雅高控股
ARTGO HOLDINGS

ARTGO HOLDINGS LIMITED
雅高控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3313

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. WU Jing *(Chairman and Acting Chief Executive Officer)*
Mr. GU Weiwen *(Vice Chairman)*
Mr. ZHANG Jian
Mr. WAN Jian

Non-executive Director

Mr. GU Zengcai

Independent Non-executive Directors

Ms. LUNG Yuet Kwan
Mr. HUI Yat On
Mr. ZHAI Feiquan

AUTHORISED REPRESENTATIVES

Ms. WU Jing
Mr. GU Weiwen

AUDIT COMMITTEE

Ms. LUNG Yuet Kwan *(Chairman)*
Mr. HUI Yat On
Mr. ZHAI Feiquan

REMUNERATION COMMITTEE

Mr. HUI Yat On *(Chairman)*
Ms. WU Jing
Ms. LUNG Yuet Kwan

NOMINATION COMMITTEE

Ms. WU Jing *(Chairman)*
Mr. HUI Yat On
Mr. ZHAI Feiquan

INVESTMENT COMMITTEE

Ms. WU Jing *(Chairman)*
Mr. GU Weiwen
Mr. HUI Yat On

COMPANY SECRETARY

Mr. ZHAO Zhipeng

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 728 Yan'an West Road
Changning District
Shanghai, PRC

New Material Industrial Park
Teng Tian Town
Yongfeng County
Ji'an City
Jiangxi Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Golden Centre
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Hong Kong

AUDITORS

Elite Partners CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Shanghai Changping Road Branch
818 Xikang Road
Jing'an District
Shanghai
PRC

China Citic Bank
Xiamen Branch, Fushan Sub-branch
No. 1222 Xiahe Road
Siming District
Xiamen
PRC

Bank of Communications Co., Ltd.
Hong Kong Branch
No. 20 Peddar Street
Central
Hong Kong

STOCK CODE

3313

WEBSITE

www.artgo.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of ArtGo Holdings Limited (the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2022 (the "Year").

The Year 2022 was continuing to be a very tough and challenging year due to the COVID-19 pandemic situations and the severe political tension between China and US, both of which have been bringing a tremendous impact on people's lives and also on the global economy including China. The emergence of different new virus variants and the on-and-off unexpected lock-down of different districts and regions in the PRC during the Year have increased the challenge to the Group's overall business activities and its operating environments.

The Group's marble stone product business is part of the supply chain of the real estate construction sector, which, to a large extent, has not fully recovered from the pandemic (and so as the overall business of the Group). During the Year, property developers in the PRC were facing serious liquidity difficulties. As such, most property developers were focusing on inventory clearing and debt restructuring instead of developing new projects. Under such circumstances, the management of the Group has been operating its business very cautiously during the Year.

Whilst the Group was continually experiencing a challenging time with its marble business in the Year, by taking a low-margin strategy, our Group has managed to increase its overall revenue by approximately 1.2%. Amid lingering China-US tensions, we had readjusted our business strategies since 2020. We continually withheld our commodities trading and actively sought debt restructuring/refinancing opportunities with lower costs and/or longer terms (if available) from non-bank lenders/local partners in the PRC in order to focus more resources on our core business in Jiangxi Province as well as to improve the Group's overall liquidity and reduce financial costs. To improve its overall operation efficiency, we gradually downsized our operations in Xiamen and shifted them to Jiangxi Province (where our Group's largest marble mine, marble stone processing plant and calcium carbonate business were based).

Looking forward, with the launch of vaccines and medicines for COVID-19 and the easing of Covid-related restrictions by the Chinese central government since December 2022, all these brought new hope to the world and the Group believe the influence of the pandemic will be diminishing as the time goes. Although there are still uncertainties and challenges in the PRC and the global economy (especially from the potential impact of the war between Russia and Ukraine commenced in February 2022 and the banking sector crisis in US and Europe), the Group will formulate long term business plans with a goal to fully utilize its existing resources. The Group will keep monitoring its ever-changing business environment and adjust its business plans accordingly. It will seek out opportunities to monetise non-core assets (particularly the disposal of its Warehouse Logistic Business) where appropriate in order to generate immediate liquidity and to lower its debt level. Meanwhile, the Group will continue identifying any project or business which is beneficial to the Group and its shareholders as a whole.

Finally, on behalf of the board, I would like to take this opportunity to express sincere gratitude to all our staff for their contribution and dedication, and to our shareholders, investors, partners and clients for their trust and continuing support in such a challenging year.

WU Jing
Chairman and Executive Director
Hong Kong, 31 March 2023

BUSINESS REVIEW

General

In the year ended 31 December 2022 (the "Year"), the COVID-19 pandemic and the severe political tension between China and US were still continuingly creating a significant impact on the PRC economy and the global economy. What was even worse, the war between Russia and Ukraine which commenced in February 2022 has led to a series of unexpected chained reactions, including the comprehensive sanctions on Russia by most Western countries (and their global allied countries), global supply chain disruption, high petroleum prices as well as global high inflations.

At the same time, the PRC government implemented very strict pandemic control measures (until December 2022) throughout the country for achieving a target of dynamic zero case of COVID-19, particularly the lock-down of Shanghai for approximately two months in the second quarter of 2022. Consequently, the Group's Head Office in Shanghai had been closed from mid-March 2022 to end of May 2022. The Group's overall business activities and its operating environments were inevitably affected to a large extent. To cope with the challenging environment, the Group decisively took a low-margin strategy to boost its sales and to improve its inventory turnover rate, and has been continuing its tightening credit policy to customers and enforcing its collection efforts on long-aged account, and at the same time, slowing its capital expenditure, capital commitment, as well as payment in advance until the operating environment became more clear and stable. To improve its overall operation efficiency, the Group also gradually downsized its operations in Xiamen and shifted them to Jiangxi Province (where its largest marble mine, marble stone processing plant and calcium carbonate business were based). To reduce the Group's overall financial costs and improve its liquidity, the Group also actively sought debt restructuring/refinancing opportunities with lower cost and/or longer terms (if available) from non-bank lenders/local partners in the PRC.

Marble and Mining and Calcium Carbonate Business

The Group's marble stone products business is part of the supply chain of the real estate construction sector, which, to a large extent, has not been fully recovered from the pandemic (and so as the overall business of the Group). During the Year, property developers in China were still facing severe liquidity problems. As such, instead of developing new projects, most property developers were focusing on clearing up their inventory by discounted sales, seeking new refinancing opportunities and negotiating with existing creditors for debt restructuring. Under such circumstances, the management of the Group has been operating its business very cautiously during the Year. The Group's revenue from marble stone products amounted to approximately RMB34.4 million (of which RMB33.3 million was generated in the second half of the Year) during the Year, representing 10.2% moderate increase as compared to approximately RMB31.2 million in last year. The increase was mainly due to the low-margin strategy for promoting sales against very weak market demand and for clearing long-aged/low quality inventory in the second half of the Year (in response to the very low revenue (RMB1.1 million) in the first half of the Year). The management of the Group's expects that the so-called "low-margin" is intended for short-term purpose only and will be adjusted accordingly in response to the market environment changes.

