limited (stock code: 2323), a company listed on the Main Board of the Stock Exchange.

Ms. Xing graduated from the North Minzu University (北方民族大學) in July 2013 where she obtained her bachelor's degree in engineering, majoring in information engineering. She graduated from the City University of Hong Kong (香港城市大學) in July 2014, where she obtained her master of science degree in business information systems. Ms. Xing is a licenced person registered with SFC to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

SUPERVISORS

Ms. Zhao Mingling (趙明靈), aged 53, has been appointed as Shareholders' representative and the chairman of the Board of Supervisors since 6 December 2018. She is primarily responsible for supervising the Board of their exercise of rights, the Group's financial position and senior management in their performance of their duties.

Ms. Zhao has over 10 years of relevant experience in relation to financial and supervisor work in the construction industry. She has also been a supervisor, the chairlady of the board of supervisors and the head of the discipline inspection and supervision audit department of Huaibei City Construction Investment Holding Group Co., Ltd.* (淮北市建投控股集團有限公司), a controlling shareholder of the Company, since April 2016, October 2018, and July 2020 respectively, She has also been a supervisor of Huaibei Cultural Tourism Investment Development Group Co., Ltd.* (淮北市文化旅遊投資發展集團有限公司), a controlling shareholder of the Company, since October 2016. She is currently also the chairlady of supervisory committee of Anhui Construction Engineering Group Huaibei Transportation Construction Co., Ltd.* (安徽建工集團淮北交通建設有限公司), Huaibei Shuren Engineering Construction Co., Ltd.* (淮北市樹人工程建設有限公司), Wanneng Huaibei Energy Sales Co., Ltd.* (皖能淮北能源銷售有限公司), the chairperson of the board of supervisors of Huaibei Construction Investment Small Loan Co., Ltd.* (淮北市建投小額貸款有限公司) and has also assumed the role of a supervisor in several other companies, including Tongming Mining and Liantong Municipal.

Ms. Zhao graduated from Anhui Province Huaibei City Employee Secondary Vocational School* (安徽省淮北市職工中等專業學校) in July 1989 where she completed the course for computer profession. She also completed the course of economics management in and graduated from the Correspondence College of the Central Party School of the Communist Party of China* (中共中央黨校函授學院) in December 2000.

Ms. Zhao was accredited the intermediate accountant qualification by the Ministry of Finance of PRC (中華人民共和國財政部) in May 2005 and the senior economist (business administration) qualification by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in January 2019.

Ms. Li Chi (李馳), aged 32, has been elected as an employees' representative Supervisor since 6 December 2018. She is primarily responsible for overseeing the conduct and discipline division of the Group and supervising disciplinary related matters of the Group including handling and resolving complaints of misconducts.

Ms. Li has over 4 years of relevant experience in relation to supervisor work in the construction industry. Mr. Li Chi is currently also a supervisor of Huaibei Jiantou Lvhe Real Estate Co., Ltd.* (淮北市建投綠合置業有限公司), Huaibei Jiantou Lvjin Real Estate Co., Ltd.* (淮北市建投綠金置業有限公司), Huaibei Jiantou Lvxin Real Estate Co., Ltd.* (淮北市建投綠信置業有限公司), Huaibei Jiantou Lvheng Real Estate Co., Ltd.* (淮北市建投綠恒置業有限公司), Huaibei Lvjia Real Estate Co., Ltd.* (淮北市綠嘉置業有限公司), Huaibei Lvsheng Real Estate Co., Ltd.* (淮北市綠盛置業有限公司), Huaibei Lvjin Real Estate Co., Ltd.* (淮北市綠錦置業有限公司), Huaibei Yisheng Real Estate Co., Ltd.* (淮北市易盛置業有限公司), Huaibei Pengyang Real Estate Co., Ltd.* (淮北市鵬揚置業有限公司), Huaibei Penghui Real Estate Co., Ltd.* (淮北鵬輝置業有限公司), Huaibei Pengyue Real Estate Co., Ltd. * (淮北市鵬悦置業有限公司) and Huaibei Pengtai Real Estate Co., Ltd.* (淮北市鵬泰房地產有限公司).

Ms. Li graduated from Wuhan University of Engineering Science (武漢工程科技學院) (formerly known as Jiangcheng College China University of Geoscience (中國地質大學江城學院)) in June 2012 where she obtained her bachelor's degree in arts. She further obtained her master's degree in arts from the Flinders University (福林德斯大學) of Australia in May 2014.

Ms. Dong Jing (董璟), aged 46, joined our Group on 16 February 2016 as the supervisor of Liantong Municipal and has been appointed as a shareholder's representative Supervisor since 6 December 2018. She is primarily responsible for overseeing the conduct and discipline division of the Group and supervising the Board of their exercise of rights, publicity, education, projects and tenders in the anti-bribery and corruption aspects and internal audit of the Group.

Ms. Dong has over 5 years of relevant experience in relation to supervisor work in the construction industry. She has also been a supervisor of Tongming Mining and Huaibei Tongtai), since March 2018 and March 2022 respectively. She is currently also the Chairlady of supervisory committee of Anhui North Anhui Intercity Fuhuai Railway Co., Ltd.* (安徽省淮北港航投資有限公司) and a supervisor of Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司), Anhui Zhongye Huaihai Prefabricated Construction Co., Ltd.* (安徽中冶淮海裝配式建築有限公司), Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司), Anhui Huaibei Port and Shipping Investment Co., Ltd.* (安徽省皖北城際阜淮鐵路股份有限公司) and Huaibei Construction Oil Products Sales Co., Ltd.* (淮北建投油品銷售有限公司).

Ms. Dong graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in December 2003 where she passed the Self-Taught Higher Education Examinations in finance profession. Ms. Dong was accredited the accountant qualification by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in May 1998.

SENIOR MANAGEMENT

Ms. Shi is the chief financial officer of the Company. For further biographic details of Ms. Shi, please refer to "Executive Directors" in this section.

JOINT COMPANY SECRETARIES

Ms. Shi is the joint company secretary ("**Joint Company Secretaries**") of the Company. For further biographic details of Ms. Shi, please refer to "Executive Directors" in this section.

Mr. Li Kin Wai (李健威), has been appointed as the Joint Company Secretary of our Company since 16 August 2021 where he is responsible for company secretarial matters of the Company.

Mr. Li Kin Wai has over 10 years of experience in the corporate secretarial and compliance services field. He is a senior manager of Corporate Services of Tricor Services Limited ("**Tricor**"), a global professional service provider. He currently serves as company secretary or joint company secretary for a number of Hong Kong listed companies.

Mr. Li Kin Wai is a Chartered Secretary and a Chartered Governance Professional. He is also an associate of both The Hong Kong Chartered Governance Institute (HKCGI) and the Chartered Governance Institute (CGI).

Corporate Governance Report

The Board hereby presents this corporate governance report (the "**Corporate Governance Report**") in the Company's annual report for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain and maintain relatively high standards of corporate governance that are best suited to the needs and interests of the Group, as it believes that effective corporate governance practices are fundamental to safeguarding the interests of its shareholders and other stakeholders and enhancing shareholder value.

The Board has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As the H Shares of the Company were listed on 20 January 2023, the CG Code is not applicable to the Company for the year ended 31 December 2022. The Company has fully complied with all the code provisions under the CG Code since the Listing Date and up to the date of this annual report.

VALUES AND CULTURE

It is our corporate culture to maintain an inclusive and safe workplace for its employee. The Group promote diversity at all levels to enhance the effectiveness of our corporate governance and ensure that there is gender diversity when recruiting staff at mid to senior levels. The Group will also continue to provide diversified career development opportunities to our staff and engage different training resources for our staff. In addition, the Group believe production safety is a critical factor to the success of our business and operation. It is our top priority to maintain work safety at our business operations.

The Group has established and implemented policies that promote a diversified and safe workplace. The Board strives to act lawfully, ethically and responsibly to promote our corporate culture and is committed to maintaining a high standard of corporate governance in its operations and activities. The Group provide trainings to the employees on a regular basis to strengthens their awareness. Before the employees assume their positions, the Group provide training courses for them to introduce the company culture and internal rules and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the directors of the Company (the "**Directors**") and the supervisors of the Company (the "**Supervisors**"). Having made specific enquiries to all the Directors and Supervisors, the Company confirms that all the Directors and Supervisors have complied with the required standards as set out in the Model Code since the Listing Date up to the date of this report.

A. DIRECTORS

A.1 Board of Directors

The Company is governed by the Board which is responsible for the leadership and control of the Group, overseeing and managing the Group's businesses, strategic decisions and performance, convening Shareholders' general meetings and reporting our Board's work at the Shareholders' general meetings, implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans, preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses, preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association.

All the Directors carry out their duties in good faith and are in compliance with applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

Formal service agreements and letters of appointment have been entered into with the executive Directors and the independent non-executive Directors respectively setting out the key terms and conditions of their respective appointments. Pursuant to the Articles of Association, the term of office of each Director is three years, subject to re-election.

The insurance cover in respect of legal action against the Company's Directors and senior officers is covered by the existing Directors & Officers Liability Insurance Policy of the Company.

Save as disclosed in the biographies of Directors and Senior Management are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report, to the best knowledge of the Directors, there is no personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors, the Chairman of the Board, Supervisors and the chief executive of the Company.

A.2 Board composition

The Board currently comprises of the following Directors:

Executive Directors

Mr. Liu Yong *(Chairman)*
Ms. Zhao Li
Mr. Mao Hongxian
Mr. Qin Jiapeng
Mr. Zhang Lizhe
Ms. Shi Yinyan *(Chief financial officer)*

Independent Non-Executive Directors

Mr. Gao Wei
Mr. Liu Chaotian
Ms. Xing Mengwei

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report. The Company considers that the composition of the Board is well balanced. Each of the Directors has the relevant experience, knowledge and expertise that can contribute to the business of the Company. The executive Directors oversee the daily operations of the Group while the independent non-executive Directors bring along independent judgment to the decision-making process of the Board.

During the period from the Listing Date to the date of this report, the Company has complied with Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 3.13 of the Listing Rules. The Company has received a confirmation of independence from each of the independent non-executive Directors as required under the Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent. The Board will assess their independence on an annual basis.

A.3 Chairman and Chief Executive

Mr. Liu Yong has been serving as the Chairman of the Board and is primarily responsible for, among others, overseeing the Board, operation and management, business coordination, safe production and business coordination of the Group. As of the date of this annual report, the position of chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer were taken up by executive Directors collectively.

A.4 Responsibilities and delegation of functions

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Company. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to the relevant information of the Group as well as the advice and services of the Joint Company Secretaries and senior management of the Company, in order to ensure compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The Board has delegated the responsibility for implementing its corporate strategies and the day-to-day management, operation and administration to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal control, communication with Shareholders, Board composition, delegation of authority and corporate governance. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(1) to develop and review the policies and practices on corporate governance of the Company and make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

A.5 Appointment, re-election and removal of Directors

All executive Directors and independent non-executive Directors are appointed for a specific term of three years. None of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation). All Directors, including the independent non-executive Directors, are subject to retirement by rotation at least once every three years and are eligible for re-election in accordance with the provisions of the Listing Rules and the articles of association of the Company. At least one-third of the Directors shall retire from office every year at the Company's annual general meeting.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

A.6 Board meetings, general meetings and procedures

Pursuant to the CG Code, at least four regular Board meetings should be held in each year. The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. The Company was listed after its financial year end date. During the period from the Listing Date to the date of this report, one Board meeting was held, and no general meeting was held. The attendance records of each Directors are set out below:

	Number of Attendance/Number of Board meetings
Mr. Liu Yong	1/1
Ms. Zhao Li	1/1
Mr. Mao Hongxian	1/1
Mr. Qin Jiapeng	1/1
Mr. Zhang Lizhe	1/1
Ms. Shi Yinyan	1/1
Mr. Gao Wei	1/1
Mr. Liu Chaotian	1/1
Ms. Xing Mengwei	1/1

As the H shares of the Company was listed on 20 January 2023, no meeting was held between the chairman of the Board and the independent non-executive Directors without the presence of other Directors.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for regular Board meetings and meeting agenda are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and relevant information are dispatched to all Directors at least 3 days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Joint Company Secretaries are responsible for keeping minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final version is open to Directors for inspection. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

A.7 Continuous professional development

All Directors have been given relevant guideline materials regarding the responsibilities and obligations of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Company and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors to ensure that he or she has a proper understanding of the operation and business of the Company and full awareness of Directors' responsibilities and obligation under the Listing Rules and relevant statutory requirements. All Directors have been provided monthly updates giving a balanced and understandable assessment of the Group's performance, financial position and prospects to keep the Directors' abreast of the Group's affairs in order to discharge their duties. All Directors are also updated from time to time on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices, as set out in their respective terms of reference which are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2022, all Directors had participated in continuous professional development in the following manner in compliance with code provision C.1.4 of the CG Code:

Name of Directors	Type of training
Mr. Liu Yong	B
Ms. Zhao Li	B
Mr. Mao Hongxian	B
Mr. Qin Jiapeng	B
Mr. Zhang Lizhe	B
Ms. Shi Yinyan	B
Mr. Gao Wei	B
Mr. Liu Chaotian	B
Ms. Xing Mengwei	B

A: attending seminars/courses/conference to develop professional skills and knowledge
B: reading materials in relation to regulatory update

A.8 Corporate governance functions

As mentioned in the paragraph A.4 "Responsibilities and delegation of functions" of this report, the Board is responsible for performing the corporate governance duties. During the year, the Board has reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the continuous professional development of the Directors and also reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

B. BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the ESG committee (the "**ESG Committee**"), to assist them in the efficient implementation of their functions and to oversee particular aspects of the Company's affairs. Specific responsibilities, as set out in their respective terms of reference which are available on the websites of the Stock Exchange and the Company, have been delegated to the above committees and the corporate governance duties as required under code provision A.2 Principle of the CG Code) have been performed. All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

B.1 Audit Committee

The Audit Committee was established by the Company on 21 December 2022 in accordance with Rules 3.21 to 3.23 of the Listing Rules. The terms of reference of the Audit Committee was adopted in compliance with the CG Code on 21 December 2022. The primary duties of the Audit Committee are mainly to (i) review the Company's financial information and monitor the integrity of the Company's financial statements, annual report and accounts, half-year report, and quarterly reports (if prepared for publication) and to review significant financial reporting judgments contained therein before submission to the Board; (ii) manage the relationship with the external auditors, including but not limited to making recommendation to the Board on the appointment, reappointment and removal of external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, discussing with the auditors the nature and scope of the audit and reporting obligations, and developing and implementing policy on engaging an external auditor to supply non-audit services; (iii) overseeing the Company's financial reporting system, risk management and internal control systems and associated procedures; and (iv) develop, review and monitor the Company's policies and practices on corporate governance issues, including but limited to training and continuous professional development of Directors and senior management, and the Company's compliance with legal and regulatory requirements and the CG Code.

As at 21 December 2022, the Audit Committee has three members comprising Mr. Gao Wei (Chairman), Mr. Liu Chaotian and Ms. Xing Mengwei, all of whom are independent non-executive Directors. During the period from the Listing Date to the date of this annual report, the Audit Committee held one meeting and the work performed by the Audit Committee was summarised as follows:

(1) reviewed the Company's annual results announcement for the year ended 31 December 2022;

(2) reviewed the Company's annual report for the year ended 31 December 2022, which sets out the Group's accounting policies, financial performance and position; and

(3) reviewed the independence of the external auditors and engagement of external auditors.

The attendance records of each committee members are set out below:

	Number of attendance/Number of meetings
Mr. Gao Wei *(Chairman)*	1/1
Mr. Liu Chaotian	1/1
Ms. Xing Mengwei	1/1

The Company's annual report and annual results announcement for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

B.2 Nomination Committee

The Company has established the Nomination Committee on 21 December 2022 with written terms of reference in compliance with the CG Code. The terms of reference was adopted in compliance with the CG Code on 21 December 2022. The primary duties of the Nomination Committee are to (i) review the structure, size, composition and diversity (including without limitation, professional experience, skills, knowledge, age, gender, education, cultural background and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) determine the policy for the nomination of Directors, identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships, and in identifying suitable individuals, consider individuals on merit and against the object criteria, with due regard for the benefits of diversity on the Board; (iii) assess the independence of independent non-executive Directors of the Company; (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future; and (v) review the board diversity policy, the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives, and make disclosure of its review results in the corporate governance report annually.

As at 21 December 2022, the Nomination Committee has three members comprising of one executive Director, Mr. Liu Yong (Chairman) and two independent non-executive Directors, namely Mr. Liu Chaotian and Mr. Gao Wei. During the period from the Listing Date to the date of this annual report, the Nomination Committee held one meeting and the work performed by the Nomination Committee was summarised as follows:

(1) reviewed and confirmed the Board has a diverse mix of skills, knowledge, experience and gender;

(2) reviewed the board diversity policy (the "**Board Diversity Policy**");

(3) formulated the nomination policy (the "**Nomination Policy**") and made a recommendation to the Board for adoption.

The attendance records of each committee members are set out below:

	Number of attendance/Number of meetings
Mr. Liu Yong *(Chairman)*	1/1
Mr. Liu Chaotian	1/1
Mr. Gao Wei	1/1

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on our Board. With a view to achieving a sustainable and balanced development, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to selecting the best person for the role. Selection and nomination of candidates will be based on a range of diversity perspectives, including but not limited to professional experience, skills, knowledge, age, gender, education, cultural background and length of service. Potential Board candidates are selected based on merit and his/her potential contribution to the Board and by taking into consideration the Company's business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for the implementation of the Board Diversity Policy and had made recommendations to the Board on the measurable objectives for implementing the Board Diversity Policy and Nomination policy.

The Nomination Committee will identify and recommend suitable female candidates for the Board's consideration and our Company will maintain not less than 30% female representation in the Board so as to maintain an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices. As at December 31 2022, the Board has three female members and six male members, as one-third of the Board is female, the Nomination Committee considered the Board had achieved gender diversity.

As at December 31 2022, the Board have a reasonable age structure, with four directors aged 31 to 40, two directors aged 41 to 50 and three director aged 51 to 60. Furthermore, members of the Board have a balanced mix of knowledge, skills and experience, including engineering, overall business management, finance and investment. The Directors obtained degrees in various majors, including business administration, economics, accounting and engineering. The Board has three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. The Group had 152 employees in total comprising of 135 male employees and 17 female employees (including senior management) as at 31 December 2022. The gender ratio in the workforce was 89:11, with a significantly lower representation of women employees. While it might be true that gender diversity in the construction industry may be less relevant due to the nature of work, we recognize the importance of creating a diversified workplace with a more balanced gender ratio in our Group. As such, the Group engages in fair employment practices and recruit employees based on merits such as experience, qualifications, skills and knowledge. We do not discriminate job applicants regardless of gender, race, age, nationality and ethnicity and provide equal opportunities for all applicants and employees.

The Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and length of service to implement the Board Diversity Policy. Such objectives will be reviewed from time to time as and when appropriate and at least once a year to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy and our diversity profile as appropriate and at least once a year to ensure its continued effectiveness from time to time, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The effective implementation of the Board Diversity Policy also depends on the judgement of the Shareholders of the Company on the suitability of individual candidates and their views on the scale of gender diversity of our Board. As such, the Board will provide the Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

The Nomination Committee will disclose in the corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Nomination Procedures

The Nomination Committee identifies individuals suitably qualified to become Board members, having due regard to the Board Diversity Policy, Nomination Policy and the needs of the Company by considering the skills, knowledge, experience, expertise, etc. of the proposed candidate and assesses the independence of the proposed independent non-executive director, as the case may be. The Nomination Committee then makes recommendation(s) to the Board. The Board considers the candidate(s) recommended by the Nomination Committee, having due regard to the Board Diversity Policy, nomination policy and the needs of the Company. The Board will then confirm the appointment of the candidate(s) as Director(s) or recommends the candidate(s) to stand for re-election at a general meeting of the Company. Candidate(s) appointed by the Board will be subject to re-election by the Shareholders at the next following annual general meeting in the case of an addition to the existing Board or the first general meeting of the Company after his/her appointment in the case of filling a casual vacancy in accordance with the Articles of Association.

B.3 Remuneration Committee

The Company established the Remuneration Committee on 21 December 2022 with written terms of reference in compliance with the CG Code. The terms of reference was adopted on 21 December 2022. The Remuneration Committee adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendation to the Board on the remuneration packages of individual Directors and senior management. The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and (iv) make recommendations to the Board on the remuneration of independent non-executive Directors.

As at 21 December 2022, the Remuneration Committee has three members comprising two independent non-executive Directors, namely Mr. Liu Chaotian (Chairman), Mr. Gao Wei and one executive Director, Mr. Liu Yong. The Remuneration Committee may consult with the Chairman about its proposals relating to the remuneration of other executive Directors. The remuneration of the Directors was determined with reference to the salaries paid by comparable companies and the experience, responsibilities, workload, time devoted to the Group and individual performance of the Directors, as well as the performance of the Group.

During the period from the Listing Date to the date of this annual report, the Remuneration Committee held one meeting and the work performed by the Remuneration Committee was summarised as follows:

(1) made recommendations to the Board on the remuneration packages of Directors, senior management and employees of the Group.

The attendance records of each committee members are set out below:

	Number of attendance/Number of meetings
Mr. Liu Chaotian *(Chairman)*	1/1
Mr. Gao Wei	1/1
Mr. Liu Yong	1/1

Pursuant to code provision E.1.5 of the CG Code, the remuneration of directors of the Company by band for the year ended 31 December 2022 was set out in Note 8 to the consolidated financial statements.

B.4 ESG Committee

The Company established the ESG Committee on 17 January 2022 with written terms of reference in compliance with the CG Code. The terms of reference was adopted on 17 January 2022. The primary duties of the ESG Committee are to assist our Board in guiding and supervising the development and implementation of environmental, social and governance works of our Group to ensure compliance with relevant legal and regulatory requirements.

As at 31 December 2022, the ESG Committee has three members comprising three executive Directors, Mr. Liu Yong (Chairman), Mr. Mao Hongxian, Mr. Qin Jiapeng.

During the period from the Listing Date to the date of this annual report, the Remuneration Committee held one meetings and the work performed by the ESG Committee was summarised as follows:

(1) made recommendations to the Board as to the ESG performance of the Group.

	Number of attendance/Number of meetings
Mr. Liu Yong *(Chairman)*	1/1
Mr. Mao Hongxian	1/1
Mr. Qin Jiapeng	1/1

C. DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for preparing the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements in accordance with statutory and/or regulatory requirements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement by the auditor of the Company about their reporting responsibilities and opinion on the financial statements is set out in the Independent Auditor's Report on pages 101 to 105 of this annual report.

D. RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2022, the Company has complied with Paragraph D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The management is responsible for designing, implementing and monitoring the risk management and internal control systems while the Board oversees the management in performing its duties on an on going basis.

The management, under the supervision of the Board, has implemented and maintained appropriate and effective risk management and internal control system, which aims to manage and reduce (i) risks associated with the Group's daily operations; (ii) risks of failing to achieve business objectives; (iii) risks of asset misappropriation; and (iv) risks of making potential material misstatements or losses. However, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or losses. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Company adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Risk identification: Identify risks that could potentially affect the Group's operation and business.

- Risk evaluation: Analyze the likelihood and impact of risks on the Group's business and evaluate the risk portfolio accordingly.

- Management: Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks; monitor the risks on an on-going basis and ensure effective and appropriate internal control processes are in place; report the results and effectiveness of risk management and internal control to the Board regularly.

With regard to the principal risks encountered by the Group, please refer to the paragraph headed "PRINCIPAL RISKS AND UNCERTAINTIES" under the "Report of the Board of Directors" set out in this annual report.

Internal Control System

The Company has in place an internal control system which enables the Company to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal control procedures are designed to monitor operations of the Group and ensure overall compliance. The components of the internal control system framework are shown as follow:

- Control Environment: A set of standards, processes and structures has been implemented to provide the basis for carrying out internal control across the Company.

- Risk Assessment: A dynamic and iterative process for identifying, assessing and analyzing risks to achieve the Company's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Regular and effective internal and external communication to provide the Company with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain the existence and effective operation of each component of the internal control system.

In order to enhance the Company's system of handling and disseminating inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that potential inside information being captured and confidentiality of such information being maintained in order to prevent a breach of a disclosure requirement in relation to the Company, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Company enters into significant negotiations.

- Reporting channels are in place for different operating units to report any potential inside information to designated departments.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors and to respond to external enquiries.

Based on the internal control reviews conducted in 2022, no significant internal control deficiency was identified.

Internal Audit Function

The Company does not have an internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit department will be reviewed from time to time.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for overseeing the implementation and managing the risk management and internal control systems of the Company and ensuring review of the effectiveness of these systems has been conducted annually. The review covered all material controls of the Group, including financial, operational and compliance controls. Several areas have been considered during the Board's review, including but not limited to (i) the changes in the nature and extent of significant risks (including ESG risks) since the last annual review, and the Company's ability to respond to changes in its business and the external environment; (ii) the scope and effectiveness of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems; (iii) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management; (iv) significant control failings or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and (v) the effectiveness of the issuer's processes for financial reporting and Exchange Listing Rule compliance; and (vi) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

The Board, through its review and the review made by the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Anti-corruption

The Group does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. The Group requires all employees to comply with professional ethics, and prohibits any form of corruption. The Group has established an Employee Handbook and adopted a zero-tolerance policy for any form of corruption. Employees who are found to have committed corruption will received disciplinary action, including being discharged from their duties and required to indemnify the losses caused. If their acts are found to be in violation of any regulatory requirement, the employee will be held accountable for his/her judicial responsibility. The Group further strengthens the awareness of employees and new recruits by conducting periodic anti-corruption training.

Whistleblowing policy

The Board has established and adopted a whistleblowing policy which sets out the channels for employees and those who deal with the Group, including customers and suppliers, to raise concerns about possible improprieties in any matters about the Group, including financial reporting, internal control, corruption, or any kind of misconduct. Complaints will be kept confidential and anonymous, and will be handled in a timely and fair manner. The Audit Committee is responsible for the implementation and oversight of the policy and will review the policy annually.

E. INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid/payable to the independent auditor of the Company for the year ended 31 December 2022 is set out as follows:

Services rendered	Paid/payable
	RMB'000
Audit services	1,218
Non-audit services	–
Total	1,218

F. JOINT COMPANY SECRETARIES

Ms. Shi Yinyan and Mr. Li Kin Wai were appointed as the Joint Company Secretaries of the Company and are responsible for overseeing the company secretarial work of the Group. The primary contact person of Mr. Li at the Company is Ms. Shi.

In accordance with the requirements under Rule 3.29 of the Listing Rules, both Ms. Shi and Mr. Li confirmed that they have taken not less than 15 hours of relevant professional training during the year ended 31 December 2022.

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Company's information is essential for enhancing investor relations and will enable the Shareholders and investors to make the best investment decision and to have better understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board and the chairmen of the Board committees will endeavour to meet the Shareholders at the general meetings to answer any questions raised by the Shareholders.

The Company has adopted a Shareholders Communication Policy (the "**Shareholders Communication Policy**") to ensure that Shareholders' views and concerns are appropriately addressed with the objective of ensuring transparent, accurate and open communications with the Shareholders, which will be reviewed on a regular basis annually to ensure its effectiveness.

The Company also maintains a website at www.ljgfjt.com where corporate communication documents, other documents issued by the Company which are published on the website of the Stock Exchange, constitutional documents, corporate information, other corporate publications and up-to-date information and updates of the Company's operations, performances and strategies are available to public access. The Company's website serves as a communication platform with the Shareholders and investors.

The Shareholders and investors may also write directly to the Company's principal place of business and headquarters in China at 4/F, Shuangchuang Service Centre, No. 3 Taobo Road, Song Tuan Town, Lieshan District, Huaibei City, Anhui Province, PRC or via email to 353785801@qq.com to make any queries. Queries are dealt with in an informative and timely manner. The Board conducted a review of the implementation and effectiveness of the communication policy for shareholders. Having considered the multiple channels of communication in place, the Board satisfied that the Shareholders Communication Policy has been properly implemented during the year under review and is effective.

H. SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary meeting or class meeting on requisition

The Shareholders of the Company shall follow the procedures as prescribed in Article 62 of the Articles of Association to convene an extraordinary general meeting or class meeting of the Company. Pursuant to Article 62(1), two or more Shareholders individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class shareholders' meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s). Pursuant to Article 62(2), Where the Board fails to issue notice of convening meeting within 30 days upon receipt of the above written request, shareholder(s) individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Board of Supervisors to convene the extraordinary general meeting or class shareholders' meeting. Pursuant to Article 62(3), Where the Board of Supervisors fails to issue notice of convening meeting within 30 days upon receipt of the above written request, shareholder(s), for more than 90 consecutive days, individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors and Board of Supervisors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting directors or supervisors.

The Shareholders of the Company shall follow the procedures as prescribed in Article 63 of the Articles of Association to propose new resolutions at general meetings. Pursuant to Article 63, when the Company convenes an annual general meeting, shareholders individually or jointly holding 3% or more of the total voting shares of the Company shall be entitled to propose new resolutions in writing to the Company and submit to the convener 10 days prior to the convening of the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after the receipt of such proposal and incorporate the matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration. Shareholders holding minority interests in the Company must be allowed to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum supporting shareholding required to do so must not be more than 10% of the voting rights attached to the Company's share capital on a one vote per share basis.

Procedures for raising enquiries

The Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong H Share registrar, Tricor Investor Services Limited.

Tricor Investor Services Limited
Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

The Shareholders may at any time make any queries in respect of the Company at the following designated contacts, correspondence address, email address(es) and enquiry hotline(s) of the Company:

Attention:	Li Adi *(Secretary of the Board of Directors)*
Address:	Floor 7, No. 18, Suixi North Road, West Street Road, Xiangshan District, Huaibei City
Email:	353785801@qq.com
Tel:	0561-3053890
Fax:	0561-3053252

The Shareholders are reminded to lodge their queries together with their detailed contact information for the prompt response of the Company if it deems appropriate.

Shareholders may put forward proposals at the general meetings to nominate a candidate for election as a Director. Articles 96 of the Articles of Association provides that the Directors shall be elected at the Shareholders' general meetings of the Company. Article 53 of the Articles of Association provides that the Shareholders (individually or jointly) holding 3% or more of the total issued shares of the Company carrying voting rights are entitled to forward proposal(s) at the general meetings by making a provisional motion in writing to the board of Directors 10 days before the date of Shareholders' general meeting. Accordingly, if a Shareholder intends to nominate a candidate for election as a Director, a notice of intention to nominate a candidate for election as a Director and a notice executed by the nominated candidate of his/her willingness to be appointed must be duly lodged at the registered office of the Company for the attention of the Company Secretary and the board of Directors:

Further details of the procedures for Shareholders to propose a person for election as a Director are posted on the website of the Company. Shareholders or the Company may also refer to the above procedures for putting forward any other proposals at general meetings.

CONSTITUTIONAL DOCUMENTS

The Company conditionally adopted the Articles of Association ("**Articles of Association**") on 21 December 2022, which was effective on the Listing Date. The Company has not made any changes to its Articles of Association on or after the Listing Date. The Articles of Association is available on the respective websites of the Company and the Stock Exchange.

Huaibei GreenGold 2022 Environmental, Social and Governance Report

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Environmental, Social and Governance Report

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Environmental, Social and Governance Report

1. CORPORATE GOVERNANCE

1.1. Statement of the Board

Our Company is committed to establishing and maintaining positive environmental, social and governance ("ESG") practices and initiatives. We adopt policies, charters and code of conducts to govern the ESG aspects of our day-to-day operations, ranging from reducing energy and water consumption caused by our operations, health and work safety, and social contribution to environmental protection and corporate governance.

ESG governance structure

Our Board is responsible for devising strategies and targets in relation to ESG matters. In particular, our Company has established the ESG Committee consist of three members. The primary duties of the ESG Committee are to assist our Board in guiding and supervising the development and implementation of environmental, social and governance works of Our Company to ensure compliance with relevant legal and regulatory requirements.

Stakeholder communication

Engagement with stakeholders — including investors, customers and local communities — helps to enhance our mutual understanding of interests, concerns and aspirations, and strengthens relationships. Stakeholders are identified based on the degree to which they are affected by our activities, by our relationships with them and by their ability to influence the achievement of our business objectives. In particular, stakeholder identification helps us:

- Understand the positive and negative impacts of our business
- Understand the risks and opportunities — for stakeholders and our business — associated with these impacts
- Manage these impacts in a responsible and effective manner
- Understand the effectiveness of our management actions

Materiality analysis

The Company considers ESG-related risks and other major business risks. According to the Global Reporting Initiative (GRI) guidelines, material ESG issues are those that reflect the most important economic, environmental and social impacts of a company, or that may have a material impact on stakeholder assessments and decisions.

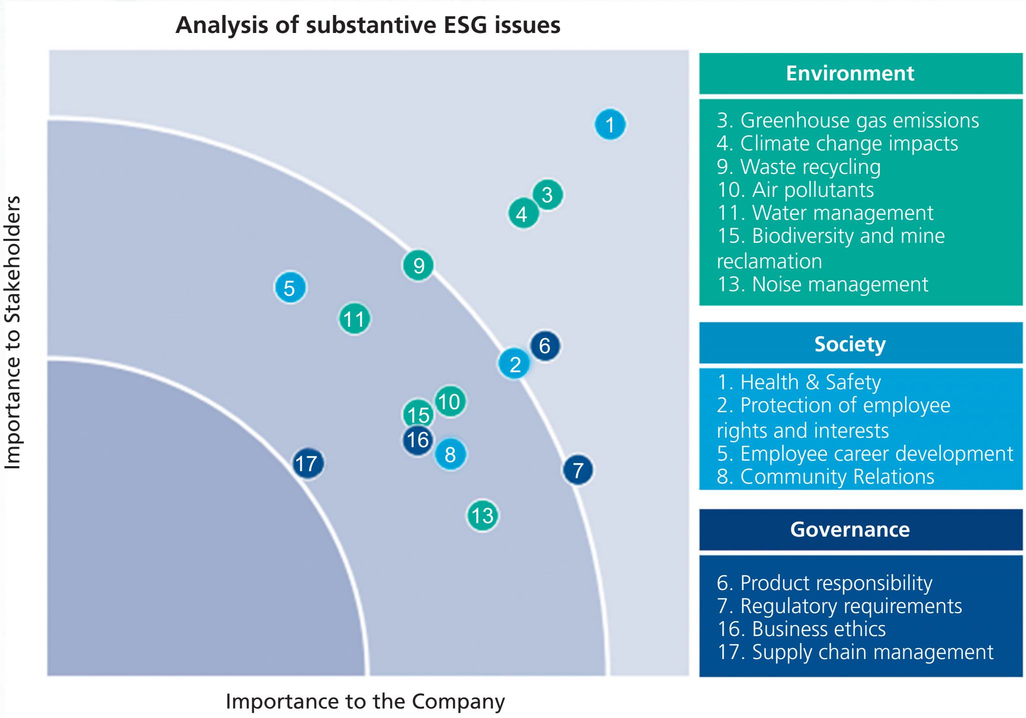
The content of The Company's annual ESG Report is determined through a detailed materiality assessment that identifies and assesses the ESG issues that are most important to our business and stakeholders in the previous year and in the near future.

Our process of identifying material ESG issues consists of three stages: identification, evaluation and verification.

The identification phase includes extensive consultation and research to determine a complete list of topics analysed by internal experts and external stakeholders and validated by the senior management team.

During the evaluation phase, we discuss the status and work plan of the identified topics through internal and external communication, determine their importance according to the risks and opportunities of the topics, and finally 17 topics are identified as material topics and included in the scope of proposed disclosure.

During the verification phase, the results of the materiality assessment are reviewed and confirmed by members of the Company's senior management team and the Environmental, Social and Governance Committee of the Board.



Target progress review

Our production of aggregate products and concrete products consumes a lot of energy and water, and produces different pollutants such as dust, noise, wastewater, solid waste, etc., which may have varying impacts on the environment.

Aligned with our vision for low-carbon development and our commitment to sustainable development, we aim to control our greenhouse gas emissions and resources, with the following targets to be achieved in 2030.

Environmental data is collected, analysed and reported to the ESG Committee for their regular review. The committee also convenes at least once a year to discuss our progress towards the 2030 targets and make timely recommendations to the Board to ensure our environmental performance is in line with our targets.