In addition to the renewal of a new mining license of our Yongfeng Mine in 2020, the Group obtained a Safety Production Permit 《安全生產許可證》 on 1 July 2022. As a result, the excavation volume increased from 703.2 cubic metres in 2021 to 3,412.0 cubic metres in 2022. On the other hand, during the Year, managements of the Group's different mines have continued their work closely under the guidance 《關於加快建設綠色礦山的實施意見》 published by various central government bureaus and 《砂石行業綠色礦山建設規範》 issued by the PRC Ministry of Natural Resources in order to fulfil the required standard before renewed mining certificates can be officially issued or large-scale mining activities can be commenced. Substantial works at the site of our mines such as redesigning of marble block transportation and deposit yard arrangement, mine site and side slop plantation, mine site sewage treatment system and gravel treatment centre construction etc. have been completed or in progress. With the different waves of outbreak of COVID-19 since 2020, some works were unavoidably behind schedule. With the expected gradual resumption of work in different sites, the Group, on one hand, wishes the excavation activity can be recommenced once the rectification and optimization work meet the standard laid down by the government authorities. On the other hand, based on the observations on the strict execution on various environmental and green policies by local government authorities and their practice in the past years, it is expected that the renewal applications of the two currently expired mining licenses will take longer time than previously expected. In the meantime, in addition to the marble blocks excavated from our Yongfeng Mine, we will continue sourcing different types of marble blocks from other mine operators for processing into slabs to enrich our product line for sale before a full recommencement of excavation activities of our own mines.

Apart from the marble business, our marble downstream calcium carbonate business also faced a similar situation and had to adopt a mild low-margin strategy so as to maintain its market share. Having said that, the calcium carbonate business contributed an aggregate of approximately RMB53.1 million to the Group's revenue as compared to RMB55.1 million in the previous year, representing a decrease of approximately RMB2.0 million (or 3.6%) due to relatively weak market demand in the Year.

Commodities Trading Business

Apart from the impact of the COVID-19 pandemic, the deterioration of the China-US relationship following the trade war between these two giant economies has added tremendous uncertainties and risks to the business world. With such business climate since 2020, the Group decided continually withholding any further commodities trading transactions until it is manageable to conduct such activities. As such, the Group does not record any revenue from this business segment in 2022 (2021: nil).

Warehouse Logistics Business

In mid December 2019, after reviewing the warehouse logistics segment's business environment and its operation performance, the Group decided to abandon this business segment for the purpose of focusing more resources on the core business segment. Since then, management has been in discussion with a potential buyer for disposing of the entire plant. Due to the outbreak of the COVID-19 pandemic, the negotiation for the disposal and the due diligent work conducted by the potential buyer have experienced certain delay. As at 31 December 2021, no legal binding agreement regarding the disposal was reached. The management was of view that, due to the unfavourable market conditions, there were uncertainties on reaching a final agreement of the disposal with the potential buyer. As such, the assets of the warehouse logistics business were no longer classified as assets held for sale since 31 December 2021.

In the fourth quarter of 2022, due to the economic uncertainties, the potential buyer decided not to continue the negotiation. In 2022, the Group's revenue from warehouse logistics segment amounted to approximately RMB1.54 million, representing 7.2% decrease, as compared to approximately RMB1.66 million in 2021. The Group remains committed in relation to the original disposal plan and will continue to seek other potential buyers. Further announcement(s) will be made if there is any progress.

Investments In Associates

On 21 March 2022, the Shangri-La Stone received a notification from Land and Resources Bureau (the "Xianggelila City Bureau") of Xianggelila City in Yunnan Province that the Xianggelila City Bureau has rejected the application for the renewal of mining licenses and terminated the mining right of Shangri-La Stone. Shangri-La Stone has written-off the mining right resulting in a loss of RMB571.8 million in the financial year ended 31 December 2021. The loss arising from the written-off of mining right attributable to owners of the Company amounted to approximately RMB279.7 million in the financial year ended 31 December 2021. The management of Shangri-La Stone had sought legal opinion and tried to liaise with the Xianggelila City Bureau to revoke their decision but was unsuccessful. The Group finally sold this equity investment in associate for RMB500,000 in the second half of 2022 resulting in a gain on disposal of associate of RMB0.49 million.

FINANCIAL REVIEW

Revenue

In 2022, the Group recorded an operating revenue of approximately RMB89.1 million (2021: approximately RMB88.0 million), representing a slight increase of approximately RMB1.1 million (or 1.2%) compared to that of 2021. The sales of marble stone products contributed 38.7% or approximately RMB34.4 million (2021: 35.6% or approximately RMB31.2 million) to the Group's total revenue. And the sales of calcium carbonate products contributed 59.6% or approximately RMB53.1 million (2021: 62.6% or approximately RMB55.1 million) to the Group's total revenue.

(a) *Sales by Product Categories*

The following table sets out the breakdown of the Group's sales and the percentage of sales by product categories:

	2022		2021	
	Approximate percentage		Approximate percentage	
	RMB'000	**(%)**	RMB'000	(%)
Marble stone products	**34,441**	**38.7**	31,244	35.6
Calcium carbonate products	**53,092**	**59.6**	55,070	62.6
Revenue from segment of marble products	**87,533**	**98.3**	86,314	98.2
Warehouse logistics	**1,536**	**1.7**	1,662	1.8
Commodity trading	**–**	**–**	–	–
Total	**89,069**	**100.0**	87,976	100.0

Cost of Sales

For the year ended 31 December 2022, the Group's total cost of sales amounted to approximately RMB76.3 million (2021: approximately RMB66.1 million), including the cost relating to marble stone products of approximately RMB31.7 million and the cost relating to calcium carbonate products of approximately RMB44.0 million which represented approximately 41.5%, and 57.7% of the total cost of sale respectively. The proportion of the costs of marble stone products and calcium carbonate products was in line with the proportion of their respective revenue contributions (to a large extent).

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2022, the Group realised a gross profit amounted to approximately RMB12.8 million, decreased by approximately RMB9.1 million as compared to that of 2021. The overall gross profit margin in 2022 was approximately 14.4%, while the overall gross profit margin in 2021 was approximately 24.9%. The gross profit margin of the sales of the Group in 2022 decreased as compared to that of 2021 is mainly attributable to the decrease in average gross profit margin in both marble stone products and calcium carbonate products, resulting from the low-margin strategy taken by the Group in second half of 2022, particularly on the selling of long-aged/lower quality inventory of marble stone products.

OTHER INCOME AND GAINS

Other income and gains, mainly comprised of the rental income generated from the investment properties in the PRC, government grants and refund of value-added tax, were approximately RMB10.4 million (2021: approximately RMB22.4 million). Compared with 2021, other income and gains decreased by approximately RMB12.0 million mainly due to decrease in refund of value-added tax, government grants and rental income generated from the investment properties by approximately RMB1.5 million, RMB7.3 million and RMB7.2 million respectively.

OTHER EXPENSES

Other expenses, mainly comprised of provision of obsolete inventories/inventory scrap loss, depreciation of investment properties and penalty, were approximately RMB19.5 million (2021: approximately RMB4.8 million). Compared with 2021, other expenses increased by approximately RMB14.7 million mainly due to a provision of obsolete inventories of approximately RMB19.1 million in 2022, offsetting by the decrease of depreciation of investment properties by RMB3.1 million due to the disposal of controlling equity interests in eight investment properties in 2021.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses and advertising costs, were approximately RMB2.4 million, representing approximately 2.7% of the Group's total revenue while the selling and distribution expenses of approximately RMB2.5 million in 2021 accounted for approximately 2.9% of the Group's total revenue. The selling and distribution expenses decreased slightly by approximately RMB0.1 million because of relatively less sale and marketing activities in 2022.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly consisted of equity-settled share option expenses, salaries of administrative staff, consultancy fees and depreciation expense, were approximately RMB55.1 million (2021: approximately RMB61.6 million). Administrative expenses decreased by approximately RMB6.5 million, mainly due to the decrease of equity-settled share option expenses in the Year.