Indicators	2030 Targets	Progress
Greenhouse gas emissions per unit (tonnes of CO2 equivalent per million tonnes)	1,170	2,374.67
Water consumption per unit volume (cubic metres per million tonnes)	12,130	31,219.26
Non-hazardous waste recycled rate (e.g., topsoil, waste rock sludge)	100%	100%
Hazardous waste emissions per unit volume (waste oil, tonnes per million tonnes)	0.14	0.54

1.2. Business Ethics

Integrity is the Company's most important core value. Based on this value, The Company has established its ethics and regulatory compliance system, including a sequence of regulatory identification, compliance policy and procedure formulation, implementation and execution, self-assessment and examination, as well as open reporting channels and whistleblower protection. The Company's management team acts in accordance with our Ethics Code and fosters a robust ethics and regulatory compliance through its tone from the top. The ethical culture of The Company is continuously strengthened through comprehensive education, training and promotion provided to its employees. At the same time, The Company works hand in hand with its customers and supply chain to serve the mutual benefit of the industry, and serves as a trustworthy partner to its stakeholders.

Governance structure

The Company has formulated a series of policies such as the Non-Competition Commitment Management Policy, the Receivable Management Policy, the Fixed Asset Management Policy, the Whistleblowing Management Policy, the Risk Management Policy, the Employee Handbook, the Corporate Governance Code, the Transaction Management Policy for the Disclosure of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the Dividend Policy to reduce the risk of internal fraud and commercial bribery. The Company has also established a management policy of "Compliance with Business Ethics", which clarifies that all business conduct shall be based on "fair dealing".

Risk management

Any violation of ethics, compliance or law poses significant risks to our operations, which may take the form of affecting our ability to do business or result in fines or reputational damage.

In order to reasonably control ethical business risks, the Company has established the Risk Management Policy, which includes compliance risk assessment and annual fraud risk assessment. The assessments are led by the internal audit team. Compliance risk assessment focuses on the three risk categories of anti-corruption, third-party risk, corporate compliance and company culture, and the purpose of fraud risk assessment is to identify potential fraud risk scenarios and ensure that controls are in place to address each identified scenario.

The combined results of compliance risk assessment and fraud risk assessment during the reporting period confirm that our business ethics approach is effective in covering relevant high-risk areas.

During the reporting period, the Company and its employees did not violate any applicable laws and regulations related to anti-corruption.

Management measures and progress

In terms of ethical business governance, the Company is committed to preventing problems before they occur and ensuring that mistakes can be corrected. We achieve this through two interdependent key points of building a culture of integrity and effective compliance control.

Building a culture of integrity

Maintaining and strengthening the Company's culture of integrity by aligning organizational values with the individual behaviour of our employees is a fundamental priority for our ethical business management, including:

Management buy-in	The management team communicates company-wide to discuss real-life scenarios of misconduct and integrity practices. For proven misconduct, management across the organisational structure emphasise the Company's actions on the relevant incident, and clearly state that the Company will hold the relevant personnel accountable. The Company regularly carries out special meetings on Party style and integrity, organises the study of Party discipline, laws and regulations, and studies relevant documents from the Municipal Discipline Inspection Commission and Huaibei Construction Investment Group.
Training	The Company requires all employees and directors to acknowledge understanding and compliance with our Code upon onboarding and on an annual basis. Offline training is often carried out at work. The Company provides employees with regular and targeted face-to-face, online and offline training to address special considerations related to their functions. During the reporting period, the Company conducted anti-corruption training for directors, management and ordinary employees.
Personnel management practices	Integrity training is an integral part of new employee orientation; we consistently emphasise company values during leadership calls, performance reviews, and annual goal-setting meetings.
Recognize exemplary role models	We iterate the Company's integrity values through the selection and recognition of outstanding employees.

Compliance controls

Ensuring compliance with laws and regulations requires a system of checks and balances to prevent small problems before they occur and to detect problems as they occur. Our control systems complement our efforts to strengthen a culture of integrity and include the following:

Institutional system	The Company has established a system related to business ethics, including policies, standards and support tools, which employees can access through the OA system.
Quarterly checks	The Company's "Compliance with Business Ethics" team inspects employees in various departments on a quarterly basis and collects evidence through visits to investigate. Depending on the seriousness of the case, the problems found in the inspection shall be dealt with according to company policies or relevant laws and regulations to suppress the occurrence of unethical phenomena. At the same time, a supervision team is set up to regularly and irregularly supervise the Company's production and operation, issue supervision notices, and rectify within a time limit.
Supplier risk	In order to ensure that corruption risks in the supplier network are identified, assessed and managed, the procurement team organises procurement in strict accordance with the "Procurement Management Measures" set by Huaibei Construction Investment Group, establishes a supplier pool, strictly controls screen threshold, and publicises the procurement results according to relevant requirements.
Access to the report	The Company has set up a variety of reporting accesses, which are received and recorded by the Discipline Inspection and Supervision and Audit Department. A monthly report is compiled and filed to the management. • Integrity reporting email: 1073143101@qq.cn • Integrity Hotline: 0561-3110199 In order to ensure the operation of the reporting mechanism, the whistleblower's information and the content of the report are strictly protected, and not to be shared with the target of the report through any means. In the event of retaliation, the whistleblower may complain to the Discipline Inspection and Supervision and Audit Department or the superior supervisor, and the Discipline Inspection and Supervision and Audit Department shall make corrections in accordance with its responsibilities, or recommend the responsible unit and its superior to make corrections. If the personal safety of the whistleblower is threatened, the Company will contact the police and relevant departments to take timely protective measures.

2. PRODUCT RESPONSIBILITY

2.1. Quality Control

We impose stringent quality control standards for our production process from procurement of raw materials to delivery of finished products.

Our mining engineering department and laboratory department are responsible for monitoring the quality of our equipment, raw materials, mining process, standardisation of our production processes and product quality. In addition to routine inspections and technical guidance services, Our Company has formulated internal quality control measures and standards, which cover various aspects of our mining process and production process so as to ensure a consistent quality of our products. Set out below are our major quality control measures:

- Equipment and raw materials quality: When we receive the equipment purchased by us at the time of their delivery, we perform trial operations to ensure they are properly working. When purchasing raw materials, generally, our laboratory department will conduct tests on each of their indicators, and the procurement can be carried out only if all indicators meet the requirements. Upon delivery of the raw materials, we will monitor, inspect and perform tests on the quality of the raw materials to ensure that they comply with contract specifications or requirements. The raw materials are properly kept in the warehouse thereafter unless the raw materials are found defective, which will be referred to our suppliers.

- Mix proportion management: Our laboratory department designs the theoretical proportions and prepares a proportion design specification in accordance with contract requirements and technical requirements of our concrete products, taking into account relevant national standards and industrial standards.

- Mining process: We conduct regular inspections at our Gaoloushan Mine to ensure that our mining activities are carried out in compliance with our mining quality control procedures. We monitor our contractor's blasting operations performed at our Gaoloushan Mine to ensure our contractor complies with our requirements during the blasting operations.

- Production process: We strengthen our process control of different stages of the production process, including implementation of mix proportions, production and mixing and pre-delivery work performance tests, so as to ensure the production process meets the prescribed quality standards.

- Quality check: We conduct regular inspection on the quality and specification of our products.

During the reporting period, we did not violate any applicable laws and regulations related to product health and safety. We had not received any material claims or complaints from our customers in respect of the quality of our products and there was no incident of failure of our quality control systems or penalties from relevant regulatory bodies which had a material and adverse on our business operations.

2.2. Product Return Policy

As our concrete products are ultimately used for construction, such as municipal road and residential construction, we put great emphasis on the importance of product quality, and conduct testing and inspection of our products throughout our production and processing process and prior to delivery of our products to our customers in order to minimise after-sales quality issues. Upon delivery of our products, our customers may conduct sample test on our delivered products. Some of our customers will appoint a third-party testing laboratory company, which is recognised by Our Company, to perform testing to ensure our products comply with their prescribed standards and/or national standards. If it is found that the products supplied by us do not meet the prescribed standard and/or specifications as required by our customers, we will replace with a new batch of products. Our contracts with our customers do not typically provide any product warranty to our customers apart from defects identified in our products.

We did not experience any material litigation or claims from our customers, or any return on sales or recalls of our delivered products which had a material adverse effect on our financial and business operation during the reporting period.

2.3. Intellectual Property Protection

We have confidentiality protection arrangements in place to protect our intellectual properties and trade secrets, including the requirement for our senior management members to enter into confidentiality agreements with us to ensure that our intellectual property rights and trade secrets are not passed onto any third party.

During the reporting period, we did not violate any applicable laws and regulations related to intellectual property protection. We were not aware of any pending claims by any third party against us for the use of our intellectual property rights in any material aspects or involved in any material litigation or administrative punishment regarding intellectual property rights, nor were we aware of any material infringement of third party intellectual property rights or infringement of our intellectual property rights by third parties.

2.4. Privacy Protection and Responsible Marketing

Our Company places strong emphasis on customer's privacy, and provides employees with guidance to prevent them from disclosing customer information without obtaining prior consent. If any leak of customer information is found, Our Company will rectify it promptly and administer punishment to responsible employees corresponding to the severity of the incident. Employees will be held legally responsible in serious circumstances. During the reporting period, we did not experience any incidents of customer information leakage, nor did it receive any complaints about improper use of customer information that had a significant impact on Our Company. Our Company forbids any form of false or misleading description in its marketing processes. We believe this ensures that accurate and comprehensive information is provided to customers during sales of our aggregate products and concrete products.

During the reporting period, we did not violate any applicable laws and regulations related to privacy protection and responsible marketing.

3. EMPLOYEE MANAGEMENT

3.1. Talent Attraction and Retention

The Company is committed to the core values of its commitment, a culture of diversity and inclusion, an open management model, attracting and retaining talent from diverse backgrounds and professionals, and providing quality compensation and benefits, as well as a continuous learning, safe and lively working environment, and is committed to becoming a company that employees can be proud of.

Governance structure

Adhering to the concept of "people-oriented", the Company strictly abides by laws and regulations related to labour standards, such as the Labour Law, the Labour Contract Law, the Employment Promotion Law, the Special Provisions on the Labour Protection of Female Employees, the Trade Union Law, the Law on the Protection of Minors and the Regulations on the Prohibition of Child Labour, etc. The Company has formulated and improved a series of internal employment policies such as the Personnel Management System and the Labour Employment Management System, to ensure compliance to laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, child labour and forced labour, anti-discrimination, and other benefits.

Risk management

Forced labour is strictly prohibited by the Company, and every employee of the Company is entitled to rest days in accordance with local laws and regulations and company policies. In order to ensure labour compliance at all business units, the Company has set up an employment compliance risk prevention and control mechanism to ensure standardised employment processes.

The Company strictly prohibits the employment of child labour. We have adopted multiple measures during recruitment and onboarding to verify the identity of applicants, to ensure that no child workers are recruited. In the event that a child worker is found to be in an employment contract with the Company, we would immediately terminate the employment contract, escort the child to his/her registered home address, provide the child with access to education and other development opportunities, and review and improve our employee processes to prevent reoccurrence.

During the reporting period, the Company did not violate any applicable laws or regulations related to employment and labour standards.

Management measures and progress

The Company's recruitment of talents is mainly based on local recruitment, and recruitment information is published through public and Internet advertising. We are committed to providing our employees with quality job opportunities, competitive compensation and benefits, to enhance employee engagement, and ensure we can continue to attract and retain a rich talent pool to support long-term growth needs.

Compensation & Benefits

Drawing on market trends, the Company has continuously improved the remuneration and incentive system, optimised the remuneration system through reform, built a sustained salary growth mechanism, to stimulate employees' enthusiasm for work, and provide material security for employees' happy life.

Reward Scheme	• The Company measures the overall economic indicators and salary level of Huaibei, and makes appropriate salary adjustments to maintain the overall salary competitiveness; • Employee incentive takes in factors including the Company's financial and operational performance, future development, characteristics and operational performance of each subsidiary, the job responsibilities and performance of employees. The Company implements short-term or long-term incentive schemes depending on local industry practices.
Benefits	• The Company provides a diversity of benefits that exceeds the statutory standards, including vacation days, insurance, pension, emergency relief, wedding and maternity gifts, funeral subsidies, etc., to encourage employees to do their best for the long-term development of the Company.

Communication and respect

The Company regularly conducts employee surveys to assess the employees' work experience, analyse the Company's strengths and opportunities, and formulate improvement actions based on the survey results. At the same time, the Company actively builds a communication platform, setting up a variety of communication channels such as email, mailbox, complaint hotline, WeChat platform, service center, employee symposium, etc. Representatives appointed by the Company's management team explain the Company's operations to the representatives elected by the employees and discuss issues of concern, thereby enhancing good communication between the Company's management team and the employees.

Responsible personnel	**Communication channels**
Supervisors at all levels	• Chairman/General Manager communication meeting • Organisational communication meetings
HR	• HR Services Team
Division/Chairman of the Committee/Deputy General Manager	• Employee suggestion box • Whistleblowing procedures

Community development

The Company has helped poor households in Huoshenmiao Village, Liuqiao Town, to solve their living difficulties, offer condolences in daily life, buy poultry and livestock for them, stabilise their sources of income, and prevent them falling back to poverty. Tongming built walls for poor households in Taishan Village and Xinyuan Village; Liantong sold agricultural products and built simple huts for poor households. On the Children's Day, the Company purchased school supplies for left-behind children in poor rural areas.

3.2. Talent Development

The Company's talent development aims to ensure that employees can keep pace with the times, not only to support the Company's long-term growth needs, but also to meet employees' lifelong learning momentum.

Governance structure

The Company has formulated management documents such as "Company Organizational Performance Management Policy", "Company Cadre Management Measures" and "Training Management System" to effectively motivate and train the cadres.

Risk management

Being in the labour-intensive industry, our success depends on our ability to continuously improve in all aspects, which requires a highly motivated team. In the face of drastically changing market and intense competition, there is uncertainty whether our team can continue to learn, improve, and stay motivated.

The Company continuously improves the target management and performance appraisal system, sets scientific performance appraisal indicators, and conducts reasonable assessment and evaluation of managers at all levels and all employees. The Company ensures the continuous optimisation of the workforce through human resources plans such as promotion planning, supplementary planning, training and development planning, and career planning, and realises a virtuous cycle of human resource management.

Management measures and progress

The Company takes the competency model as the basis for talent development, and through the "70-20-10" rule, it provides employees with specific development needs from experience learning (accounting for 70%), feedback and guidance (accounting for 20%) and education and training (accounting for 10%).

Experiential learning

The Company has established a sound career development channel, through strengthening the "dual-track system" of management and technical professional positions, so that employees can achieve good development in the professional fields of management and technology according to their personal characteristics and expertise. At the same time, the Company adheres to the two principles of transparency of internal job vacancies and respect for employees' willingness to change jobs, plans personal career development paths and their own diversified ability development for employees, promotes internal talent mobility, and inherits organizational knowledge.

Feedback and guidance

The Company has a strong feedback-based culture and performance management approach, and employees are subjected to multi-dimensional, goal-based performance reviews every year. Employees regularly engage in feedback and development planning conversations with managers to encourage internal communication. We recognise that it is important for employees to be able to consult with their superiors on development opportunities and future careers, receive appropriate advice, and understand the mission of their department and the role they should play in the medium to long term, and can reach their full potential. In addition, these conversations have a very positive impact on employee engagement and clarity on the Company's purpose, as they give supervisors and their subordinates the opportunity to detach themselves from the day-to-day reporting process and discuss business development and vision for the Company.

Education and training

Developing employees' skills and training them to meet new challenges is a strategic priority for companies and a major source of competitive advantage. The Company's growth mindset culture begins with valuing learning rather than understanding – finding new ideas, driving innovation, rising to challenges, learning from failures, and improving over time. To support this culture, the Company offers a wide range of learning and development opportunities. The Company believes that learning is more than just formal instruction, the Company's learning philosophy is focused on delivering the right learning in the right way at the right time.

On-the-job training	In-house training opportunities include job training, daily coaching, job transfers, seminars and e-learning. There are two main categories of training programs implemented company-wide. Employment-level-specific training programs and occupation-specific training programs. In addition to company-wide training programs, the respective business units of the Company develop and implement their own training programs.
Succession planning	We clearly define the meaning of grassroots, middle and top management and management behavior or leadership behavior, and develop a complete management training program. In addition, we link core values with various management systems such as target management, performance appraisal, promotion, selection, talent development, and training. We invite middle and senior managers to give "internal management training" lectures, share actual management cases, how to lead the team to achieve the set goals, maintain the Company's competitive advantage, strengthen the global management thinking and ability of the supervisor, and lead the team to achieve the Company's business strategic goals.

3.3. Health and Safety

Protecting the health and safety of our employees is a top priority for the Company. We focus on identifying, understanding and controlling all risks associated with workplace hazards, especially those that could result in death or serious injury. Sound casualty risk management is essential to ensure that everyone returns home safely and healthy at the end of the day.

Governance structure

We have established a work safety committee to ensure the compliance of the PRC laws and regulations relating to work safety during our production; coordinate and supervise the implementation of work safety measures; and in the event of severe injury, death, fire, explosion, poisoning, or accident, handle investigation, report to management, and formulate measures to prevent the occurrence of similar event.

Risk management

We have implemented a system to handle safety related incidents. Our employees are required to make an immediate report upon the occurrence of an incident as well as to assist in mitigating the impact of the incident. We categorise incidents based on type and allocate the responsibilities among different departments. Safety incidents are differentiated into three categories: (i) traffic accident; (ii) injury/fatality accident; and (iii) equipment (building) damage accident. Each category of the incident is categorised into different level of severity. We handle incidents differently depending on the category and severity of the incident. After the incident, we also investigate its cause, evaluate its impact, and prepare a formal report for scrutiny and record.

Management measures and progress

To ensure compliance with relevant PRC regulatory requirements, we have implemented a comprehensive system of safety management procedures and regulations which all of our employees must comply with. Employees are also regularly trained to comply with the relevant safety procedures. During the reporting period, we had been in compliance with the relevant laws and regulations in relation to occupational health and production safety in all material respects and we had not been subject to any material penalty imposed by the relevant authorities due to non-compliance with all relevant laws and regulations in respect of occupational health and safety in the PRC. During the past three years, no safety accident had occurred which led to severe injury or death.

Systematic management

Tongming Mining adopted a work safety manual that covers slope management, work safety training, equipment maintenance, identification of dangers, emergency handling procedures, and handling of explosives and work safety in respect of rock drilling, blasting, loading, welding and transportation. Liantong Municipal adopted a work safety manual that covers, among others, work safety training and handling of machinery and equipment and explosive and flammable materials.

Safety training

The Company has formulated the "Safety Education and Training System" to improve the safety awareness of employees, strengthen training on self-protection, improve the level of safety knowledge and safety operation skills, strictly implement operation standards, perform job responsibilities, abide by company policies, and ensure the realization of safety management goals.

The Company conducts safety education and assessment at the branch, departmental and section team levels for all employees, and the examination results are recorded in the safety technical file or operation certificate, and those who fail the examination results are re-examined or postponed the issuance of work certificates, and punishments are imposed according to the relevant assessment content. All employees shall have at least 20 hours of safety education and training per year, and newly hired employees shall have no less than 72 hours of safety education during the induction training.

Expert support

Tongming Mining engaged a qualified engineer to provide (i) consulting services in relation to work safety, in particular, to advise on any potential safety danger in the production process and (ii) education on work safety in Tongming Mining. In addition, Tongming Mining engaged a contractor to provide rescue services, including conducting preventive check-up, familiarising us with the relief road and assisting us in handling of disasters, at our Gaoloushan Project.

4. ENVIRONMENT PROTECTION

4.1. Governance Structure

The Company has formulated a number of environmental protection management policies such as "Environmental Protection Target Responsibility Policy", "Construction Project Environmental Impact Report Form" and "Energy Conservation Assessment Report", established an environmental protection committee with clear roles and responsibilities, and built an environmental management system across departments and through the organisation.

The two subsidiaries respectively set up safety and environmental protection departments led by the general manager and under the responsibility of each deputy general manager. The safety and environmental protection departments are responsible for safety, environmental protection and occupational health management, and the safety and environmental protection designated contact and supervision mechanism. The subsidiaries have clarified the environmental protection responsibilities of its general manager and deputy general manager, safety and environmental protection department, production technology department, operation management department, comprehensive affairs department, team leader, and full-time and part-time environmental protection personnel, and carried out annual environmental protection target assessment.

4.2. Risk Management

Environmental risks

Our production of aggregate products and concrete products consumes a lot of energy and water, and produces different kinds of pollutants such as dust, noise, waste water, solid waste, etc., which may have different degrees of impact on the environment.

Pollutants	Source	Impacts
Greenhouse gas (GHG) emissions	Energy consumption of production facilities, stationary combustion sources and vehicles, purchased electricity	Please refer to *ESG risk management – Climate change risks and opportunities*
Dust	Mining, loading and unloading, crushing and movement of vehicles, and mobile equipment	May cause potential negative impacts on the environment and human health
Noise	Drilling, explosions, excavators, air compressors, loaders, crushers, vibrating screens and vehicles	May cause potential negative impacts on the environment and human health
Waste water	Run-off from the quarry and processing plant, sewage from the maintenance workshop, and domestic sewage	Arbitrary discharge of untreated production and domestic wastewater may cause potential negative impacts on surface water and groundwater
Solid waste	Topsoil and waste rock produced during mining	Acid rock drainage ("ARD"), which is created when reducing sulphide minerals are exposed to air, precipitation and bacteria and, through an oxidation reaction, produce sulphuric acid during mining, transportation, processing, waste rock discharge, and tailings storage. ARD has the potential to introduce acidity and dissolved metals into water, which can be harmful to surface and groundwater.
Hazardous waste	Fuel oil and waste oil	May cause potential negative impacts on the environment and human health

In order to establish and improve the environmental monitoring system for use of resources and pollutant emissions, the Company evaluates the quantitative operation data including greenhouse gas emissions and resource consumption, and formulates environmental self-monitoring plans according to the relevant provisions of pollution discharge permits and the requirements of environmental protection departments of local governments to ensure strict compliance. Third-party testing companies are commissioned every quarter to conduct contaminant quality test to ensure relevant emissions are compliant with local regulations and industry standards.

During the reporting period, the Company did not violate any applicable laws or regulations related to emissions, disposal of hazardous waste and non-hazardous waste and other environmental pollution matters.

Climate change risks and opportunities

We monitor global climate change trends and identify climate change-related risks and opportunities based on the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosures (the "TCFD"), and strive to continuously improve our management based on the results achieved. Develop countermeasures to eliminate, mitigate, transfer or control risks based on different types of risks and opportunities.

In order to better address the potential risks and opportunities of climate change, we have conducted policy research, peer benchmarking and combined expert advice to identify climate change risks and opportunities relevant to our operations and assess the impact of each risk and opportunity on our finances.

Physical risks	Impact cycle	Risks	Financial impact and response
Extreme weather	Short-term	• Increased overall rainfall or more extreme storm events may result in flooding of pits, production facilities and storage mines and generate untreated discharges. • Increased rainfall could flood roads leading to the mine, inundate on-site warehouses and storage areas and affect the delivery of essential mining supplies.	• **Financial impact:** additional capital or operating costs arising out of increased water storage capacity, additional maintenance and monitoring techniques, and further storm protection of the facility. • **Response:** make full use of the functions of the production facilities' sedimentation ponds and storage ponds to achieve recycling of water resources, strengthen monitoring of storage water levels and pumping, so as to protect the production plant against rainstorms.

Physical risks	Impact cycle	Risks	Financial impact and response
Supply chain disruptions	Short-term	• Extreme weather events may affect the availability of raw materials required for production, as well as arrangements for the transportation of products.	• **Financial impact:** production and revenue delays; transport delays; increased costs to enhance supply chain continuity and contingency planning for extreme weather events. • **Response:** strengthen weather monitoring systems and identify alternative routes with key suppliers; work with key suppliers to determine their resilience to extreme weather events; and assess problems encountered in the supply chain.
Resource utilisation	Short-term	• The frequency and duration of extreme weather have increased and thus the risk of power outages has increased.	• **Financial impact:** reduced or delayed production due to power outages. • **Response:** cooperation with power supply companies on power supply scheduling, respond to power restriction orders in a timely manner, adjust production schedules in advance and update emergency standby plans accordingly.

Transitional risks	Impact cycle	Risks	Financial impact and management initiatives
Policy and legal risks	Medium to long term	• Changes in public policy and legislation. • Possible litigation arising from non-compliance. • Litigation arising from perceived failure of companies to act quickly to mitigate climate risks. • Material financial risks are not disclosed in a clear and adequate manner.	• **Financial impact:** actual and proposed changes in climate-related laws, as well as uncertain regulations and taxes, may lead to higher costs for new developments and existing operations, resulting in lower economic returns. • **Response:** monitor regulations being developed in China to address possible legal risks.
Technical risks	Medium to long term	• The availability, effectiveness, pricing and competitiveness of new technologies. • Externally developed low carbon technologies – reliable renewable energy, battery storage and back-up systems, energy efficient systems and equipment, automation and other automation and electrification technologies • Timing of the development and deployment of technologies and innovations that support the transition to a low carbon economy.	• **Financial impact:** write-off and early retirement of existing assets; capital investment in technology development. Increase in the cost of adopting/deploying new practices and processes, including road planning and design for underground and above ground mine sites. • **Response:** (2021 – 2025) To focus on new renewable electricity generation installations. (2025 – 2030) To increase the use of low-carbon heavy mobile equipment and greener equipment.

Transitional risks	Impact cycle	Risks	Financial impact and management initiatives
Market risk	Medium to long term	• A shift in market perceptions of the mining sector. • The complicated market impacts brought by climate change. • The change in customers' preference towards certain goods, products and services.	• **Financial impact:** increase in production costs due to changes in the costs of operation. **Response:** undertake business and resilience planning, climate transformation plans, regular engagement with investors, implement responsible sourcing strategies, continue and expand collaboration and partnerships.
Reputational risk	Medium to long term	• The way in which these risks are managed by our shareholders, local communities, employees, industry associations and other key stakeholders. • Changing stakeholder perceptions of how we can contribute to climate change. • Actions to delay the transition to a low carbon economy.	• **Financial impact:** a damaged reputation could reduce investor's confidence, create challenges in maintaining positive community relations, and bring a material adverse effect on our business, financial condition, operations and growth prospects. • **Response:** strengthen community relations; track and monitor community events, progress of our commitments and complaints, mitigate adverse events and situations. Regularly keep investors informed of climate change issues.

Transitional opportunities	Impact cycle	Opportunity	Response
Products and Services	Medium to long term	• Since 2016, the PRC government has made various efforts in addressing environmental issues. The construction materials industry is expected to move in an environmental-friendly direction. The PRC government is guiding the construction materials industry towards energy saving.	• We have increased our technological research and development to develop green and environmentally friendly building materials to meet the national green development policy.
Energy sources	Medium to long term	• Technology advances in renewable energy will continue; beyond 2030, we expect mobile fleets to transit from diesel to low-carbon fuel. The International Council on Mining and Metals initiative brings together the world's largest original equipment manufacturers to minimise diesel emissions by 2025 and to introduce greenhouse gas-free surface mining vehicles by 2040.	• We are constantly upgrading our infrastructure, production facilities and processes to meet our goal of continuously reducing our greenhouse gas emissions and resource consumption.
Adaptability	Medium to long term	• The land will be a nexus for water, energy, biodiversity and food, and provide flexibility to implement renewable energy projects and carbon offsets.	• The land will be a nexus for water, energy, biodiversity and food, and provide flexibility to implement renewable energy projects and carbon offsets.

4.3. Management Measures and Progress

The Company actively fulfills its social responsibility and is committed to improving the efficiency of our operations through continuous improvement, minimising our environmental footprint and helping to meet the escalating environmental challenges around the world.

GHG emissions and energy consumption

The analysis on greenhouse gas emissions involves scope 1 (i.e. direct discharge) and scope 2 (i.e. indirect discharge) emissions. Scope 1 direct emissions include GHG emissions from our production facilities, stationary combustion sources and vehicles. Scope 2 indirect emissions from energy include GHG emissions from the use of purchased electricity.

In view of daily management, we monitor our energy consumption through daily data analysis to detect and resolve abnormal energy losses; conduct regular onsite inspection to ensure the effectiveness of energy-saving measures. We also encourage cross-department communication to share good practices. In view of production energy consumption, we reduce product footprint during production process by using more environmentally friendly raw materials, improving production processes, and using energy efficient equipment.

We optimise the layout of our mining sites to shorten transportation route, which in turn reduces vehicles energy consumption. We also deploy latest processes and auxiliary production systems that are energy efficient. We rehabilitate disturbed land and expand greenery coverage through greening projects to develop carbon sink.

Water

The water usage for our mining sites includes drilling, dust control, landscaping, firefighting and vehicle washing, and the water is sourced from the recycled water system of Huaibei City. We also have a storage tank of the capacity of approximately 300m3 on site and an 800 m3 new storage tank and a pumping station will be constructed and connected to the current recycled water system.

The Company's mining site is not located at a water-scarce area. We conduct water analysis and assessment before taking water. We analyse the current situation of water resources development and utilization in the river basin or region where the construction project is located, the rationality of water use, the impact of the development and utilisation of water resources on the status of water resources and other water users, water resources protection measures, etc., and evaluate the rationality of its measures.

Through the establishment of a storm sewage diversion system, clean runoff is discharged into the environment or municipal stormwater network, and rainwater flowing through the production area is collected and treated by wastewater treatment facilities and reused for production or discharged according to relevant standards. Domestic sewage is treated before discharged or reused for greening.

In order to ensure water security of the river basin and groundwater in the project site, we select project site away from the water source and monitor its water quality at least by quarter to minimize environmental impact on the river.

Land use and biodiversity

The Company strictly abides by laws and regulations such as the Law of the People's Republic of China on the Protection of Wild Animals, the Regulations of the People's Republic of China on Nature Reserves, and the Regulations of the People's Republic of China on the Protection of Wild Plants, aiming to play an active role in managing the biodiversity of the places where our mines operate.

There are no natural reserves or significant cultural heritage sites within or surrounding our mining and production site. In terms of biodiversity management, we focus on prior assessment, planning and restoration, and strive to minimise disturbances to the fauna and land. We have formulated the Land Reclamation Plan Report and the Soil and Water Conservation Plan Report. In the early stage, we strive to restore and rebuild by restoring the topsoil and planting trees endemic to the local area; in the later stage, we gradually increase biodiversity and enhance the stability of the ecosystem through the rational combination of trees and shrubs.

By the end of 2022, through restoration and reconstruction, we had restored 44.95 hectares of disturbed land to its original state, including 43.05 hectares of forest land reclaimed or greened, 0.75 hectares of dry land reclaimed, and 1.15 hectares of road reclaimed. The reclamation rate is 100%.

Pollutant management

We have established a pollution control system and installed a number of equipment to treat and dispose of our pollutants to reduce our impact on the environment. During the reporting period, we had no non-compliance or violation on any relevant laws and regulations of the PRC on environmental protection which resulted in material impact on our normal operation.

Pollutant management	
Air pollutants	• Applicable standards: Emission Standard of Air Pollutants for Cement Industry (GB4915-2013) • Monitor indicator: dust pollutants • Reduction method: water spraying, dust collector installation, workshop sealing, road paving, greening and speed limit, fully enclosed conveyor belt is developed from the point of discharge to the raw materials warehouse
Noise	• Applicable standards: Environmental Noise Emission Standard for Industrial Enterprises (GB12348-2008) • Monitor indicator: daytime 60 dB(A), nighttime 50 dB(A) • Reduction method: enclosure of highly noisy equipment, selection of low noise equipment, layout optimisation
Solid waste	• Waste type: topsoil, waste rock • Handling method: backfill, road paving, third-party auctions
Hazardous waste	• Applicable standards: Hazardous Waste Storage Pollution Control Standard (GB18597-2001) • Company policies: Hazardous Waste Warehouse Management System Policy • Waste type: waste oil • Handling method: engaged a qualified waste recycling company to handle the disposal of waste oil generated during the operations • Reduction method: use quality fuel and enhance equipment maintenance

5. SUPPLIER MANAGEMENT

5.1. Governance Structure

The Company has formulated supply chain management policies such as "Procurement and Sales Management Policy" and " Measures for the Administration of Procurement", established procurement team, and standardised the procurement process, to build a responsible supply chain.

5.2. Risk Management

According to the Measures for the Administration of Procurement, before becoming a qualified supplier, candidate suppliers must perform detailed due diligence procedures, provide necessary qualification review materials in accordance with the supplier qualification application process of Huaibei Construction Investment Group, and become qualified suppliers after passing the review. For qualified suppliers, Huaibei Construction Investment Group will conduct on-site inspection and evaluation to review the company's operation, supply, production and service. High-quality suppliers will be included in the supplier directory as procurement invitees. The Company selects suppliers according to the supplier directory of Huaibei Construction Investment Group.

5.3. Management Measures and Progress

The Company cooperates with Huaibei Construction Investment Group to continuously control the main risks of the supply chain through supplier audits. The Company prefers suppliers of new products, energy-saving and environmental protection products, and products with independent intellectual property rights recognised by relevant authoritative departments, and urges suppliers to make corresponding efforts for environmental, safety and social responsibility. Huaibei Construction Investment Group has established an evaluation system, designated the procurement working group to be responsible for the sampling and inspection of purchased products, the evaluation and regular auditing of the supplier quality system. The working group evaluates the supplier's quality, delivery time/construction period, price, service and other items at the end of each year, and recommend appropriate management measures according to the evaluation results.

Supplier black list

Suppliers will be blacklisted for 1-3 years in case of risks in environmental, safety and social responsibility, or major violations of laws and regulations. Suppliers with major quality problems or major safety and environmental hazards, bribery, or included in the blacklist of production and operation safety records by governments at any levels, they will be directly removed from the supplier directory of Huaibei Construction Investment Group and will no longer be allowed to cooperate.

Anti-bribery

The Company has formulated a strict recusal system for specific related persons, and requires partners (including cooperative merchants in procurement, sales, transportation and service) to declare when a certain relationship with the Company's procurement, sales and other positions exist, and the related personnel are required to recuse themselves in business cooperation.

Protection of employees' rights and interests

The Company has established a supplier code of conduct, which expects all suppliers to respect the rights and interests of employees and implement statutory minimum health and safety standards. Non compliant suppliers may be removed.

In addition, the Company requires all new employees to be trained in the Code of Conduct described above, emphasising the importance the Company attaches to responsible sourcing and its zero-tolerance stance towards child labour or other violations of employee rights by suppliers.

Employees, business partners and other stakeholders can report any violations at any time through the Company's reporting channels. During the reporting period, the Company did not receive any notice of any serious violation of the above Code of Conduct, nor was the Company aware of suspected violations of employees' rights to freedom of association or collective bargaining, child labour and forced labour, and other violations of workers' rights and interests.