IMPAIRMENT LOSS

The aggregate impairment losses on (i) trade and bills receivables, (ii) prepayments, other receivables and other assets, (iii) investment properties, (iv) property, plant and equipment, and (v) mining rights were increased by approximately RMB42.7 million in total as compared to that of 2021. The increase of such impairment losses was because of the impairment loss of mining rights of RMB65.2 million, offsetting by the decrease in impairment losses of other assets classes since most of the negative impacts of the COVID-19 pandemic on the impairment of the above mentioned assets classes (i)-(iv) were reflected in the impairment review in 2021 and 2020.

FINANCE COSTS

Finance costs, mainly included interests on other borrowings, interests on bank loans, interests on lease liabilities and related interests of rehabilitation, were approximately RMB24.3 million (2021: approximately RMB45.8 million). Finance costs decreased by approximately RMB21.5 million as compared to that of 2021, which was mainly attributable to (i) the finance costs (RMB45.8 million) in 2021 included loan interests of approximately RMB15.3 million relating to loans of aggregated principals of approximately RMB177.8 million which had been settled in 2021; and (ii) the Group's actively seeking debt restructuring refinancing opportunities with lower costs from non-bank lenders/local partners in PRC.

INCOME TAX EXPENSE

Income tax expense decreased by approximately RMB2.7 million from a tax expense of approximately RMB1.7 million for the year ended 31 December 2021 to a tax credit of approximately RMB1.0 million for the year ended 31 December 2022. The decrease was mainly due to prior years over-provision of approximately RMB1.6 million and the decrease of impairment loss on property, plant and equipment by approximately RMB4.4 million which have negative impact on the deferred tax.

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss attributable to owners of the Company during the Year amounted to approximately RMB148.2 million, which decreased by RMB269.6 million as compared to the net loss of RMB417.8 million for the year ended 31 December 2021. The decrease in net loss was mainly due to (i) the decrease in administrative expenses by approximately RMB6.5 million, and (ii) the decrease in share of losses of associates by approximately RMB313.3 million; and (iii) the decrease in financial costs by approximately RMB21.5 million, offsetting by (i) a provision of obsolete inventories by approximately RMB19.1 million in the Year, (ii) the increase in net impairment losses on the Group's assets by approximately RMB42.7 million, (iii) the decrease in gross profit by approximately RMB9.1 million, and (iv) the decrease in other income by approximately RMB12.0 million.

INVENTORIES

The Group's inventories decreased by approximately 27.0%, from approximately RMB59.9 million as at 31 December 2021 to approximately RMB43.7 million as at 31 December 2022. The decrease was mainly due to (i) a provision of obsolete inventories of approximately RMB19.1 million in the Year, and (ii) the low-margin strategy and clearing sales activities of long-aged/low quality inventory of marble stone products during the second half of the Year.

TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables increased from approximately RMB26.4 million as at 31 December 2021 to approximately RMB29.0 million as at 31 December 2022. The increase was primarily due to the fact that approximately 69.8% of the Group's sale recorded in the second half of the Year.

TRADE PAYABLES

The Group's trade payables increased from approximately RMB16.4 million as at 31 December 2021 to approximately RMB23.1 million as at 31 December 2022. The increase was primarily due to the fact that, the Group has slowed down its settlements to suppliers and most of its purchases were conducted in the second half of the Year in 2022.

NET CURRENT ASSETS

Net current assets of the Group decreased from approximately RMB31.9 million as at 31 December 2021 by 43.9% to approximately RMB17.9 million as at 31 December 2022, which was primarily due to a provision of obsolete inventories by approximately RMB19.1 million and decrease in restricted deposits and cash and bank balances in aggregate by approximately RMB14.4 million.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.10 as at 31 December 2022 (31 December 2021: 1.17).

BORROWINGS

The Group generally finances its operations with internally generated cash flows, other borrowings and banking credit facilities. As at 31 December 2022, the Group had total bank loans and other borrowings of RMB344.2 million (31 December 2021: RMB285.2 million).

GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 31 December 2022, the gearing ratio was 29.1% (2021: 20.8%).

CAPITAL STRUCTURE

On 26 October 2022, the Shareholders approved the share consolidation of every twenty issued and unissued then existing shares of par value of HK$0.01 each into one consolidated Share (the "Share Consolidation"). As all of the conditions precedent of the Share Consolidation were fulfilled, the Share Consolidation took effect on Friday, 28 October 2022. Immediately after the Share Consolidation becoming effective, the authorised share capital of the Company of HK$100,000,000 were divided into 500,000,000 Shares with par value of HK$0.20 each (the "Consolidated Shares" or the "Shares"), of which 262,624,875 Consolidated Shares were in issue.

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. In 2022, the Group's expenditure for purchase of property, plant and equipment aggregated to approximately RMB45.8 million (2021: approximately RMB53.6 million).

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in Mainland China and most of the transactions were denominated in RMB, except for an amount due to the certain cash at banks that is denominated in HK$ and US$. As such, the Group has limited exposure to any significant foreign currency exchange risks.

The Board of Directors does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Year.

HUMAN RESOURCES AND REMUNERATION POLICY

The emolument policy of the employees of the Group is determined by the management on the basis of their contribution, qualifications and competence.

As at 31 December 2022, the total number of full-time employees of the Group was 209 (31 December 2021: 205). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB25.2 million for 2022 (2021: approximately RMB26.8 million). Meanwhile, taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined central pension scheme managed by the relevant local government authorities in respective regions in the PRC where the Group is required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme.

The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2022, the contributions of approximately RMB2.2 million (2021: approximately RMB1.9 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

PLEDGE OF ASSETS

As at 31 December 2022, the Group had buildings of approximately RMB23.5 million pledged as security for obtaining certain bank and other loans granted to the Group.

As at 31 December 2021, the Group had mining rights of approximately RMB116.6 million were pledged to as security for obtaining certain bank and other loans granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no capital commitments for acquisition of property, plant and equipment, which were contracted but not provided for (2021: nil). As at 31 December 2022, the Group had no material contingent liabilities.

RESOURCES AND RESERVES

Dejiang Mine

Our Dejiang Mine is located at Guan Jia Fen, Dejiang Town of Guizhou Province, China.

The table below summarizes key information related to our current mining permit for the Dejiang Mine.

Holder	Sanxin Stone
Nature of resource	marble
Covered area	approximately 0.252 square kilometres
Issuance date	1 July 2015
Expiration date	1 January 2019
Permitted production volume	30,000 cubic meters per annum

The Guizhou Province Bureau of Land and Resources assessed a mining right fee of RMB0.55 million for a period of every three and a half year.

The application for further renewal of the mining license of the Dejiang Mine was approved by relevant authorities in 2019 and pending the issue of the renewed mining license.

The following table summarizes the marble resources of our Dejiang Mine, estimated as of 31 December 2022 under Chinese Standards.

RESOURCES	Millions of cubic meters
Indicated	1.3
Inferred	0.8
Total	2.1

The Group did not have exploration, development and production activities for Dejiang Mine in 2022 (2021: nil).

Yongfeng Mine

Our Yongfeng Mine is located in the Yongfeng County of Jiangxi Province, China and is connected by a 72-kilometer county road to the Yongfeng exit of a newly constructed expressway, which connects us to China's national transportation system.

The table below summarizes key information related to our current mining permit for the Yongfeng Mine.

Holder	Jiangxi Jueshi (Yongfeng) Mining Co. Ltd.
Nature of resource	marble
Covered area	approximately 1.3341 square kilometres
Issuance date	5 June 2020
Expiration date	5 June 2030
Permitted production volume	1,100,000 cubic meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. The mining right fee was fully paid in 2019. We obtained a mining permit in 2013 with an initial term of five years from 5 February 2013 to 5 February 2018 and was further extended to 5 June 2020. The term of our mining permit can be extended up to 30 years from the date of issue of the first mining permit on 5 February 2013 according to applicable PRC laws and regulations. In 2020, we obtained the renewed official mining permit with a valid period of 10 years from 5 June 2020 to 5 June 2030. The annual permitted production volume was expanded from 0.25 cubic meters to 1.1 million cubic meters.