6. APPENDIX

List of laws, regulations and company policies

General disclosure	Applicable laws and regulations	Company policies
A1. Emissions	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China on the Prevention and Control of Water Pollution Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Regulations for the Implementation of the Environmental Protection Tax Law of the People's Republic of China Regulations on the management of environmental protection of construction projects	Hazardous Waste Warehouse Management Policy Hazardous Waste Accident Emergency Response Plan Hazardous Waste Leakage Environmental Emergency Drill Implementation Plan
A2. Use of Resources	Energy Law of the People's Republic of China Energy Conservation Law of the People's Republic of China	Energy Conservation Assessment Report
A3. Environment and Natural Resources	Land Reclamation Ordinance Regulations on the protection of the geological environment of mines Implementation Rules for the Management of Anhui Province Mine Geological Environment Governance and Restoration Fund (Trial)	Land Reclamation Programme Program Report Soil and Water Conservation Programme Report
A4. Climate Change	Energy Law of the People's Republic of China Energy Conservation Law of the People's Republic of China	Energy Conservation Assessment Report

General disclosure	Applicable laws and regulations	Company policies
B1. Employment	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Regulations for the Implementation of the Labour Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China Regulations on the Administration of Housing Provident Fund	Personnel Management Policy Labour Employment Management Policy
B2. Health and Safety	Work Safety Law of the People's Republic of China Mine Safety Law of the People's Republic of China Regulations for the Implementation of the Mine Safety Law of the People's Republic of China Regulations on work safety permits Measures for the Implementation of Work Safety Permits for Non-Coal Mining Enterprises Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases	Safety Production Manual Safety Education and Training Policy
B3. Development and Training	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Social Security Law of the People's Republic of China	Safety Education and Training Policy
B4. Labour Standards	Law of the People's Republic of China on the Protection of Workers' Rights and Interests Special protection provisions for juvenile workers Decree of the State Council of the People's Republic of China (No. 364) prohibits the use of child labour	Personnel Management Policy Labour Employment Management Policy
B5. Supply Chain Management	Company Law of the People's Republic of China Contract Law of the People's Republic of China	Purchasing and Sales Management Policy Measures for the Administration of Procurement

General disclosure	Applicable laws and regulations	Company policies
B6. Product Responsibility	Product Quality Law of the People's Republic of China Patent Law of the People's Republic of China Intellectual Property Law of the People's Republic of China	Quality Management Policy
B7. Anti-corruption	Criminal Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Company Law of the People's Republic of China Contract Law of the People's Republic of China	Non-competition Commitment Management Policy Receivables Management Policy Fixed Asset Management Policy Whistleblowing Management Policy Risk Management Policy Employee Handbook Code of Corporate Governance A promulgable trading regime in relation to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited Dividend Policy
B8. Community Investment	Charity Law of the People's Republic of China	Notice on Poverty Alleviation During the Mid-Autumn Festival and National Day

Data list

ESG KPIs		Unit	2022
A Environment			
A1.1	Emission species and related emission data		
	SOx Calculation formula: emission factor * diesel consumption	kilogram	19.89
	Particulate Matter (PM)	Mg/m^3	4.6
	Noise	dB(A)	Daytime: 59 Nighttime: 48
A1.2	Greenhouse gas emissions		
	Scope 1: Direct greenhouse gas emissions Calculation formula: emission factor * diesel consumption	tons of CO2 equivalent	3,257.40
	Scope 2: Indirect greenhouse gas emissions Calculation formula: emission factor * electricity usage	tons of CO2 equivalent	5,474.78
	Total greenhouse gas emissions	tons of CO2 equivalent	8,732.18
	Scope 1: Direct GHG emission intensity	tons of CO2 equivalent/ million tons	885.83
	Scope 2: Indirect GHG emission intensity	tons of CO2 equivalent/ million tons	1,488.84
A1.3	Total amount of waste oil	ton	2
	Waste oil discharge intensity	tons/million tons	0.54
A1.4	Topsoil, waste rock	ton	106,146.46
	Topsoil, waste rock recycled	ton	106,146.46
	Total non-hazardous waste	ton	3.6
	Non-hazardous waste intensity	tons/million tons	0.98
	Household waste	ton	2
	Food waste	ton	1.1
	Office waste	ton	0.5

ESG KPIs		Unit	2022
A2.1	Energy consumption		
	Diesel fuel	litre	1,025.39
	Converted direct energy consumption Calculation formula: Discount coal coefficient * diesel consumption/electricity (equivalent value).	MWh	13,222.84
	Direct energy intensity	MWh/million tons	3,595.88
	Purchased electricity for the grid	MWh	9,599.83
	Total indirect energy consumption	MWh	9,599.83
	Indirect energy intensity	MWh/million tons	2,610.62
A2.2	Water consumption in total	ton	114,800
	Water consumption in intensity	ton/million operating revenue	31,219.26
A2.5	Total packaging material used for finished products	ton	0
	Package intensity	ton/million operating revenue	0
B Social			
Employee profile			
B1.1	Total workforce by gender, employment type (for example, full – or parttime), age group and geographical region		
	Total number of employees	person	152
	By gender		
	Male employees	person	135
	Female employees	person	17
	By type of employment		
	Full-time	person	152
	Part-time	person	0
	By age group		
	<30-year-old employee	person	18
	Employees aged 30-50	person	10
	> 50-year-old employee	person	124
	By geographical region		
	Anhui Province	person	151
	Rest of China (including Chinese mainland, Hong Kong, Macao and Taiwan)	person	1

ESG KPIs		Unit	2022
B1.2	Employee turnover rate by gender, age group and geographical region		
	By gender		
	Male employees	person	0
	Female employees	person	0
	By age group		
	<30-year-old employee	person	0
	Employees aged 30-50	person	0
	> 50-year-old employee	person	0
	By geographical region		
	Anhui Province	person	0
	Rest of China (including Chinese mainland, Hong Kong, Macao and Taiwan)	person	0
Health and Safety			
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	%	0
B2.2	Lost days due to work injury	day	0
Development and Training			
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)		
	The percentage of employees trained by gender and employee category	%	100
	By gender		
	Male employees	%	100
	Female employees	%	100
	By employee category		
	Senior management	%	100
	Middle management	%	100
	Ordinary employees	%	100

ESG KPIs		Unit	2022
B3.2	The average training hours completed per employee by gender and employee category		
	All employees	hours/person	40
	By gender		
	Male employees	hours/person	40
	Female employees	hours/person	40
	By employee category		
	Senior management	hours/person	40
	Middle management	hours/person	40
	Ordinary employees	hours/person	40
Supply Chain Management			
B5.1	Number of suppliers by geographical region		
	Anhui Province	suppliers	50
	Rest of China (including Chinese mainland, Hong Kong, Macao and Taiwan)	suppliers	10
	Abroad	suppliers	0
B5.2	Description of practices relating to engaging suppliers		
	Qualified supplier audited	suppliers	50
Product Responsibility			
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0
B6.2	Number of products and service-related complaints received and how they are dealt with	Case	0
Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases		
	Firm	case	0
	Company employees	case	0

ESG KPIs		Unit	2022
Community			
B8.2	Resources contributed (e.g. money or time) to the focus area		
	Invest money	RMB	2,000
	Number of volunteers	person	8
	Volunteer hours	hours	30

Environmental data conversion factors

The emissions are calculated with reference to the Guidelines on Reporting of Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange, the respective conversion factors are set out below.

Table of conversion factors

Type	Unit	Conversion factor	Reference Standards
Sulphur oxide (SOx) emission factors			
Diesel	g/L	0.0161	1
Carbon emission factors			
Diesel	kg/L	2.614	1
China Power Grid	kg/kWh	0.5703	2
Methane global warming potential		28	1
Nitrous oxide global warming potential		265	1
Methane (CH_4) emission factors			
Diesel consumption of vehicles	kg/L	0.001512	1
Nitrogen oxide (N_2O) emission factor			
Diesel consumption of vehicles	kg/L	0.0341	1
Electricity (equivalent value)			
Diesel	kWh/L	10.70324344	1

Reference Standards:

1. Guidelines on Reporting of Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange on 28 May 2021
2. Notice on the Management of Greenhouse Gas Emission Reporting by Enterprises in the Power Generation Industry from 2023 to 2025 issued by China's Ministry of Ecology and Environment ("MEE") on 7 February 2023

Reporting index to the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide

Part B: Mandatory Disclosure Requirements	
Mandatory Disclosures	**Mandatory Disclosures**
Governance Structure	Governance Structure
Reporting Principles	Reporting Principles
Reporting Boundary	Reporting Boundary

C: "Comply or explain" Provisions			
Subject Areas, Aspects, General Disclosures and KPIs	**Corresponding chapter**	**Subject Areas, Aspects, General Disclosures and KPIs**	**Corresponding chapter**
A. Environmental		**B3. Development and Training**	Talent Attraction and Retention
A1. Emissions	List of laws, regulations and company policies	B3.1	Data list
A1.1	Data list	B3.2	Data list
A1.2	Data list	**B4. Labour Standards**	List of laws, regulations and company policies
A1.3	Data list	B4.1	Talent Attraction and Retention
A1.4	Data list	B4.2	Talent Attraction and Retention
A1.5	Environment Protection	**Operating Practices**	
A1.6	Environment Protection	**B5. Supply Chain Management**	List of laws, regulations and company policies

C: "Comply or explain" Provisions			
Subject Areas, Aspects, General Disclosures and KPIs	**Corresponding chapter**	**Subject Areas, Aspects, General Disclosures and KPIs**	**Corresponding chapter**
A2. Use of Resources	List of laws, regulations and company policies	B5.1	Data list
A2.1	Data list	B5.2	Data list
A2.2	Data list	B5.3	Supplier Management
A2.3	Environment Protection	B5.4	Supplier Management
A2.4	Environment Protection	**B6. Product Responsibility**	List of laws, regulations and company policies
A2.5	Data list	B6.1	Data list
A3. Environment and Natural Resources	List of laws, regulations and company policies	B6.2	Data list, Product Return Policy
A3.1	Environment Protection	B6.3	Intellectual Property Protection
A4. Climate Change	List of laws, regulations and company policies	B6.4	Quality Control
A4.1	ESG risk management	B6.5	Privacy Protection and Responsible Marketing
B. Social		**B7. Anti-corruption**	List of laws, regulations and company policies
Employment and Labour Practices		B7.1	Business Ethics
B1. Employment	List of laws, regulations and company policies	B7.2	Business Ethics

C: "Comply or explain" Provisions			
Subject Areas, Aspects, General Disclosures and KPIs	Corresponding chapter	Subject Areas, Aspects, General Disclosures and KPIs	Corresponding chapter
B1.1	Data list	B7.3	Business Ethics
B1.2	Data list	**Community**	
B2. Health and Safety	List of laws, regulations and company policies	**B8. Community Investment**	List of laws, regulations and company policies
B2.1	Data list	B8.1	Talent Attraction and Retention
B2.2	Data list	B8.2	Data list
B2.3	Health and Safety		

About the report

This is the first ESG (environmental, social and governance) report (hereinafter referred to as "this report") issued by Huaibei GreenGold Industry Investment Co., Ltd. Through this report, Huaibei GreenGold discloses to stakeholders the actions it has taken and the results it has achieved in the economic, social and environmental aspects. This report complies with the "explanation of noncompliance" provision set out in the Environmental, Social and Governance Reporting Guidelines. Throughout this report, the words "Huaibei GreenGold Industry Investment Co., Ltd.", "Huaibei GreenGold", "we", "the Company" all refer to Huaibei GreenGold Industry Investment Co., Ltd.

Scope of the report

Organisation scope: the scope of this report covers Huaibei GreenGold Industry Investment Co., Ltd. and its subsidiaries. Unless otherwise specified, the scope in this report is the same with the consolidated financial statements of Huaibei GreenGold (stock code: 02450. HK).

Time frame: 1 January 2022 – 31 December 2022

Reporting cycle: This is an annual report.

Number of reporting periods: This is the first Environmental, Social and Governance Report published by Huaibei GreenGold.

Basis for reporting

The Stock Exchange of Hong Kong Limited's Environmental, Social and Governance Reporting Guidelines (2020)

Information sources

The information and cases in the reports are derived from the original records or financial reports of the actual operation of the company.

Financial data in the report are in RMB. If the financial information is inconsistent with the company's annual financial report, the annual report shall prevail.

Responsibility guaranteed

The Company promises that the contents of this report are free from any false record, misleading statement or material omission, and the Board of Directors of the Company is responsible for the truthfulness, accuracy and completeness of the contents.

Reporting principles

- The principle of materiality. Through stakeholder communication and data analysis, this report identifies and responds to important ESG issues affecting The Company's sustainable development. The materiality analysis process and results are detailed in the *Materiality analysis*.

- Quantitative principles. The Company's ESG Quantitative Key Performance and Calculation Basis have been disclosed in this report, which is detailed in the *Appendix: Data List*.

- The principle of consistency. The present report tries to be consistent in the indicators used in different reporting periods and explains the indicators that have changed to reflect trends in the level of performance.

- The principle of balance. The content of this report reflects objective facts and discloses both positive and negative indicators.

Reporting language

This report is available in both Chinese Traditional and English, in case of discrepancies between Chinese and English, please refer to the Chinese Traditional version.

Board of Directors assures

This report was approved by the Board of Directors on 29 March 2023. The Board of Directors and all Directors warrant that the contents of this report are free from any false record, misleading statement or material omission.

Access to the report

A printed version of this report is available in the offices of the Board of Directors of The Company. The electronic version of this report can be downloaded www.ljgfjt.com The Company's website and is available on the website of The Stock Exchange of Hong Kong www.hkex.com.hk.

Contact details

Phone: 0561-3053890

Address: 7th floor, No. 18, Suixi North Road, West Street, Xiangshan District, Huaibei City, Anhui Province, PRC

Report of the Supervisory Committee

In 2022, the supervisory committee ("**Supervisory Committee**") comprehensively fulfilled its supervision duties over members of the Board and senior management of the Company as authorized at the general meetings in accordance with the PRC Company Law and the Articles of Association.

MEETINGS OF THE BOARD OF SUPERVISORS

In 2022, two supervisory committee meetings were held by the Supervisory Committee. Details of the meetings are set out as follows:

Number	Session	Attendance	Date	Venue	Matters discussed and resolutions passed
1.	The first meeting of the second term of the Supervisory Committee	Ms. Zhao Mingling, Ms. Li Chi, Ms. Dong Jing	17 January 2022	Conference room, Huaibei GreenGold Industry Investment Co., Ltd., No. 18, Suixi Road, Xiangshan District, Huaibei City, Anhui Province	To elect the chairperson of the Board of Supervisors
2.	The second meeting of the second term of the Supervisory Committee	Ms. Zhao Mingling, Ms. Li Chi, Ms. Dong Jing	30 September 2022	Conference room, Huaibei GreenGold Industry Investment Co., Ltd., No. 18, Suixi Road, Xiangshan District, Huaibei City, Anhui Province	To approve and adopt the Articles of Association, which shall become effective on the Listing Date

INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY

Legality of Company's operation

In the opinion of the Supervisory Committee, the Company operated in compliance with relevant laws and regulations, including the Company Law, and the Articles of Association. The procedures for making decisions on operation were in accordance with relevant laws and regulations, and up to standard, thus making satisfactory results. The Directors and senior management of the Company were able to perform their duties in accordance with relevant laws and regulations and the Articles of Association and exercise their powers in a proper and diligent manner without any act in violation of laws, regulations or the Articles of Association or contrary to the interest of the Company or the Shareholders.

Implementation of resolutions

The Supervisory Committee had no objection to the contents of resolutions submitted to the general meetings. The Supervisory Committee considered that the resolutions of the shareholders' general meetings and the Board meetings were implemented effectively.

Report of the Supervisory Committee

Company's financial position

The Company strictly observed the accounting principles. During the Reporting Period, the Company's financial structure was reasonable and complete, and the annual financial report was able to give a true and accurate reflection of the Company's financial position and operating results. The information stated in the reports did not contain any false record, misleading statement or material omission. The Company's 2022 annual financial report was audited by KPMG and a standard unqualified opinion were issued.

Actual application of funds raised by the Company

From the Listing Date to the date of this annual report, the Supervisory Committee supervised the actual application of funds raised from the Global Offering. The Supervisory Committee was of opinion that the Company strictly complied with the use disclosed in the Prospectus in the management of funds raised. The use of funds raised conformed to the Company's project plan and approval decision procedure without any appropriation of funds raised in breach of stipulation. For details of the usage of the funds, please refer to the paragraph headed "Use of proceeds from Global Offering" in the "Report of board of Directors" in this annual report.

Review of Supervisory Committee on internal control evaluation report

The Supervisory Committee has conducted a review on the Company, and considered that the Company has established an appropriate internal control system in all material aspects and the internal control management system has operated effectively, thus ensuring its consistent implementation and normal production and operation.

WORK PLAN OF THE BOARD OF SUPERVISORS FOR 2023

In 2023, the Supervisory Committee will continue to fulfill and comply with its supervision duties conferred by the relevant laws and regulations and the Articles of Association over members of the Board and senior management of the Company and strengthen its supervision function to improve the corporate governance structure of the Company. The Supervisory Committee will pay more attention to the legality of the decision-making procedures and material decisions made by the Company, and is determined to implement the pre-set strategies and policies of the Company. Furthermore, by increasing supervision and facilitating communications with both internal and external auditors, the Supervisory Committee aims to prevent operational and financial risks, so as to further reinforced internal control system and safeguard the interests of the Company and its Shareholders.

Report of the Board of Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Consolidated Financial Statements**").

PRINCIPAL ACTIVITIES

The Company was incorporated as a joint stock company established in the PRC with limited liability on 21 December 2018. The Group is primarily engaged in the production and sales of construction material products. Major products include (i) aggregate products, which we mine in our Gaoloushan Mine and process at our nearby production facilities located in Lieshan District, Huaibei City; and (ii) concrete products, which we manufacture at our production facilities located in Xiangshan District, Huaibei City. We mainly sold our aggregate products and concrete products to construction companies, building materials companies and wholesalers. The activities and particulars of the Company's subsidiaries are set out in note 12 to the Consolidated Financial Statements on pages 145 to 146 in this annual report.

BUSINESS REVIEW

A fair review of the Group's business as required under Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including the Group's performance analysis during the year ended 31 December 2022, particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2022, as well as the possible future business development of the Group, are set out in the sections headed "Chairman's Statement" on page 3, "Management Discussion and Analysis" on pages 7 to 20 and "Report of the Board of Directors – Events After the Financial Period" on page 100 of this annual report.

Possible risks and uncertainties that the Group may be facing are set out in the section headed "Principal Risks and Uncertainties" below in this report. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" on pages 50 to 84 of this annual report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H shares of the Company was listed on the Main Board of the Stock Exchange on 20 January 2023. The net proceeds received from the Global Offering, after deducting the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$83.0 million (equivalent to approximately RMB71.76 million). As at 31 March 2023, the Company has utilised HK$0.2 million proceeds from the Global Offering.

Report of the Board of Directors

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HKD' million)	Net proceeds utilized as of March 31, 2023 (HKD' million)	Remaining net proceeds as of March 31, 2023 (HKD' million)	Expected time to utilize the remaining net proceeds in full
Settling the payment of the balance acquisition price of the mining right in respect of Phase II Gaoloushan Mine	90%	74.7	0.0	74.7	By the end of June in 2023
Working capital and general corporate purposes	10%	8.3	0.2	8.1	By the end of the year ending 2023
Total	100.0%	83.0	0.2	82.8	

The Company intends to use the net proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As of the date of this report, the Company does not anticipate any change to its plan on the use of proceeds.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Group as at 31 December 2022 are set out in the Consolidated Financial Statements on pages 106 to 112.

DIVIDEND

The Board proposed that no payment of final dividend for the year ended 31 December 2022 is to be made by the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Company is primarily engaged in mining and processing of aggregate products and selling aggregate products and concrete products to construction companies, building materials companies and wholesalers. It is exposed to a variety of principal risks and uncertainties. The following sets out the principal risks and uncertainties encountered by the Group in its business operations:

- we derives revenue from a limited number of products categories and any change in customer preferences could materially affect our growth and profitability;
- the quality of our products is subject to uncertainties and may experience variability;
- our operations are subject to various potential risks as identified by our Independent Technical Consultant, which may disrupt our business operations;
- we are exposed to environmental hazards associated with our mining and processing operations;
- we are subject to existing and new environmental protection and safety production policies and regulations and may be exposed to potential costs for compliance and liabilities;
- we are subject to the uncertainty surrounding our Resources and Reserves estimates which are based on a number of assumptions. The volume and grade of the aggregate products we produce may not conform to the estimated amounts;
- our mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards; and
- the majority of our revenue from sales of concrete products was derived from Huaibei Construction Investment Group and our purchase from Huaibei Construction Investment Group was significant.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in our Company's Shares.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 December 2022 are set out in note 22 to the Consolidated Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity of this annual report. As at 31 December 2022, the Group's reserves available for distribution amounted to RMB35 million (as at 31 December 2021: RMB 0).

According to the articles of association of the Company (the "**Articles of Association**"), distributable reserves are based on the profits of the Company prepared according to the PRC Accounting Standards and Hong Kong Financial Reporting Standards, whichever is the lower. According to the PRC Company Law, after making up its losses and transferring appropriate amounts into the statutory surplus reserve fund and statutory public welfare fund, profit after tax can be distributed as dividend.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The aggregate revenue attributable to the Group's largest customers for the year ended 31 December 2022 accounted for approximately 31.9% (2021: 30.8%) of the Group's total revenue. The aggregate revenue attributable to the Group's five largest customers for the year ended 31 December 2022 accounted for approximately 55.6% (2021: 57.0%) of the Group's total revenue.

The aggregate purchases attributable to the Group's largest suppliers and subcontractors for the year ended 31 December 2022 accounted for approximately 45.5% (2021: 43.6%) of the Group's total purchases. The aggregate purchases attributable to the Group's five largest suppliers and subcontractors for the year ended 31 December 2022 accounted for approximately 65.5% (2021: 60.6%) of the Group's total purchases.

To the best knowledge of the Directors, save for Huaibei Construction Investment Group, none of the Directors or their associates or any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers and subcontractors during the year ended 31 December 2022.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which it will pay dividends annually, taking into consideration the criteria described below and the fiduciary duties of the Directors. Subject to Shareholders' authorization at a general meeting, the Company may also declare interim or special distributions in addition to the annual distributions.

It is anticipated that the annual distributions will be announced annually in the announcement of annual results, and the decision of the Board on whether any interim distributions will be declared will be announced in the announcement of interim results. Dividends will be declared in RMB, with the dividends on H shares to be paid in Hong Kong dollars, and the dividends on domestic shares to be paid in RMB.

The Company will review its dividend policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and the expectations of the future macroeconomic environment and business performance. The decision to make distributions will be made at the discretion of the Board and will be based upon the Company's operations and earnings, development pipeline, cash flow, financial conditions, capital and other reserve requirements and surplus, general financial conditions, contractual restrictions and any other conditions or factors which the Board deems relevant, and having regard to the Directors' fiduciary duties. The ability of the Company to make distributions is subject to the laws and regulations of the PRC and the Articles of Association. The payment of distributions may also be subject to the restrictions of the PRC laws and the financing agreements of the Company (including any financing agreements that may be entered into by the Company in the future) and will operate in accordance with the law and the regulations in order to comply with the relevant requirements.

SUBSIDIARIES OF THE COMPANY

The details of the subsidiaries of the Company are set out in Note 12 to the Consolidated Financial Statements on page 145 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group's total property, plant and equipment amounted to approximately RMB1,820 million (2021: RMB1,689 million) which is primarily attributable to the purchase of assets in 2022. The details of the properties, plant and equipment of the Group and their movements during the year ended 31 December 2022 are set out in Note 11(a) to the consolidated financial statements.

PROPERTY INTERESTS AND PROPERTY VALUATION

The Company has valued the property interests of the Group and included such valuation in the Prospectus and those property interests are not stated at valuation (or at subsequent valuation) in the financial statement. The valuation of the property interests of the Group as at 31 October 2022 was RMB175.15 million as included in the Prospectus. Had the property interests been stated at such valuation, the additional depreciation that would be charged against the statement of comprehensive income during the year ended 31 December 2022 would be approximately RMB0.77 million.

BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date and the details of the charging on the Group's assets are set out in Note 18 to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2022, to the best knowledge of the Directors, there was no material breach of or non-compliance with applicable laws and regulations, that have a significant impact on the business and operations of the Group, by the Group.

SERVICE CONTRACT AND LETTER OF APPOINTMENT OF THE DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2022 and up to the date of this report were as follows:

Executive Directors

Mr. Liu Yong *(Chairman)*
Ms. Zhao Li
Mr. Mao Hongxian
Mr. Qin Jiapeng
Mr. Zhang Lizhe
Ms. Shi Yinyan

Independent non-executive Directors

Mr. Gao Wei
Mr. Liu Chaotian
Ms. Xing Mengwei

Supervisors

Ms. Zhao Mingling
Ms. Li Chi
Ms. Dong Jing

The biographical details of the Directors, Supervisors and the senior management of the Group are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 21 to 27 of this annual report.

Each of the Directors and Supervisors has entered into a service contract or a letter of appointment with the Company for a term of three years.

Pursuant to Article 96 of the Articles of Association, the term for Directors and Supervisors is three years commencing from the date of their respective appointment or re-appointment, subject to re-appointment at a general meeting.

Save as disclosed above, there are no service contracts or letters of appointment between the Company or its subsidiaries and any of the Directors or Supervisors which is not determinable by the Company within one year without payment of compensation apart from statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Main Board Listing Rules and all of them are considered to be independent.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year or subsisted at the end of the year ended 31 December 2022.

EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Group are determined by the Board with reference to the respective responsibilities and duties, experience, individual performance, and time devoted to the Group and may be adjusted upon the recommendation of the Remuneration Committee. The Remuneration Committee was set up for reviewing the Company's emolument policy and structure of all remuneration of the Directors and senior management of the Company. No long-term incentive schemes have been adopted by the Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals of the Group are set out in notes 8 and 9 to the Consolidated Financial Statements on pages 140 to 142 of this annual report.

For the year ended 31 December 2022, no emoluments were paid by the Group to any Director, any Supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or the Supervisors has waived any emoluments for the year ended 31 December 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2022, by the Group to or on behalf of any of the Directors or the Supervisors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the Listing Date and up to the date of this report.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, each of the controlling shareholders of the Company (the "**Controlling Shareholders**") has entered into a deed of non-competition on 21 December 2022 (the "**Deed of Non-competition**") in favour of the Company in respect of their compliance with the terms of non-competition undertaking to the effect that each of them will not, and will procure their subsidiaries (other than the Company) or his/its respective close associations not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in any business which may be in competition with undertakings the principal business of the Group. The non-competition undertakings in respect of the Controlling Shareholders have become effective from the Listing Date.

Each of the Controlling Shareholders has confirmed in writing to the Company of his/her/its compliance with the Deed of Non-competition for disclosure in this report during the year ended 31 December 2022 and up to the date of this report. The independent non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Deed of Non-competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance in respect of legal actions arising out of corporate activities against the current Directors and senior management of the Company and its associated companies and the Directors and senior management of the Company and its associated companies who resigned during the Year. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted exempted continuing connected transactions of the Group since the Listing Date, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

Continuing Connected Transactions

(1) On 21 December 2022, our Company entered into a blasting services procurement framework agreement (the "**Blasting Services Procurement Framework Agreement**") with Anhui Leiming Blasting Engineering Co., Ltd.* (安徽雷鳴爆破工程有限責任公司) ("**Leiming Blasting**"), pursuant to which Leiming Blasting shall provide blasting services to our Group for an initial term commencing from the Listing Date and ending on 31 December 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. According to the Blasting Services Procurement Framework Agreement, the annual total purchase price to be paid by our Group to Leiming Blasting for the years ending 31 December 2022, 2023 and 2024 will not be more than RMB16.9 million, RMB19.1 million and RMB21.5 million, respectively.

    Tongming Mining is owned as to 33% by Leiming Blasting. Therefore, Leiming Blasting is a substantial shareholder of our subsidiary and hence is considered as a connected person at the subsidiary level of our Group under Chapter 14A of the Listing Rules. The transaction constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(2) On 21 December 2022, our Company entered into a products sales framework agreement (the "**Products Sales Framework Agreement**") with Huaibei City Construction Investment Holding Group Co., Ltd.* (淮北市建投控股集團有限公司) ("**Huaibei Construction Investment**"), pursuant to which our Group shall supply aggregate and concrete products to Huaibei Construction Investment Group for an initial term commencing from the Listing Date and ending on 31 December 2024, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. According to the Products Sales Framework Agreement, the annual total purchase price to be paid by Huaibei Construction Investment Group to our Group for the years ending 31 December 2022, 2023 and 2024 will not be more than RMB148.2 million, RMB154.5 million and RMB157.3 million, respectively.

    Huaibei Construction Investment is one of our Controlling Shareholders. Therefore, Huaibei Construction Investment and its respective associates are considered as connected persons of our Company under Chapter 14A of the Listing Rules. The transaction constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

    As the H shares of the Company was listed on 20 January 2023, and the continuing connected transactions under the Blasting Services Procurement Framework Agreement and the Products Sales Framework Agreement as mentioned above only commenced from the Listing Date, the Company will comply with the reporting and annual review requirements in accordance with the Listing Rules in its subsequent annual report.

RELATED PARTY TRANSACTIONS

As the H shares of the Company was listed on 20 January 2023, none of the related party transactions as disclosed in note 25 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules for the year ended 31 December 2022.

CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the year ended 31 December 2022, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2022 and up to the date of this report, the Group has no share option scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at Listing Date, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in Appendix 10 of the Listing Rules:

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at Listing Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares	Capacity/ Nature of interest	Number of securities held[1]	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued H share capital	Approximate percentage of the total share capital
Huaibei City Construction Investment Holding Group Co., Ltd.* (淮北市建投控股集團有限公司)	Domestic Shares	Beneficial owner	196,020,000 (L)	99%	–	74.25%
		Interest in controlled corporation[2]	1,980,000 (L)	1%	–	0.75%
CHU DAVID	H shares	Beneficial owner	3,664,500	–	5.55%	1.39%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) Huaibei Cultural Tourism Investment Development Group Co., Ltd.* (淮北市文化旅遊投資發展集團有限公司) held 1,980,000 Domestic Shares, representing 1% equity interest of our Company. Huaibei Construction Investment holds the entire equity interest of Cultural Tourism Investment. Accordingly, by virtue of the SFO, Huaibei Construction Investment is deemed or taken to be interested in all the Shares which are beneficially owned by Cultural Tourism Investment.

Save as disclosed above, as at the Listing Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

Since the Listing date and up to the date of this annual report, save as disclosed in the Prospectus, none of the Directors or Controlling Shareholders or any of their respective associates has any interests in any business that competes or may compete, directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 25 to the Consolidated Financial Statements, no contract of significance (including contract of significance for the provision of services) was entered into between the Company or its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2022 or subsisted as at 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The H Shares of the Company were not listed during the year ended 31 December 2022. There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries since the Listing Date to the date of this annual report.

TAXATION

During the year ended 31 December 2022, the Company and its subsidiaries were subject to the PRC enterprise income tax at a rate of 25% of taxable profits according to the requirements under the PRC Enterprise Income Tax Law which became effective on 1 January 2008. The relevant details are set out in note 7 to the financial statements on pages 138 to 139 of this annual report.

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Report of the Board of Directors

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association or the PRC laws, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Main Board Listing Rules since its listing on 20 January 2023 up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices. In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to the date of this annual report.

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 28 to 47 of this annual report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors.

The Board is pleased to confirm that, after making specific enquiries with all Directors and Supervisors, all Directors and Supervisors have fully complied with the standards required according to the Model Code set out in Appendix 10 to the Listing Rules during the Year.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. The Company has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. Further, the Group has adopted policies, charters and code of conducts to govern the ESG aspects of our day-to-day operations, ranging from reducing energy and water consumption caused by our operations, health and work safety, and social contribution to environmental protection and corporate governance. The Group endeavours to maintain the relationships with its employees, suppliers and customers to ensure sustainable development. For further details of the Company's environmental performance and relationship with its employees, suppliers and customers, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2022 prepared by the Company in conjunction with this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, the Company has not entered into any equity-linked agreement during the year ended 31 December 2022.

RETIREMENT BENEFIT PLAN

The Group participates in defined contribution retirement benefit plan managed by the PRC local government authorities for the Group's eligible employees in the PRC. The eligible employees in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. Particulars of these retirement plans are set out in note 6b to the Consolidated Financial Statements.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2022.

LOAN AND GUARANTEE

Save as disclosed in this report, during the year ended 31 December 2022, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it had received the annual confirmation of independence from each of the independent non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 17 March 2023. The Company is of the view that the independent non-executive Directors remain independent during the year ended 31 December 2022 in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed China Everbright Capital Limited ("**China Everbright**") to be the compliance adviser. China Everbright, being the sponsor of the Company in relation to the Listing, has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Save as provided for in relation to the global offering and/or disclosed in the Prospectus, neither China Everbright nor any of its associates and none of the directors or employees of China Everbright who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the global offering, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

Report of the Board of Directors

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend and vote at the AGM to be held on 29 May 2023, the register of members will be closed from Saturday, 29 April 2023 to Monday, 29 May 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong H Share Registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 28 April 2023.

ANNUAL GENERAL MEETING

The AGM will be held on 29 May 2023. Shareholders should refer to details regarding the AGM in the circular of the Company dated 28 April 2023 and the notice of meeting and form of proxy accompanying thereto.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. KPMG, is to be proposed at the forthcoming annual general meeting of the Company.

DONATION

No charitable or other donations were made by the Group as of the date of this report.

EVENTS AFTER THE FINANCIAL PERIOD

On 20 January 2023, the H shares of the Company were successfully listed on the Main Board of the Stock Exchange.

By order of the Board
Liu Yong
Chairman of the Board and Executive Director
淮北綠金產業投資股份有限公司
HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.*
Huaibei, the PRC, 29 March 2023

Independent Auditor's Report

Independent auditor's report to the shareholders of
Huaibei GreenGold Industry Investment Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Huaibei GreenGold Industry Investment Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 106 to 168 which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KEY AUDIT MATTER (CONTINUED)

Expected credit loss allowances for trade receivables

Refer to Notes 14 and 23(a) to the consolidated financial statements and the accounting policies in Note 2(h).

The Key Audit Matter

As at 31 December 2022, the Group had a gross carrying amount of trade receivables which amounted to RMB76,636,000, representing approximately 3.34% of the Group's total assets, against which an allowance for expected credit losses (ECLs) of RMB24,258,000 was recorded.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The Group estimates the loss allowance for trade receivables by using a provision matrix, which is based on the Group's historical credit loss experience, and takes into consideration current economic conditions and forward-looking information. Such assessment involves management judgement and estimation.

We identified the ECL allowance for trade receivables as a key audit matter because determining the level of loss allowance is inherently subjective which requires management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowances for trade receivables included the following:

- obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls over estimates of ECL allowances according to the Group's policy;

- evaluating the Group's policy for estimating the loss allowance with reference to the requirements of the prevailing accounting standard;

- assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing a sample of individual items with the demand notes, sales invoices and other relevant underlying documentation;

- assessing the appropriateness of estimate of loss allowance by examining the information used by management to derive such estimate, including testing the accuracy of the historical credit loss experience and evaluating whether historical loss rates were appropriately adjusted for current market conditions and forward-looking information;

- re-performing the calculation of the loss allowance as at 31 December 2022; and

- assessing the reasonableness of the disclosures of credit loss in the consolidated financial statements with reference to the requirements of the prevailing accounting standard.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022 (Expressed in Renminbi ("RMB"))

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	4	**407,709**	370,327
Cost of sales		**(212,893)**	(191,978)
Gross profit		**194,816**	178,349
Other income	5	**9,855**	20,887
Administrative expenses		**(19,414)**	(18,193)
Impairment reversal on trade receivables		**25,807**	6,075
Profit from operations		**211,064**	187,118
Finance costs	6(a)	**(71,007)**	(54,347)
Profit before taxation	6	**140,057**	132,771
Income tax	7	**(34,999)**	(33,877)
Profit and total comprehensive income for the year		**105,058**	98,894
Attributable to:			
Equity shareholders of the Company		**67,410**	64,706
Non-controlling interests		**37,648**	34,188
Profit and total comprehensive income for the year		**105,058**	98,894
Earnings per share			
Basic and diluted	10	**0.34**	0.33

The notes on pages 113 to 168 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 22(b).

Consolidated Statement of Financial Position

As at 31 December 2022 (Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**1,820,219**	1,689,208
Deferred tax assets	19(b)	**15,994**	14,185
Non-current prepayments and deposits	14	**123,530**	9,312
		1,959,743	1,712,705
Current assets			
Inventories	13	**4,934**	4,733
Trade and other receivables	14	**92,519**	38,834
Income tax recoverable	19(a)	**21,776**	2,397
Cash at bank and on hand	15	**213,680**	581,670
		332,909	627,634
Current liabilities			
Trade and other payables	16	**442,738**	395,171
Contract liabilities	17	**4,454**	58,954
Interest-bearing borrowings	18	**36,600**	34,500
Current taxation	19(a)	**1,517**	2,271
		485,309	490,896
Net current (liabilities)/assets		**(152,400)**	136,738
Total assets less current liabilities		**1,807,343**	1,849,443

The notes on pages 113 to 168 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022 (Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Interest-bearing borrowings	18	**863,769**	900,369
Long-term payables	20	**357,726**	464,345
Deferred tax liabilities	19(b)	**27,089**	11,978
Accrual for reclamation costs	21	**16,012**	15,262
		1,264,596	1,391,954
NET ASSETS		**542,747**	457,489
CAPITAL AND RESERVES	22		
Share capital		**198,000**	198,000
Reserves		**173,534**	106,124
Total equity attributable to equity shareholders of the Company		**371,534**	304,124
Non-controlling interests		**171,213**	153,365
TOTAL EQUITY		**542,747**	457,489

Approved and authorised for issue by the board of directors on 29 March 2023.