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2022 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

RESOURCES	**Millions of cubic meters**
Measured	51.2
Indicated	46.6
Inferred	8.8
Total	106.6

RESOURCES	**Millions of cubic meters**
Proved	23.0
Probable	21.0
Total	44.0

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2022 were arrived after taking into account the estimated resources and reserves of the Yongfeng Mine as of 30 September 2013 minus the amount of extraction in the course of the Group normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2022 and have been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has over 25 years of experience in mining production (including exploration and extraction process). For details of the biographical information of Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the "Prospectus").

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2022 (as disclosed in this annual report) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 31 December 2022 were identical.

The Group took exploration, development and production activities with a volume of approximately 3,412.0 cubic metres for Yongfeng Mine in 2022 (2021: approximately 703.2 cubic metres).

Zhangxi Mine

Located at Yongfeng County of Jiangxi Province, China, about 50 km from the expressway from Fuzhou via Yongfeng to Ji'an, Zhangxi Mine enjoys an access to Changning (Nanchang — Ningdu) expressway which has already been opened to traffic, thus making it possible for the Group to get connected to China's national transportation system.

The table below summarizes key information related to our current mining permit for the Zhangxi Mine.

Holder	Ji'an Mining
Nature of resource	marble
Covered area	approximately 0.7 square kilometre
Issuance date	23 July 2015
Expiration date	23 July 2018
Permitted production volume	20,000 cubic metres per annum

Yongfeng County Natural Resources Bureau (the "Yongfeng Bureau") has agreed to expand the existing mining area of the Zhangxi Mine which is also under Yongfeng Bureau's administration. The Group is in the process of applying for renewal of the mining license of the Zhangxi Mine with the expanded mining area and increased marble resources with the Yongfeng Bureau. As it has been indicated by the Yongfeng Bureau for the above arrangement, the Group consider the renewal of mining license will be approved and granted upon satisfaction of the other administrative and green environmental policies' requirements. The Group has engaged a geological exploration service provider to perform a detailed geological exploration on the proposed expanded site. The Group keeps monitoring the progress in respect of the renewal and consider that there is no material barrier for the Group to renew such mining license.

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB1.615 million for a period of three years.

The table below summarizes the marble resources of Zhangxi Mine estimated as of 31 December 2022 according to Chinese Standards.

RESOURCES	Millions of cubic meters
Measured	7.1
Indicated	18.4
Inferred	4.2
Total	29.7

The Group did not have exploration, development and production activities for Zhangxi Mine in 2022 (2021: nil).

Lichuan Mine

The Lichuan Mine is located at Shaxi County, Lichuan, Hubei Province, the PRC.

The table below summarizes key information related to the current mining permit for the Lichuan Mine.

Holder	Lichuan Mining
Nature of resource	marble
Covered area	approximately 1.5 square kilometre
Issuance date	22 August 2018
Expiration date	22 August 2023
Permitted production volume	13,000 cubic metres per annum

The Hubei Province Bureau of Land and Resources assessed a mining right fee of RMB0.166 million for a period of five years.

The table below summarizes the marble resources of Lichuan Mine estimated as of 31 December 2022 according to Chinese Standards.

RESOURCES	Millions of cubic meters
Indicated	3.88
Inferred	0.67
Total	4.55

The Group did not have exploration, development and production activities for Lichuan Mine in 2022 (2021: nil).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

As at the date of this report, the Board consisted of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets forth information regarding our Board.

Name	Age	Management Position
Ms. WU Jing	37	Executive Director, Chairman and Acting Chief Executive Officer
Mr. GU Weiwen	53	Executive Director and Vice Chairman
Mr. ZHANG Jian	48	Executive Director
Mr. WAN Jian	46	Executive Director
Mr. GU Zengcai	60	Non-Executive Director
Ms. LUNG Yuet Kwan	57	Independent non-Executive Director
Mr. HUI Yat On	63	Independent non-Executive Director
Mr. ZHAI Feiquan	43	Independent non-Executive Director

EXECUTIVE DIRECTORS

Ms. WU Jing (伍晶), aged 37, has been appointed as the executive Director on 9 March 2016 and is currently Chairman of the Board and Acting Chief Executive Officer of the Company. Ms. Wu is also responsible for promotion and marketing affairs of the Company. Ms. Wu has more than 10 years' experience in corporate brand management. In 2010, Ms. Wu founded a management consulting firm, which provided consultancy services in relation to brand promotion, sales and public relations to the local and overseas organizations and corporations since February 2010, including but not limited to Information Services Department of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong Tourism Board, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, DTZ Holdings PLC, Sinopec (Hong Kong) Limited, Suning Commerce Group Co., Ltd., Powerchina Resources Ltd.. In June 2008, Ms. Wu obtained her bachelor degree in biological technology from Wuhan University. She then obtained her master of science degree in environmental engineering from the Hong Kong University of Science and Technology and her master degree in industrial engineering and logistics management from the University of Hong Kong in November 2009 and November 2010, respectively. In 2015, she was awarded the "Ten Outstanding New Hong Kong Young Persons (十大傑出新香港青年)". She is currently the standing director of Jiangsu Women Association* (江蘇聯會婦女會) and the director of Jiangsu Youth Association* (江蘇青年總會). As of the date of this annual report, save as disclosed above, Ms. Wu did not hold directorship in any listed public companies in the past three years.

Mr. GU Weiwen (顧偉文), aged 53, has been appointed as the executive Director and Chief Executive Officer on 9 March 2016, and re-designated as Vice Chairman of the Company on 1 December 2016. Mr. Gu has more than 30 years' experience in trading, investment and financing. Prior to joining the Group, Mr. Gu served as the wholesale executive of Shanghai Textiles Ltd.* (上海紡織品總公司) from July 1990 to July 1992. From August 1992 to September 1994, Mr. Gu served as the manager of the apparel department of Orient Shopping Center Ltd.* (上海東方商廈有限公司). From October 1994 to October 2000, Mr. Gu served as the general manger of Shanghai Huifeng Textile Group Ltd.* (上海惠豐毛紡織集團有限公司). From January 2001 to October 2011, Mr. Gu served as the general manager of Chengdu Runheng Investment Ltd.* (成都潤衡投資有限公司). From October 2011 to February 2016, Mr. Gu served as assistant to the chairman of China Dredging Environment Protection Holdings Limited (stock code: 871), a company listed on the Stock Exchange. Mr. Gu obtained the diploma from Commerce College of the Shanghai University (上海大學商學院) (now known as School of Economics, the Shanghai University) majoring in trading economics in July 1990. In 1991, Mr. Gu obtained the qualification as economic analyst as confirmed by the appraisal committee after the discussion by the vocation reform office of Shanghai Textiles Ltd.* (上海紡織品公司). In 1993, Mr. Gu obtained the qualification as an assistant economic analyst as confirmed by the appraisal committee for junior occupational positions of Shanghai Huifeng Textile Group Ltd.* (上海東方商廈有限公司). As of the date of this annual report, save as disclosed above, Mr. Gu did not hold directorship in any listed public companies in the past three years.

Mr. ZHANG Jian (張健), aged 48, has been appointed as the executive Director on 9 March 2016 and is currently the deputy general manager of the Company and the general manager of the marble production and processing department and international sales department of the Company, where he is responsible for mine production management, marble processing and production and operations management and international sales management of the Group. Mr. Zhang joined the Group in October 2012 and has more than 16 years' experiences in stone exploitation, stone processing, quality control and international trade of stone. Prior to joining the Group, Mr. Zhang served at unit 32525 of the People's Liberation Army of the People's Republic of China in Xiamen (廈門中國人民解放軍32525部隊) from December 1993 to December 1997. From March 2003 to March 2006, he served as a procurement officer of Best Cheer Stone Group Ltd.* (高時石材集團有限公司). From March 2006 to October 2012, he served as the procurement manager of Xiamen Zhonglianfa Import and Export Co., Ltd.* (廈門中聯發進出口有限公司). As of the date of this annual report, save as disclosed above, Mr. Zhang did not hold directorship in any listed public companies in the past three years.

Mr. WAN Jian (萬堅), aged 46, has been appointed as the executive Director on 15 January 2021. Mr. Wan has extensive experience in the construction industry particularly in the construction material field. He was also familiar with stone products processing and their related application on construction projects. Mr. Wan does not hold any other position with the Company and/or other members of the Company and its subsidiaries. Save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

NON-EXECUTIVE DIRECTOR

Mr. GU Zengcai (顧增才), aged 60, has been appointed as non-executive Director of the Company on 8 June 2016. Mr. Gu graduated in the profession of industrial accounting school from Jiangsu Radio and TV University (江蘇廣播電視大學) in 1986. Mr. Gu worked as the director of audit department and vice manager of finance department in Zhuhai Port Co., Ltd. (珠海港股有限公司) (formerly known as Zhuhai Fuhua Group Co., Ltd. (珠海富華集團股份有限公司)) (a company listed as A share with stock code 000507) from October 1993 to August 1994. From September 1994 to April 2002, Mr. Gu worked in China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行) (formerly known as Zhuhai Commercial Bank) (the "CR Bank") and served as the deputy director of Zhuhai Huayin City Credit Cooperatives (珠海華銀城市信用社), the branch president of CR Bank, and the manager of the capital department, finance department and credit department in the headquarter of the CR Bank. Mr. Gu was also appointed as the executive director of the Zhuhai Holdings Investment Group Limited (a company listed on The Stock Exchange with stock code 00908) (formerly known as Jiuzhou Development Company Limited) from October 2003 to August 2012 and the deputy chairman of the board of directors in the same company from August 2006 to August 2012. Mr. Gu obtained the certificate of the accountant and auditor in the year of 1992 and the certificate of Chinese Public Accountant in 1993. Save as disclosed above, Mr. Gu did not hold any directorship in the past 3 years in any other listed companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LUNG Yuet Kwan (龍月群), aged 57, has been appointed as independent non-executive Director of the Company on 1 June 2017. Ms. Lung has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Ms. Lung joined as executive vice president of the finance department of Ground International Development Limited (formerly known as "China Motion Telecom International Limited", a company listed on the Stock Exchange with stock code 0989) since December 2005 and acted as the chief financial officer, company secretary and the authorised representative of Ground International Development Limited for the period from November 2013 to February 2016. Ms. Lung holds a bachelor degree in business from Monash University, Australia. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Save as disclosed above, Ms. Lung did not hold any directorship in the past 3 years in any listed companies.

Mr. HUI Yat On (許一安), aged 63, has been appointed as independent non-executive Director of the Company on 8 June 2016, and is chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants in December 1986. He is also a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui has previously served as the executive director and senior executive of several Hong Kong listed companies. He was appointed as an independent non-executive director of Enterprise Development Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 1808, in the period of 11 January 2021–20 September 2021. He was appointed on 10 June 2021, as an independent non-executive director of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange with stock code 2312. Save as disclosed above, Mr. Hui did not hold any directorship in the past 3 years in any other listed companies. Mr. Hui has more than three decades of experiences in the field of corporate finance and financial services.

Mr. ZHAI Feiquan (翟飛全), aged 43, has been appointed as independent non-executive Director of the Company on 20 July 2020. Mr. Zhai holds a bachelor's degree in marketing from Guangxi University. Mr. Zhai has more than 20 years' experience in stone products sales and export as well as mines operations and processing of marble stone. He has rich experience in marketing and brandsbuilding of a variety of marble stones. Mr. Zhai does not hold any other position with the Company and/or other members of the Company and its subsidiaries. Save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. NIE Zhiqiang (聶志強), aged 55, is currently the vice president of Jueshi Mining in charge of production, responsible for mining plans confirmation, product quality control and product transportation of our Group. Mr. Nie joined our Group on 18 June 2012, and has over 25 years of experience in mining production. Prior to joining our Group, Mr. Nie was responsible for the mining production and management of various companies. He worked in Shanxi Sida Construction Materials Co., Ltd from June 1991 to October 1997, serving as general staff, supervisor of quality control, head of production and person-in-charge of mining operation, respectively, responsible for the quality control and assurance of granite mines and production management, including a detailed analysis of the granite exploration and extraction process. He worked in Shanxi Huajun Stone Enterprise Co., Ltd. from November 1997 to November 2000, serving as production manager and mining head, responsible for the production, exploration and extraction management of a mine and a mine processing plant, including marbles and stones. From March 2001 to August 2004, Mr. Nie was the mine and factory manager of Shanxi Evergreen Stone Co., Ltd., responsible for mineral resource management and formulation and execution of granite mining production plans. From March 2005 to June 2009, he was the assistant manager and the mine manager of the mineral resource department of Universal Marble & Granite (Dongguan) Co., Ltd., responsible for mining and management, including the daily management of the marble mining and resources department, evaluating mine acquisition targets by assessing the nature and quality of marble and granite in mines, formulating marble mine exploration plans and proposals to facilitate mining production, organizing and coordinating mining exploration and extraction activities, and organizing training for mining personnel on the technical, safety and environmental protection aspects of marble mines. From February 2010 to June 2012, he served as the vice general manager of Hubei Era Mining Co., Ltd., responsible for overseeing marble mining affairs and the operation of a marble mine processing plant, which covered the marble exploration and extraction process.

Mr. ZHANG Jiyan (張繼燕), aged 51, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has more than 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板材廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fuji an Quanzhou Huayi Stone Materials Limited* (福建省泉州市華益石材有限公司) and Zhangzhou Riquan Inspection Centre* (漳州日泉檢品中心), a subsidiary of Xiamen Riquan Trading Company* (廈門日泉貿易公司). During which, Mr. Zhang obtained experience in coordinating and guiding exploration and mining, which has enabled him to communicate and work effectively with the senior managers at the mines. He had also been involved in the development of a series of professional guidelines including raw material quality standards and slab quality standards, whereby the quality of the raw materials from mines, which are required at the processing stage, is strictly under control to ensure the best cutting quality from such raw materials for the purpose of an optimal production-sales relationship and a maximized use of stone resources. Mr. Zhang joined the Company in August 2011 when he was involved in the total management, operations and product quality control at the then newly acquired Yongfeng Mine. Subsequently, he acted as a key executive in charge of production and sales coordination and quality control, during which, he equipped with his professional competence in manufacturing processes and technologies and in both the national and the international quality control standards, closely supervised, guided and, on a continuing basis, improved the exploration, extraction and production process of contractors from the perspective of marketability, customer satisfaction and technical application. Mr. Zhang has administered stringent control over the quality of raw materials, semi-finished goods and final products of the Company having regard to market demand and product positioning. At the same time, Mr. Zhang formulates strategies and optimal improvement plans in line with market demand and in doing so, he has produced good results from the coordination efforts in production and sales.

Mr. QIU Yuyuan (邱宇元), aged 45, is currently in charge of the Group's financial planning, financial budget and management issues. Mr. Qiu joined the Group in September 2011, and has more than 10 years of experience in financial management. Prior to joining the Group, Mr. Qiu worked in Xiamen Overseas Chinese Electronic Co., Ltd., Xiamen Tsann Kuen Corporation Limited, and Lenovo Mobile Communication Technology Limited from August 2000 to February 2005, from March 2005 to March 2006, and from March 2006 to April 2010, respectively, and was in charge of relative financial auditing, business process reengineering, credit management and financial analysis in those companies. Mr. Qiu obtained the qualification of National Intermediate Accountant in 2004.