Liu Yong
Director

Shi Yinyan
Director

The notes on pages 113 to 168 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (Expressed in RMB)

	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
	Share capital RMB'000 (Note 22(c))	Capital reserve RMB'000 (Note 22(d)(i))	Other reserve RMB'000 (Note 22(d)(ii))	Retained profits RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	198,000	1,800	67,805	36,519	304,124	153,365	457,489
Changes in equity for 2022:							
Profit for the year	–	–	–	67,410	67,410	37,648	105,058
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	67,410	67,410	37,648	105,058
Appropriation of maintenance and production funds	–	–	6,122	(6,122)	–	–	–
Utilisation of maintenance and production funds	–	–	(1,360)	1,360	–	–	–
Appropriation to statutory reserve	–	–	9,188	(9,188)	–	–	–
Distribution declared by a subsidiary	–	–	–	–	–	(19,800)	(19,800)
	–	–	13,950	(13,950)	–	(19,800)	(19,800)
Balance at 31 December 2022	198,000	1,800	81,755	89,979	371,534	171,213	542,747

The notes on pages 113 to 168 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (Expressed in RMB)

	Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Capital reserve	Other reserve	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 22(c))	(Note 22(d)(i))	(Note 22(d)(ii))				
Balance at 1 January 2021		198,000	–	45,687	90,819	334,506	172,566	507,072
Changes in equity for 2021:								
Profit for the year		–	–	–	64,706	64,706	34,188	98,894
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	64,706	64,706	34,188	98,894
Capital contributions		–	1,800	–	–	1,800	–	1,800
Appropriation of maintenance and production funds		–	–	4,550	(4,550)	–	–	–
Utilisation of maintenance and production funds		–	–	(224)	224	–	–	–
Appropriation to statutory reserve		–	–	17,792	(17,792)	–	–	–
Distribution declared by a subsidiary		–	–	–	–	–	(53,389)	(53,389)
Dividend declared by the Company	22(b)	–	–	–	(96,888)	(96,888)	–	(96,888)
		–	1,800	22,118	(119,006)	(95,088)	(53,389)	(148,477)
Balance at 31 December 2021		198,000	1,800	67,805	36,519	304,124	153,365	457,489

The notes on pages 113 to 168 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022 (Expressed in RMB)

	Note	**2022**	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Profit before taxation		**140,057**	132,771
Adjustments for:			
Depreciation and amortisation		**61,381**	51,690
Impairment reversal on trade receivables		**(25,807)**	(6,075)
Interest income		**–**	(15,373)
Finance costs	6(a)	**71,007**	54,347
Amortisation of unrealised financing income of non-current portion of other receivables		**(531)**	(502)
Changes in working capital:			
(Increase)/decrease in inventories		**(201)**	244
(Increase)/decrease in trade and bill receivables		**(12,963)**	52,332
Decrease in prepayments, deposits and other receivables		**3,521**	2,657
(Decrease)/increase in trade and other payables		**(39,400)**	67,702
Cash generated from operations		**197,064**	339,793
Tax paid	19(a)	**(41,830)**	(94,950)
Net cash generated from operating activities		**155,234**	244,843
Investing activities			
Increase in deposits with maturities of over three months		**(173,000)**	–
Payments for purchase of property, plant and equipment		**(296,986)**	(725,385)
Loans repaid by related parties		**–**	495,971
Loans to related parties		**–**	(390,971)
Net cash used in investing activities		**(469,986)**	(620,385)

The notes on pages 113 to 168 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022 (Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Capital contributions to the Company		–	1,800
Proceeds from bank loans	15(b)	–	1,520,738
Repayment of bank loans	15(b)	**(34,500)**	(643,869)
Proceeds of borrowings from a related party	15(b)	–	17,000
Net increase in amounts due to related parties	15(b)	–	15,373
Repayment of borrowings from a related party	15(b)	–	(27,000)
Repayment of long-term payables	15(b)	**(136,774)**	–
Interest paid	15(b)	**(40,102)**	(36,867)
Dividends/distributions paid	15(b)	–	(153,515)
Payment of listing expense		**(14,862)**	(10,052)
Cash advances from a related party	15(b)	–	212,100
Net cash (used in)/generated from financing activities		**(226,238)**	895,708
Net (decrease)/increase in cash and cash equivalents		**(540,990)**	520,166
Cash and cash equivalents at 1 January	15(a)	**581,670**	61,504
Cash and cash equivalents at 31 December	15(a)	**40,680**	581,670

The notes on pages 113 to 168 form part of these financial statements.

1 GENERAL INFORMATION

Huaibei GreenGold Industry Investment Co., Ltd. ("the Company") was incorporated in the People's Republic of China (the "PRC") on 21 December 2018, as a limited liability company. The address of the Company's registered office is Shuangchuang Service Centre, No. 3, Taobo Road, Songtuan Town, Lieshan District, Huaibei City, Anhui Province, the PRC. The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 20 January 2023. The Company and its subsidiaries (together, the "Group") are principally engaged in aggregates production and engineering material processing and sales.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Going concern assumption

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB152,400,000 as at 31 December 2022. Included in the current liabilities were mainly (i) current portion of long-term payables amounted to RMB132,984,000 which was related to payables to a government authority for purchase of mining rights and with a corresponding asset recorded in the non-current assets as mining rights, and (ii) cash advances from a related party amounted to RMB212,100,000 disclosed in Note 16. The directors of the Company anticipate the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Group to meet their liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

Going concern assumption (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(s)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of items of property, plant and equipment other than mining rights and mining assets to their estimated residual value over their estimated useful lives as follows:

	Useful life
Buildings and machinery	10 – 20 years
Office equipment and others	3 – 4 years
Right-of-use assets	Over the term of lease

Mining rights and mining assets are depreciated on the units-of-production ("UOP") method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (continued)

As a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation/amortisation and impairment losses (see Notes 2(f) and 2(h)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, deposits with original maturities over three months, other financial assets, trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30-90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(h)(i)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables re subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group’s accounting policy for borrowing costs (see Note 2(s)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(iii) The entity is controlled or jointly controlled by a person identified in (a).

(iv) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(v) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Expected credit losses for receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 23(a) to the consolidated financial statements.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(a) Critical accounting judgements in applying the Group's accounting policies (continued)

(iii) Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including the future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligations will be recognised at the appropriate discount rate.

(iv) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates calculated on the UOP basis and the time period for discounting the reclamation costs. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the production and sale of aggregate products and others and concrete products. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from sales of aggregate products and others	**283,925**	255,888
– Revenue from sales of concrete products	**123,784**	114,439
	407,709	370,327

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic information is disclosed in Notes 4(b)(i) and 4(b)(iii), respectively.

The Group customers base is diversified. Revenue from customers contributing over 10% of the total revenue of the Group are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 23(a).

	2022 RMB'000	2021 RMB'000
Customer A	**121,645**	114,037
Customer B	**#**	49,917

Transactions from these customers did not exceed 10% of the Group's revenue in the respective year.

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Aggregate products and others: this segment includes production and sale of aggregate products and others;

- Concrete products: this segment includes production and sale of concrete products to be used in building and road construction.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of deferred tax assets and unallocated head office and corporate assets. Segment liabilities include all liabilities with the exception of current taxation, deferred tax liabilities and unallocated head office and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

Segment profit represents revenue less cost of sales, and includes selling expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated head office and corporate expenses, depreciation and amortisation, interest income and finance costs are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation, amortisation, interest income and finance costs.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Year ended 31 December 2022		
	Aggregate products and others RMB'000	Concrete products RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	**283,925**	**123,784**	**407,709**
Revenue from external customers	**283,925**	**123,784**	**407,709**
Inter-segment revenue	**83**	**–**	**83**
Reportable segment revenue	**284,008**	**123,784**	**407,792**
Reportable segment profit (adjusted EBITDA)	**225,009**	**42,918**	**267,927**
Depreciation and amortisation	**(53,599)**	**(7,777)**	**(61,376)**
Interest income	**4,208**	**76**	**4,284**
Amortisation of unrealised financing income of non-current portion of other receivables	**531**	**–**	**531**
Finance costs	**(71,007)**	**(676)**	**(71,683)**
Reportable segment assets	**2,103,063**	**159,847**	**2,262,910**
Reportable segment liabilities	**1,704,741**	**63,439**	**1,768,180**

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Year ended 31 December 2021		
	Aggregate products and others RMB'000	Concrete products RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	255,888	114,439	370,327
Revenue from external customers	255,888	114,439	370,327
Inter-segment revenue	3,659	–	3,659
Reportable segment revenue	259,547	114,439	373,986
Reportable segment profit (adjusted EBITDA)	203,630	19,076	222,706
Depreciation and amortisation	(44,830)	(6,859)	(51,689)
Interest income	18,187	103	18,290
Amortisation of unrealised financing income of non-current portion of other receivables	502	–	502
Finance costs	(51,938)	(2,914)	(54,852)
Reportable segment assets	2,202,077	122,454	2,324,531
Reportable segment liabilities	1,829,420	57,612	1,887,032

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenues and profit or loss, assets and liabilities

	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	**407,792**	373,986
Elimination of inter-segment revenue	**(83)**	(3,659)
Consolidated revenue (Note 4(a))	**407,709**	370,327
Profit		
Total reportable segment profit	**267,927**	222,706
Depreciation and amortisation	**(61,381)**	(51,689)
Interest income	**3,858**	17,981
Amortisation of unrealised financing income of non-current portion of other receivables	**531**	502
Unallocated head office and corporate other income	**2,275**	–
Unallocated head office and corporate expenses	**(2,146)**	(2,382)
Finance costs	**(71,007)**	(54,347)
Consolidated profit before taxation	**140,057**	132,771

	2022 RMB'000	2021 RMB'000
Assets		
Reportable segment assets	**2,262,910**	2,324,531
Elimination of inter-segment receivables	**(61,864)**	(21,793)
	2,201,046	2,302,738
Deferred tax assets	**15,994**	14,185
Unallocated head office and corporate assets	**75,612**	23,416
Consolidated total assets	**2,292,652**	2,340,339

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenues and profit or loss, assets and liabilities (continued)

	2022 RMB'000	2021 RMB'000
Liabilities		
Reportable segment liabilities	**1,768,180**	1,887,032
Elimination of inter-segment payables	**(61,864)**	(21,793)
	1,706,316	1,865,239
Current taxation	**1,517**	2,271
Deferred tax liabilities	**27,089**	11,978
Unallocated head office and corporate liabilities	**14,983**	3,362
Consolidated total liabilities	**1,749,905**	1,882,850

(iii) Geographic information

The Group's revenue is generated from sales of aggregate products and others and concrete products in the PRC. The Group does not have material assets or operations outside the PRC, no segment analysis based on geographical locations of the customers and assets is presented.

5 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income	**3,858**	17,981
Government grants	**3,615**	164
Others	**2,382**	2,742
	9,855	20,887

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2022	2021
	RMB'000	RMB'000
Interest expenses on:		
– Bank and other borrowings	**40,102**	37,166
– Long-term payables	**30,155**	16,455
Unwinding interest of provisions (Note 21)	**750**	726
	71,007	54,347

No borrowing costs have been capitalised during the year ended 31 December 2022 (2021: RMB Nil).

(b) Staff costs

	2022	2021
	RMB'000	RMB'000
Salaries, wages and other benefits	**24,674**	23,547
Contributions to defined contribution retirement scheme (Note)	**1,970**	1,921
	26,644	25,468

Note: The employees of the Group participate in a defined contribution retirement benefit plan managed by the local government authority in the PRC. Employees are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC, from the above mentioned retirement plan at their normal retirement age.

In addition, the Company and its subsidiaries have implemented a supplementary defined contribution retirement scheme (the "PRC Schemes") for the certain staffs on the voluntary basis. Under the scheme, the Company and its PRC subsidiaries are required to make contribution to the PRC Schemes at 8% of average basic salaries of the certain employees in the cities where the Group operates.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2022 RMB'000	2021 RMB'000
Depreciation and amortisation charge		
– owned property, plant and equipment (Note 11)	**59,018**	49,513
– right-of-use assets (Note 11)	**2,363**	2,177
Auditors' remuneration		
– audit and audit-related services	**1,218**	160
Cost of inventories sold (i) (Note 13)	**212,893**	191,978

(i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

	2022 RMB'000	2021 RMB'000
Staff costs	**17,241**	17,701
Depreciation	**56,672**	46,358

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represent:

	2022 RMB'000	2021 RMB'000
Current tax (Note 19(a))		
Provision for the year	**21,697**	24,103
Deferred tax (Note 19(b))		
Origination and reversal of temporary differences	**13,302**	9,774
	34,999	33,877

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022	2021
	RMB'000	RMB'000
Profit before taxation	**140,057**	132,771
Notional tax on profit before taxation, calculated at the tax rate of 25%	**35,014**	33,193
Tax effect of non-deductible expenses	**78**	137
Tax effect of unused tax losses not recognised	**–**	547
Tax effect of utilisation of tax losses in prior years	**(93)**	–
Actual tax expense	**34,999**	33,877

The Company and the subsidiaries of the Group established in the PRC are subject to PRC Corporate Income tax rate of 25% (2021: 25%).

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman					
Mr. Liu Yong	–	135	101	33	269
Executive directors					
Mr. Zhang Lizhe (i)	–	–	–	–	–
Mr. Qin Jiapeng	–	125	13	30	168
Mr. Mao Hongxian	–	153	62	44	259
Ms. Zhao Li	–	128	68	30	226
Ms. Shi Yin Yan	–	140	98	37	275
Independent non-executive directors					
Mr. Gao Wei	–	–	–	–	–
Mr. Liu Zhaotian	–	–	–	–	–
Ms. Xing Mengwei	–	–	–	–	–
	–	681	342	174	1,197

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Year ended 31 December 2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman					
Mr. Liu Yong	–	111	55	21	187
Executive directors					
Mr. Zhang Lizhe (i)	–	–	–	–	–
Mr. Qin Jiapeng	–	105	–	27	132
Mr. Mao Hongxian	–	133	37	47	217
Ms. Zhao Li	–	101	46	21	168
Ms. Shi Yin Yan	–	125	56	36	217
Independent non-executive directors					
Mr. Gao Wei	2	–	–	–	2
Mr. Liu Zhaotian	2	–	–	–	2
Ms. Xing Mengwei	7	–	–	–	7
	11	575	194	152	932

(i) The emoluments of Mr. Zhang Lizhe, executive director, in relation to their services rendered for the Company during the year ended 31 December 2022 and 2021 were borne by Huaibei Construction Investment Holding Group Co., Ltd. ("Huaibei Construction Investment").

During years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: one) is a director, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2021: four) individuals are as follows:

	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**633**	586
Discretionary bonuses	**619**	333
Retirement scheme contributions	**156**	149
	1,408	1,068

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2022	2021
	RMB'000	RMB'000
Hong Kong Dollar ("HKD") Nil – HKD1,000,000	**4**	4

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB67,410,000 for the year ended 31 December 2022 (2021: RMB64,706,000) and the weighted average number of ordinary shares in issue during the year of 198,000,000 shares (2021:198,000,000 shares).

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the years of 2022 and 2021. Accordingly, diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts

	Buildings and machinery RMB'000	Office equipment and others RMB'000	Mining rights RMB'000	Mining assets RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:							
At 1 January 2021	236,295	13,873	201,000	29,316	3,323	111,766	595,573
Additions	12,427	1,595	1,264,743	29,835	2,774	–	1,311,374
Transfer in/(out)	6,013	–	–	–	(6,013)	–	–
At 31 December 2021	254,735	15,468	1,465,743	59,151	84	111,766	1,906,947
Additions	1,509	3,965	–	1,521	132,281	53,116	192,392
At 31 December 2022	**256,244**	**19,433**	**1,465,743**	**60,672**	**132,365**	**164,882**	**2,099,339**
Accumulated depreciation:							
At 1 January 2021	(44,572)	(2,615)	(96,365)	(13,779)	–	(8,718)	(166,049)
Charge for the year	(14,575)	(2,859)	(29,032)	(3,047)	–	(2,177)	(51,690)
At 31 December 2021	(59,147)	(5,474)	(125,397)	(16,826)	–	(10,895)	(217,739)
Charge for the year	(15,277)	(2,648)	(35,436)	(5,657)	–	(2,363)	(61,381)
At 31 December 2022	**(74,424)**	**(8,122)**	**(160,833)**	**(22,483)**	**–**	**(13,258)**	**(279,120)**
Net book value:							
At 31 December 2022	**181,820**	**11,311**	**1,304,910**	**38,189**	**132,365**	**151,624**	**1,820,219**
At 31 December 2021	195,588	9,994	1,340,346	42,325	84	100,871	1,689,208

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022	2021
	RMB'000	RMB'000
Land use rights (Note 11(b)(iii))	**151,624**	100,871

(ii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset (Note 6(c)):		
– Land use rights	**2,363**	2,177

(iii) Land use rights represent premiums paid by the Group for land located in the PRC. These land use rights are with an initial period of 50 years.

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains the subsidiaries of the Company as at 31 December 2022. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of registered/ issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Huaibei Tongming Mining Co., Ltd.# ("Huaibei Tongming Mining") (淮北通鳴礦業有限公司)*	The PRC	RMB200,000,000	67%	67%	–	The production and sale of aggregate products and others
Huaibei Liantong Municipal Engineering Co., Ltd.# ("Huaibei Liantong Municipal Engineering") (淮北連通市政工程有限公司)*	The PRC	RMB100,000,000	55%	55%	–	The production and sale of concrete products
Huaibei Tongtai Tongjin Mining Co., Ltd.# (淮北通泰銅金礦業有限公司)*	The PRC	RMB20,000,000/ RMB0	55%	55%	–	Mining and processing of copper and gold

* The English translation of the name is for identification only. The official name of the entity is in Chinese. This entity is registered as limited liability company incorporated in the PRC.

\# Domestic company

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any intercompany elimination.