Mr. JIANG Shikui (蔣世奎), aged 42, is currently the Chief Operation Officer of the Company. Mr. Jiang joined the Group in 2016 and he has over 10 years of experience in stone industry, including the field of mining processing, production management, quality control, technology development, market development and marketing management.

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules"), the changes in details of the Directors' information subsequent to the date of the annual report of the Company for the twelve months ended 31 December 2022 are set out below:

Name	Details of Changes
Nil	Nil

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and to enhance the corporate value, accountability and transparency of the Company.

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022 (the "Year"), except for the following deviation.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

From 1 December 2016, Mr. GU Weiwen has been re-designated and appointed as vice chairman of the Board, and Ms. WU Jing has been appointed as the Acting Chief Executive Officer (details are set out in the Company's announcement dated 1 December 2016). Upon the appointment of Ms. Wu as the Acting Chief Executive Officer, Ms. Wu assumes both the roles as the Chairman and the chief executive officer of the Company in deviation from code provision A.2.1 of the CG Code. Despite so, in view of the present rapid development of the Group and further expansion of its downstream business, the Board needs the experience of Mr. Gu in doing his Vice Chairman work and the Board believes that Mr. Gu and Ms. Wu's extensive experience and knowledge, together with the support of the management shall strengthen the solid and consistent leadership and thereby vesting the roles of both Chairman and the Acting Chief Executive Officer in Ms. Wu allows efficient business planning and decision which is in the best interest of the business development of the Group.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance operations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

As at 31 December 2022, the Board comprised eight members, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:

Ms. Wu Jing *(Chairman, Acting Chief Executive Officer, Chairman of the Nomination Committee and member of the Remuneration Committee)*
Mr. Gu Weiwen *(Vice Chairman)*
Mr. Zhang Jian
Mr. Wan Jian

Non-executive Director:

Mr. Gu Zengcai

Independent non-executive Directors:

Ms. Lung Yuet Kwan *(Chairman of the Audit Committee and member of the Remuneration Committee)*
Mr. Hui Yat On *(Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)*
Mr. Zhai Feiquan *(member of the Audit Committee and the Nomination Committee)*

The Board members have no financial, business, family or other material/relevant relationships with each other to ensure strong independence exists across the Board. All directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The biographical information of the Directors is set out on pages 17 to 20 of this annual report.

Independent non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules 3.10(1) and (2), and 3.10A relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of three years pursuant to the terms of the engagement. The appointment can be terminated by either party by giving not less than three months' prior notice in writing to the other and is subject to re-election at the annual general meeting of the Company ("AGM") after his appointment pursuant to the Articles. The term of office of every Director is also subject to retirement by rotation at the AGM at least once every three years pursuant to the Articles.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company, overseeing the Group's businesses, strategic decisions and performance. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs, and making decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the day-to-day management of the Company are delegated to the Company's management team.

The Directors are ensured to have timely access to the information of the Company as well as the services and advice from the company secretary (the "Company Secretary") and senior management ("Senior Management") of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and legal obligations of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, and the legal advisers of the Company prepare and provide the Directors with detailed interpretations and analysis on the revised contents for them to understand the latest developments in a timely and accurate manner and to perform their duties in accordance with relevant laws and regulatory requirements.

During the Year, all Directors were provided with regular updates on the Group's business and operations. The Company has arranged to update the Directors on the amendments on the Listing Rules and guidelines on disclosure of insider information and connected transactions.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy whereby it recognizes and embraces the benefits of a diversity of Board members. The board diversity policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, numbers of measurable aspects including gender, age, cultural and educational background, length of services, skills knowledge and professional experience have been considered. All appointments of members of the Board are made on merit, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

The Board and its nomination committee have set and will continue to consider setting measurable objectives to implement the board diversity policy, and they will review the board diversity policy and measurable objectives from time to time to ensure their appropriateness and continued effectiveness.

During the Year and as at the date of this annual report, the Board is characterized by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills knowledge and length of service.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1. of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

On 1 December 2016, Mr. Gu Weiwen has been re-designated and appointed as vice chairman of the Board (the "Vice Chairman") to be principally responsible for the affairs of business development, corporate finance and development of investors relations. Mr. Gu has resigned as the Chief Executive Officer with effect from 1 December 2016 in order to devote more time to his new position upon his appointment.

Upon Mr. Gu's re-designation and resignation as chief executive officer of the Company on 1 December 2016, Ms. Wu Jing ("Ms. Wu"), currently the Chairman and an executive Director of the Company, has been appointed as acting chief executive officer of the Company (the "Acting Chief Executive Officer") with effect from 1 December 2016.

Upon the appointment of Ms. Wu as the Acting Chief Executive Officer with effect from 1 December 2016, Ms. Wu assumes both the roles as the chairman and the chief executive officer, resulting in deviation from code provision A.2.1 of the CG Code. Details of the aforesaid changes can be referred to the announcement of the Company published on the websites of the Stock Exchange and the Company on 1 December 2016.

Despite so, in view of the present rapid development of the Group and further expansion of its downstream business, the Board is of the opinion that, Ms. Wu's extensive experience and knowledge in the business of the Group, together with the support of the management shall strengthen the solid and consistent leadership and thereby vesting the roles of both Chairman and Acting Chief Executive Officer in Ms. Wu allows efficient business planning and decision which is in the best interest of the business development of the Group.

The Company will continuously seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of chief executive officer of the Company in due course.

NON-EXECUTIVE DIRECTOR

Each of the non-executive Directors (including independent non-executive Directors) has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. They are subject to retirement by rotation at the annual general meeting pursuant to the articles of association of the Company and the CG Code.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established four committees, namely, the audit committee, remuneration committee, nomination committee and investment committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 9 December 2013 with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee comprises three independent non-executive Directors, namely Ms. Lung Yuet Kwan, Mr. Zhai Feiquan and Mr. Hui Yat On. Ms. Lung Yuet Kwan has been appointed as the chairman of the Audit Committee since 1 June 2017.

A whistleblowing policy was established to achieve the highest possible standards of openness and accountability, and for employees, customers, suppliers and other stakeholders of the Company to raise concerns of any suspected misconduct or malpractice within the Company. Proper procedures were in place for investigation of any reported cases. The Audit Committee will review the final report and make recommendations to the Board and will review and monitor the effectiveness of this whistleblowing policy from time to time.

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2022 and the auditor's report thereon.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 9 December 2013 with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration policy and structure for all Directors and senior management and on the establishment of formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee comprises one executive Director, Ms. Wu Jing, and two independent non-executive Directors, Ms. Lung Yuet Kwan and Mr. Hui Yat On. Mr. Hui Yat On has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

Nomination Committee

The Company established the nomination committee (the "Nomination Committee") on 9 December 2013 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size and composition, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

During the year, the Nomination Committee comprises one executive Director, Ms. Wu Jing, and two independent non-executive Directors, Mr. Zhai Feiquan and Mr. Hui Yat On. Ms. Wu Jing has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee shall report to the Board after each meeting of the Nomination Committee. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Investment Committee

The Company established the investment committee (the "Investment Committee") on 19 September 2019 with written terms of reference. The primary functions of the Investment Committee include reviewing, evaluating investment projects for long-term development of the Group and making recommendations to the Board on the major investments and financing solutions and other significant investment matters which may have effect on the development of the Group. It also supervises the implementation of the above-mentioned matters duly approved by the Board.

The Investment Committee comprises two executive Directors, Ms. Wu Jing and Mr. Gu Weiwen, and an independent non-executive Director, Mr. Hui Yat On. Ms. Wu Jing has been appointed as the chairman of the Investment Committee. The Investment Committee shall report to the Board after each meeting of the Investment Committee.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings						
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Ms. WU Jing	5/5	N/A	2/2	2/2	1/1	1/1	1/1
Mr. GU Weiwen	3/5	N/A	N/A	N/A	1/1	0/1	0/1
Mr. ZHANG Jian	5/5	N/A	N/A	N/A	N/A	1/1	0/1
Mr. WAN Jian	2/5	N/A	N/A	N/A	N/A	0/1	0/1
Non-executive Director							
Mr. GU Zengcai	3/5	N/A	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors							
Ms. LUNG Yuet Kwan	5/5	3/3	2/2	N/A	N/A	1/1	1/1
Mr. HUI Yat On	5/5	3/3	2/2	2/2	1/1	1/1	1/1
Mr. ZHAI Feiquan	5/5	3/3	N/A	2/2	N/A	1/1	1/1

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Directors 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 of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 45 to 49.

AUDITORS' REMUNERATION

Elite Partners CPA Limited ("Elite Partners") was engaged as the external auditors of the Company for the annual audit of the year ended 31 December 2022.

During the Year, the total fees paid/payable in respect of audit services provided by Elite Partners were RMB1,200,000, and the total non-audit service fees incurred for the Year were RMB100,000.

INTERNAL CONTROL

During the Year, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

Mr. Zhao Zhipeng ("Mr. Zhao") was appointed as one of the joint company secretaries on 14 June 2016 to replace Ms. Cheung Yuet Fan. Following the resignation of Ms. Ai Qinghua as joint company secretary on 16 June 2016, Mr. Zhao acted as the sole company secretary of the Company and the primary contact person at the Company with effect from 16 June 2016.

During the Year, Mr. Zhao undertook the relevant professional trainings as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholder meetings of the Company will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting of the Company.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, for the attention of the company secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the joint company secretaries will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address:	Room E, 6/F No. 728 Yan'an West Road Changning District Shanghai, PRC (For the attention of the Board of Directors)
Fax:	+ 86 021 68870050
Email:	ir@artgo.cn

CONSTITUTIONAL DOCUMENTS

During the Year, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Stock Exchange and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognizes it is responsible for maintaining a sound and effective internal control systems to safeguard the Group's assets and Shareholders' interests against misappropriation and unauthorized disposition and to manage operational risks, and to review and monitor the effectiveness of the Group's internal control and risk management systems on a regular basis so as to ensure that such systems in place are adequate.

The Company has established frameworks applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout the year under review and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the frameworks set by the Board. The Company carries out reviews on the effectiveness of the Group's internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board and the Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems on all major operations of the Group, with assistance from the Group's internal control department.

All of the recommendations from the Group's internal audit department will be properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the Year.

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "Year").

REORGANIZATION OF THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law") on 23 September 2011. Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of subsidiaries now comprising the Group on 7 February 2012.

PRINCIPAL ACTIVITIES

During the year, the Group was principally engaged in mining, processing, trading and sales of marble stones and warehouse logistics business. It also commenced its business of production and sales of calcium carbonate products following the acquisition of such business in 2019. Save for the above, there were no significant changes in the nature of the Group's principal activities during the Year under review. The principal activity of the Company is investment holding.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Chairman's Statement and the section headed "Management Discussion and Analysis" in this annual report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

1. *Our marble products may fail to gain market acceptance due to changes in consumers' consumption pattern.*
   The increase of our revenue largely depends on market demand and consumer preference. Consumer preferences change over time, and our products may not meet the particular preferences of consumers, or replace their existing preferences. Our failure to anticipate, identify or react to these particular preferences or changes in customer preferences may limit the demand for any new products we introduce, which may result in us not being able to recover our development, production and marketing costs. If this occurs, our business, prospects, financial condition and results of operations may be materially adversely affected.

2. *We may face difficulties as we expand our sales network to new regions and further penetrate existing markets.*
   We intend to expand our sales network by further enhancing our existing geographical coverage and penetrating regions in the PRC as well as selecting overseas markets such as the North America and the Middle East. As we expand our business to new regions, we may encounter regulatory, personnel, technological and other difficulties that may increase our expenses or delay our ability to start our operations and expand our sales network in compliance with applicable regulatory requirements.

Environmental protection

The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

Several measures have been implemented in order to mitigate environmental pollution, such as water saving, water recycling in the marble mine.

Compliance with laws and regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board is committed to keep itself abreast of the latest legal and regulatory requirements which have a significant impact on the Group, either through management teams which shall regularly monitor the legal and regulatory requirements, or through seeking professional legal advice, so as to ensure that the Group's policies and practices are in compliance with the applicable laws and regulations. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the Year.

Key relationships with its stakeholders

1. *Workplace Quality*

   The Group believes that the Directors, senior management and employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Share Option Scheme and other incentive schemes were adopted by the Company for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

   The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organized charitable and staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

   The Group strives to provide a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

   The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

2. *Relationships with other stakeholders*

The Group also understands that it is important to maintain good relationship with its distributors and customers to fulfil its long-term goals. To maintain its brand competitiveness and status, the Group aims at delivering constantly high standards of quality in the products to its distributors and customers. During the year under review, there was no material and significant dispute between the Group and its distributors and/or customers.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated financial statements of this annual report.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2022 (2021: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy with the objective of achieving a balance between the amount of dividend and the amount of profits retained in the Group for business growth and other purposes. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others:

(a) the Group's financial results;

(b) the general financial condition of the Group;

(c) the Group's current and future operations;

(d) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(e) liquidity position and capital requirement of the Group;

(f) the general market conditions; and

(g) any other factors that the Board deem appropriate.

The declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Company's Articles of Association and any other applicable laws and regulations.

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2022 are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report, respectively.

As at 31 December 2022, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB991.7 million (2021: RMB1,132.9 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales attributable to the Group's largest and five largest customers were approximately 14.8% and 58.4% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 13.0% and 49.5% of the Group's total purchases respectively during the Year.

During the Year, none of the Directors, their close associates or any Shareholders (who to the knowledge of the Directors owned more than 5% of the issued Shares) had any interest in any of the five largest customers or suppliers of the Group.

BANK AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2022 are set out in note 24 to the consolidated financial statements of this annual report.

DONATIONS

The Group did not make any charitable and other donations during the year (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements of this annual report.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital are set out in note 28 to the consolidated financial statements of this annual report. Details and movements of the share options of the Company are set out in note 29 to the consolidated financial statements of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the years ended 31 December 2018, 2019, 2020, 2021 and 2022, as extracted from the audited financial statements, is set out on page 132 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over the Shares under the Articles or the laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DIRECTORS

The Directors during the Year and up to the date of this directors' report are as follows:

Executive Directors
Ms. WU Jing (伍晶)
Mr. GU Weiwen (顧偉文)
Mr. ZHANG Jian (張健)
Mr. WAN Jian (萬堅)

Non-executive Director
Mr. GU Zengcai (顧增才)

Independent Non-executive Directors
Ms. LUNG Yuet Kwan (龍月群)
Mr. HUI Yat On (許一安)
Mr. ZHAI Feiquan (翟飛全)

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

Pursuant to article 84 of the Articles, Mr. Wan Jian, Mr. Gu Weiwen, Ms. Wu Jing and Mr. Zhai Feiquan will retire by rotation as Director at the forthcoming AGM. All the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 8 to the consolidated financial statements of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as the Share Option Scheme, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEMES

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 9 December 2013. The following is a summary of the principal terms of the Share Option Scheme:

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as referred to in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Participants of the Share Option Scheme*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries.