Huaibei Tongming Mining	**2022** **RMB'000**	2021 RMB'000
NCI percentage	**33%**	33%
Current assets	**241,863**	591,766
Non-current assets	**1,871,146**	1,611,984
Current liabilities	**(467,234)**	(449,444)
Non-current liabilities	**(1,264,596)**	(1,391,953)
Net assets	**381,179**	362,353
Carrying amount of NCI	**125,789**	119,576
Revenue	**284,008**	259,547
Profit for the year	**78,831**	94,155
Total comprehensive income	**78,831**	94,155
Profit allocated to NCI	**26,014**	31,071
Distribution paid to NCI	**–**	53,389

Huaibei Liantong Municipal Engineering	**2022** **RMB'000**	2021 RMB'000
NCI percentage	**45%**	45%
Current assets	**77,312**	34,276
Non-current assets	**88,584**	100,694
Current liabilities	**(64,956)**	(59,884)
Net assets	**100,940**	75,086
Carrying amount of NCI	**45,424**	33,789
Revenue	**123,784**	114,439
Profit for the year	**25,854**	6,926
Total comprehensive income	**25,854**	6,926
Profit allocated to NCI	**11,634**	3,117

13 INVENTORIES

	2022	2021
	RMB'000	RMB'000
Raw materials and others	**4,934**	4,733

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022	2021
	RMB'000	RMB'000
Carrying amount of inventories sold	**212,893**	191,978

All of the inventories are expected to be recovered within one year.

14 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Current		
Trade and bills receivables, net of loss allowance	**52,378**	13,608
Other receivables	**400**	738
Financial assets measured at amortised cost	**52,778**	14,346
VAT recoverables	**2,025**	7,154
Deposits and prepayments	**37,716**	17,334
	92,519	38,834
Non-current		
Reclamation deposit (Note 21)	**9,843**	9,312
Prepayment for engineering equipment (Note)	**113,687**	–
	123,530	9,312
	216,049	48,146

Note: Among the balance, as directed by the contractor of the Group, prepayments amounted to RMB35,060,000 was paid to the ultimate controlling party of the contractor, which is also the ultimate controlling party of the Company.

Current portion of trade and bills receivables, prepayments, deposits and other receivables are expected to be recovered within one year.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis

As of the end of the reporting period, the ageing analyses of trade and bills receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, are as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**35,033**	9,841
3 to 6 months	**10,365**	3,133
6 to 12 months	**6,980**	634
	52,378	13,608

Trade debtors and bills receivables are due within 10-90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivable are set out in Note 23(a).

15 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	**40,680**	581,670
Deposits with original maturities over three months (Note 25(b)(ii))	**173,000**	–
Cash at bank and on hand in the consolidated statement of financial position	**213,680**	581,670
Less: deposits with original maturities over three months	**173,000**	–
Cash and cash equivalents in the consolidated cash flow statement	**40,680**	581,670

15 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Interest-bearing borrowings RMB'000 (Note 18)	Interest payables RMB'000 (Note 16)	Cash advances from a related party RMB'000 (Note 16)	Dividends payables RMB'000 (Note 16)	Long-term payables RMB'000 (Note 20)	Total RMB'000
At 1 January 2022		934,869	719	212,100	–	597,329	1,745,017
Changes from financing cash flows:							
Repayment of bank loans		(34,500)	–	–	–	–	(34,500)
Interest paid		–	(40,102)	–	–	–	(40,102)
Repayment of Long-term payables		–	–	–	–	(136,774)	(136,774)
Total changes from financing cash flows		(34,500)	(40,102)	–	–	(136,774)	(211,376)
Other change:							
Interest expenses	6(a)	–	40,102	–	–	30,155	70,257
Distributions declared by a subsidiary		–	–	–	19,800	–	19,800
At 31 December 2022		900,369	719	212,100	19,800	490,710	1,623,698

15 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

	Note	Interest-bearing borrowings RMB'000 (Note 18)	Interest payables RMB'000 (Note 16)	Cash advances from a related party RMB'000 (Note 16)	Dividends payables RMB'000 (Note 16)	Amounts due to related parties RMB'000	Long-term payables RMB'000 (Note 20)	Total RMB'000
At 1 January 2021		68,000	420	–	3,238	–	–	71,658
Changes from financing cash flows:								
Proceeds from bank loans		1,520,738	–	–	–	–	–	1,520,738
Repayment of bank loans		(643,869)	–	–	–	–	–	(643,869)
Proceeds of borrowings from a related party		17,000	–	–	–	–	–	17,000
Net increase in amounts due to related parties		–	–	–	–	15,373	–	15,373
Repayment of borrowings from a related party		(27,000)	–	–	–	–	–	(27,000)
Interest paid		–	(36,867)	–	–	–	–	(36,867)
Cash advances from a related party		–	–	212,100	–	–	–	212,100
Distributions/dividends paid		–	–	–	(153,515)	–	–	(153,515)
Total changes from financing cash flows		866,869	(36,867)	212,100	(153,515)	15,373	–	903,960
Other change:								
Interest expenses	6(a)	–	37,166	–	–	–	16,455	53,621
Dividends declared during the year		–	–	–	150,277	–	–	150,277
Mining rights cost incurred		–	–	–	–	–	580,874	580,874
Non-cash transaction*		–	–	–	–	(15,373)	–	(15,373)
At 31 December 2021		934,869	719	212,100	–	–	597,329	1,745,017

* The amounts due to related parties were set-off by amounts due from a related party of RMB15,373,000.

16 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Bills payable	–	9,917
Trade payables to		
– related parties	4,526	6,452
– third parties	35,447	9,748
	39,973	26,117
Interest payables	719	719
Payables for staff related costs	5,640	5,409
Payables for other taxes	9,578	7,478
Payables for capital expenditure	144,182	135,089
Dividends payables	19,800	–
Other accruals and payables	10,746	8,259
Financial liabilities measured at amortised cost	230,638	183,071
Cash advances from a related party (Note i)	212,100	212,100
	442,738	395,171

Note:

(i) Pursuant to a series of agreements among the Company, non-controlling interest holder of Huaibei Tongming Mining and Huaibei Leiming Kehua Co., Ltd. ("Leiming Kehua") in 2021, Leiming Kehua intended to acquire 11.9% equity interest in Huaibei Tongming Mining by way of capital injection. The balance represented the down payment made by Leiming Kehua. The valuation of equity interests in Huaibei Tongming Mining is subject to further negotiation among parties.

All of the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

At the end of the reporting period, the ageing analysis of trade payables presented based on the invoice date is as follows:

	2022 RMB'000	2021 RMB'000
Within 12 months	39,578	25,796
Over 12 months	395	321
	39,973	26,117

17 CONTRACT LIABILITIES

	2022	2021
	RMB'000	RMB'000
Receipt in advance		
– Billings in advance of performance	**4,454**	58,954

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the inception of a contract, until the revenue recognised on the contract exceeds the amount of the deposit.

Movements in contract liabilities

	2022	2021
	RMB'000	RMB'000
Balance at the beginning of the year	**58,954**	6,671
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(58,954)**	(6,671)
Increase in contract liabilities	**4,454**	58,954
Balance at the end of the year	**4,454**	58,954

All of the contract liabilities are expected to be recognised as revenue within one year, according to the contract term.

18 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings of the Group is as follows:

	2022	2021
	RMB'000	RMB'000
Current interest-bearing borrowings		
Bank loans		
– Guarantees and/or pledge of assets provided by related parties	**36,600**	34,500
Non-current interest-bearing borrowings		
Bank loans		
– Guarantees and/or pledge of assets provided by a related party	**863,769**	900,369
	900,369	934,869

All of the interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

18 INTEREST-BEARING BORROWINGS (CONTINUED)

(b) The interest rates per annum on interest-bearing borrowings are as follows:

	2022	2021
Fixed rate borrowings		
– Bank loans	**4.00% – 4.60%**	4.00% – 4.60%

(c) The interest-bearing borrowings were repayable as follows:

	2022	2021
	RMB'000	RMB'000
Within 1 year or on demand	**36,600**	34,500
After 1 year but within 2 years	**592,269**	36,600
After 2 years but within 5 years	**136,200**	683,069
More than 5 years	**135,300**	180,700
	900,369	934,869

Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 23(b). At 31 December 2022, none of the covenants relating to the bank loans had been breached (2021: None).

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2022 RMB'000	2021 RMB'000
PRC corporate income tax		
At the beginning of the year	**(126)**	70,721
Provision for the year (Note 7(a))	**21,697**	24,103
Income tax paid	**(41,830)**	(94,950)
At the end of the year	**(20,259)**	(126)
Representing:		
Income tax recoverable	**(21,776)**	(2,397)
Current taxation	**1,517**	2,271
	(20,259)	(126)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation RMB'000	Credit loss allowance RMB'000	Total RMB'000
At 1 January 2021	2,054	(14,035)	(11,981)
Charged to profit or loss	8,255	1,519	9,774
At 31 December 2021 and 1 January 2022	**10,309**	**(12,516)**	**(2,207)**
Charged to profit or loss	**6,850**	**6,452**	**13,302**
At 31 December 2022	**17,159**	**(6,064)**	**11,095**

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2022 **RMB'000**	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(15,994)**	(14,185)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**27,089**	11,978
	11,095	(2,207)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Company has not recognised deferred tax assets in respect of tax losses of RMB1,814,000 (2021: RMB2,188,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

20 LONG-TERM PAYABLES

	2022 **RMB'000**	2021 RMB'000
Present value of mining rights payable	**490,710**	597,329
Less: current portion recorded in trade and other payables (Note 16)	**132,984**	132,984
Carrying amount	**357,726**	464,345

It represents consideration for mining rights of RMB683,869,000, which was repayable by five equal instalments per annum. The carrying amounts was discounted at an effective rate of 5.7% per annual.

21 ACCRUAL FOR RECLAMATION COSTS

	RMB'000
At 1 January 2021	12,530
Unwinding (Note 6(a))	726
Addition	2,006
At 31 December 2021	15,262
Unwinding (Note 6(a))	750
At 31 December 2022	**16,012**

The accrual for reclamation costs has been determined based on management's best estimates. However, as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change. The Company's board of directors believes that the accrued reclamation obligations as at 31 December 2022 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

A reclamation deposit of RMB11,000,000 had been paid to Lieshan District Finance Bureau by the Group in February 2017, which is recoverable after the completion of reclamation. The reclamation deposit was initially recognised at the present value of actual payment amount over the expected mining life of the mine by using a discount rate of 5.7%, which was recognised as "non-current portion of other receivables".

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the reporting period is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share capital RMB'000	Capital reserve RMB'000	Other reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
Balance at 1 January 2021	198,000	37,793	–	(66)	235,727
Changes in equity for 2021:					
Total comprehensive income for the year	–	–	–	106,208	106,208
Capital contribution	–	1,800	–	–	1,800
Appropriation to statutory reserve	–	–	10,765	(10,765)	–
Dividend declared by the Company (Note 22(b))	–	–	–	(96,888)	(96,888)
Balance at 31 December 2021 and 1 January 2022	**198,000**	**39,593**	**10,765**	**(1,511)**	**246,847**
Changes in equity for 2022:					
Total comprehensive income for the year	**–**	**–**	**–**	**40,575**	**40,575**
Appropriation to statutory reserve	**–**	**–**	**3,906**	**(3,906)**	**–**
Balance at 31 December 2022	**198,000**	**39,593**	**14,671**	**35,158**	**287,422**

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the end of the reporting period of Nil per ordinary share (2021: Nil per ordinary share)	**–**	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends (continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2022 **RMB'000**	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil per ordinary share (2021: RMB0.49 per ordinary share)	–	96,888

(c) Share capital

Issued share capital

	No. of shares ('000)	**'000**
Ordinary shares, issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	**198,000**	**198,000**

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represents contributions from equity shareholders, the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners, the carrying amount of the proportionate net assets and the share of other changes of investments accounted for using the equity method.

(ii) Other reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates of relevant production outputs or revenue. The maintenance and production funds could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained profits.

In accordance with the relevant PRC laws and regulations, the Group's subsidiaries, established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to statutory reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiaries and is non-distributable other than in liquidation.

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash at bank are mainly held by well-known financial institutions. Management does not foresee any significant credit risks arising from these deposits and does not expect that these financial institutions will default and cause losses to the Group.

The Group's exposure to credit risk arising from guarantees and pledge provided to the ultimate controlling party and its affiliates is limited, the directors of the Company is of the opinion that the credit risk of ultimate controlling party and its affiliates are low. Except for the guarantees and pledge provided by the Group as disclosed in Note 25(b), the Group does not provide any other guarantees or pledges, which would expose the Group to credit risk.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2022 and 2021, 32% and 36% of the total trade receivables, respectively, were due from the Group's largest debtor, and 87% and 78% of the total trade receivables, respectively, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

At 31 December 2022	**Expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Within 3 months past due	**2.6%**	**30,059**	**773**
3 to 6 months past due	**7.5%**	**11,210**	**845**
6 to 12 months past due	**25.6%**	**9,384**	**2,404**
Over 12 months past due	**77.9%**	**25,983**	**20,236**
		76,636	**24,258**

At 31 December 2021	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months past due	4.8%	10,337	496
3 to 6 months past due	14.1%	3,648	515
6 to 12 months past due	28.0%	881	247
Over 12 months past due	100.0%	48,807	48,807
		63,673	50,065

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the reporting period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Balance at 1 January	**50,065**	56,140
Impairment reversal during the year (Note (i))	**(25,807)**	(6,075)
Balance at 31 December	**24,258**	50,065

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables net of those settled and the increase in days past due.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and maturity of loans and borrowings, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing borrowings (Note 18)	74,756	610,515	167,505	147,810	1,000,586	900,369
Trade and other payables measured at amortised costs (Note 16)	223,207	–	–	–	223,207	230,638
Long-term payables (Note 20)	–	136,774	273,547	–	410,321	357,726
	297,963	747,289	441,052	147,810	1,634,114	1,488,733

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing borrowings (Note 18)	74,495	75,563	737,092	206,821	1,093,971	934,869
Trade and other payables measured at amortised costs (Note 16)	186,861	–	–	–	186,861	183,071
Long-term payables (Note 20)	–	136,774	410,321	–	547,095	464,345
	261,356	212,337	1,147,413	206,821	1,827,927	1,582,285

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2022	2021
	RMB'000	RMB'000
Fixed rate borrowings:		
Bank loans	**900,369**	934,869
Fixed rate borrowings as a percentage of total borrowings	**100.0%**	100.0%

(d) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

24 COMMITMENTS

Capital commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	2022	2021
	RMB'000	RMB'000
Contracted for	**192,314**	2,987

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8, and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2022	2021
	RMB'000	RMB'000
Salaries and other emoluments	**681**	573
Discretionary bonuses	**342**	155
Retirement scheme contributions	**174**	154
	1,197	882

Total remuneration was included in "staff costs" (see Note 6(b)).

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

	2022 **RMB'000**	2021 RMB'000
Sales to		
Ultimate controlling party and its affiliates	**121,645**	114,037
Receiving service from		
Non-controlling equity owner of a subsidiary	**30,131**	15,770
Ultimate controlling party and its affiliates	**141,763**	48,319
Purchasing goods from		
Ultimate controlling party and its affiliates	**10,530**	25,628
Borrowings from		
Ultimate controlling party and its affiliates	**–**	17,000
Repayment of loans to		
Ultimate controlling party and its affiliates	**–**	27,000
Down payment received for capital injection (Note16)		
Parent company of non-controlling equity owner of a subsidiary	**–**	212,100
Interest income from		
Ultimate controlling party and its affiliates	**–**	15,373
Borrowing costs to		
Ultimate controlling party and its affiliates	**–**	471
Loans to		
Ultimate controlling party and its affiliates	**–**	390,971
Loans repaid by		
Ultimate controlling party and its affiliates	**–**	495,971
Guarantees provided at the end of the year (Note (i))		
Ultimate controlling party and its affiliates	**210,000**	–
Pledge provided at the end of the year (Note (ii))		
Ultimate controlling party and its affiliates	**173,000**	–
Guarantees received at the end of the year		
Ultimate controlling party and its affiliates	**900,369**	934,869

Notes:

(i) During the year ended 31 December 2022, a subsidiary of the Company, in substance, provided guarantees to a related party of the Group for its borrowings aggregated amounted to RMB210,000,000. These guarantees will expire in November 2023 upon expiry of primary arrangements of those borrowings.

(ii) On 29 December 2022, a subsidiary of the Company pledged its time deposit (Note 15(a)), amounted to RMB173,000,000, to a commercial bank for a loan, which was granted to a related party of the Group. Pursuant to the agreement, the pledge will expire on 28 June 2023.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

Details of the outstanding balances with related parties are as follows:

Trade in nature	**2022**	2021
	RMB'000	RMB'000
Trade and other receivables		
Ultimate controlling party and its affiliates	**154,679**	11,609
Trade and other payables		
Ultimate controlling party and its affiliates	**1,521**	6,934
Non-controlling equity owner of a subsidiary	**14,223**	400
Contract liabilities		
Ultimate controlling party and its affiliates	**–**	11,011

Non-trade in nature	**2022**	2021
	RMB'000	RMB'000
Trade and other payables		
Parent company of non-controlling equity owner of a subsidiary	**212,104**	212,104

(d) Transactions with other state-controlled entities in the PRC

The ultimate controlling party of the Company, 淮北市建投控股集團有限公司("Huaibei Construction Investment Holding Group Co., Ltd."), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Huaibei Construction Investment and its affiliates, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- the sale of aggregate products and others and concrete products;
- blasting services;
- bank deposits; and
- bank loans.

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Investments in subsidiaries	12	**226,793**	226,793
Property, plant and equipment		**14**	26
		226,807	226,819
Current assets			
Inventories		**8**	–
Trade and other receivables		**71,096**	17,036
Cash at bank and on hand		**4,494**	27,160
		75,598	44,196
Current liability			
Trade and other payables		**14,983**	24,168
		14,983	24,168
Net current assets		**60,615**	20,028
Total assets less current liabilities		**287,422**	246,847
NET ASSETS		**287,422**	246,847
CAPITAL AND RESERVES	22		
Share capital		**198,000**	198,000
Reserves		**89,422**	48,847
TOTAL EQUITY		**287,422**	246,847

Approved and authorised for issue by the board of directors on 29 March 2023.

Liu Yong
Director

Shi Yinyan
Director

(Expressed in RMB unless otherwise indicated)

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 20 January 2023, the Company's H Shares were listed on the Main Board of the Stock Exchange, where 66,000,000 H Shares were issued and subscribed at an offer price of HKD1.91 per H Share by way of initial public offering to Hong Kong and overseas investors. Gross proceeds from these issues amounted to HKD126,060,000. The over-allotment option described in the prospectus was not exercised and lapsed on 12 February 2023.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the immediate parent and ultimate controlling party of the Group to be Huaibei Construction Investment, which is a state-owned enterprise established in the PRC. The parent company does not produce financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance Contracts* and amendments to IFRS 17, *Insurance Contracts*	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and ISA 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined*

* The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.