(c) *Total number of Shares available for issue under the Share Option Scheme*

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from its adoption date (i.e. 9 December 2013) (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. The Board may renew this limit at any time to 10% of the Shares in issue as of the date of approval by the Shareholders in general meeting.

On 4 January 2018, an aggregate of 133,333,400 options had been granted under the Share Option Scheme (details are set out in the Company's announcement dated 4 January 2018), all the 133,333,400 options had been expired up to 31 December 2020.

As at the annual general meeting of the Company held on 14 June 2018, subsequent to the adoption of the Share Option Scheme on 9 December 2013, the 10% limit on the grant of share options under the Share Option Scheme was refreshed (the "Refreshment") to 229,337,488 shares (the "2018 Scheme Mandate").

On 30 October 2018, 229,300,000 options had been granted under the 2018 Scheme Mandate of the Share Option Scheme (details are set out in the Company's announcement dated 30 October 2018), out of which 58,250,000 options were exercised and the remaining 171,050,000 options had been expired, up to 31 December 2020.

As at the annual general meeting of the Company held on 17 July 2020, the 10% limit on the grant of share options under the Share Option Scheme was further refreshed to 336,069,772 shares (the "2020 Scheme Mandate").

On 14 January 2021, 336,069,772 options had been granted under the 2020 Scheme Mandate of the Share Option Scheme (details are set out in the Company's announcement dated 14 January 2021). All of the granted 336, 069, 772 options were exercised during the year in 2021.

As at the annual general meeting of the Company held on 30 June 2021, the 10% limit on the grant of share options under the Share Option Scheme was further refreshed to 436,876,750 shares (the "2021 Scheme Mandate").

On 29 April 2022, 420,730,000 options had been granted under the 2021 Scheme Mandate of the Share Option Scheme (details are set out in the Company's announcements dated 29 April 2022 and 3 May 2022). All of the granted 420,730,000 options were exercised during the year in 2022.

As at the annual general meeting of the Company held on 30 June 2022, the 10% limit on the grant of share options under the Share Option Scheme was further refreshed to 463,084,750 shares (the "2022 Scheme Mandate").

On 16 September 2022, 463,000,000 options had been granted under the 2022 Scheme Mandate of the Share Option Scheme (details are set out in the Company's announcements dated 16 September 2022 and 20 September 2022). All of the granted 463,000,000 options were exercised during the year in 2022.

And as at 31 December 2022, there was no outstanding options under the Share Option Scheme.

(d) *The maximum entitlement of each Eligible Participant under the Share Option Scheme*
The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

(e) *Timing for exercising option*
An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to its expiry date as determined at the time of grant.

(f) *Payment of acceptance of option*
Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to our Company by way of consideration for the grant.

(g) *The basis of determining the exercise price of option*
The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(h) *Duration of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date (i.e. 9 December 2013).

The following table sets out particulars of the options granted under the Share Option Scheme and their movements during the Year:

		Number of Options (Note)					
Name	Date of grant	Balance as at 1 January 2022	Granted during the year	Exercised during the year	Balance as at 31 December 2022	Exercise price per share (Note) HK$	Exercisable period
Directors:							
	29 April 2022	–	131,040,000	(131,040,000)	–	0.025	29 April 2022 to 28 April 2024
Other employees:							
In aggregate	29 April 2022	–	289,690,000	(289,690,000)	–	0.025	29 April 2022 to 28 April 2024
In aggregate	16 September 2022	–	463,000,000	(463,000,000)	–	0.0214	16 September 2022 to 15 September 2024
Other grantees:							
		–	–	–	–		
Total		–	883,730,000	(883,730,000)	–		

Note: All the above share options granted and exercised were occurred before the effective date (28 October 2022) of the Share Consolidation. Therefore the numbers of share options granted and exercised, and their respective exercise price(s) were presented in their original amounts (without any adjustments based on the Share Consolidation).

DISCLOSURE OF INTERESTS

A. Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Wu Jing	Beneficial Owner	2,188,850 (L)	–

Note:

1. The letter "L" denotes the person's long position in the shares.

Save as disclosed above, as at 31 December 2022, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 deemed or taken to have under such provisions of the SFO); or to be recorded in the register required to be kept under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 of the Listing Rules.

B. Substantial Shareholders' interests or short positions in the securities of the Company

As at 31 December 2022, there are no Shareholders whose interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of substantial Shareholders as required to be kept by the Company under Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed in this report, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the Year or subsisted at the end of the Year.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

MANAGEMENT CONTRACTS

For the Year, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any substantial part of the business of the Group.

CONNECTED TRANSACTIONS

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the Year.

A summary of the related party transactions entered into by the Group during the Year is contained in note 33 to the consolidated financial statements of this annual report. The related party transactions disclosed in note 33 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76(1), 14A.90 and 14A.95 of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the Year, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that he is neither engaged, nor interested, in any business which, directly or indirectly, competes or is likely to compete with the Group's business (apart from the Group's business).

AUDITORS

Elite Partners CPA Limited was appointed as the external auditor of the Group with effect from 22 December 2021 and subsequently re-appointed by the Shareholders at the 2021 annual general meeting on 30 June 2022.

The consolidated financial statements for the year ended 31 December 2022 were audited by Elite Partners CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Wu Jing
Chairman and Executive Director

Hong Kong, 31 March 2023

To the shareholders of ArtGo Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ArtGo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 50 to 131, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the 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 ("the HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section to our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of non-current assets	
As at 31 December 2022, the Group had property, plant and equipment, right-of-use assets and intangible assets of approximately RMB473,230,000, RMB279,491,000 and RMB596,622,000 respectively. The management considered those assets were related to a cash-generating-units for the production and sales of Marble products segment ("Marble CGU"). For the purpose of impairment assessment, the management determined the recoverable amounts of Marble CGU based on value in use, which is the present value of the future cash flows expected to be derived from the Marble CGU. We had identified impairment assessment of Marble CGU as a key audit matter because significant management judgement was required to determine the key assumptions including estimated recoverable reserves, commodity prices, operating margins and discount rate, etc. and the amounts involved were significant.	Our procedures in relation to management's impairment assessment of Marble CGU included: • We assessed the appropriateness of management's identification of the cash-generated-units and allocation of non-current assets based on Group's accounting policy and our understanding of the Group's business; • We evaluated the assessment of impairment indicators of Marble CGU prepared by management; • We obtained and reviewed cash flow forecasts of Marble CGU prepared by the management and approved by the directors of the Company; • We discussed with management in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology, basis and assumptions used were reasonable; • We checked, on a sample basis, the accuracy and reliance of the input data used; and • We also assessed the adequacy of the disclosures regarding the impairment assessment in the consolidated financial statements.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

Those charged with governance are responsible 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- 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.

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

From the matters communicated with those charged with governance, 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 Mr. Yip Kai Yin with Practising Certificate number P07854.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 31 March 2023

10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4, 5	**89,069**	87,976
Cost of sales		**(76,252)**	(66,068)
Gross profit		**12,817**	21,908
Other income and gains	5	**10,427**	22,369
Selling and distribution expenses		**(2,394)**	(2,516)
Administrative expenses		**(55,066)**	(61,592)
Impairment losses on trade and bills receivables		**(1,415)**	(9,073)
Impairment losses on prepayments, other receivables and other assets		**–**	(1,585)
Impairment loss on investment properties		**–**	(8,915)
Impairment loss on property, plant and equipment		**–**	(4,350)
Impairment loss on mining rights		**(65,169)**	–
Other expenses		**(19,476)**	(4,753)
Loss on disposal of subsidiaries	31	**–**	(3,749)
Finance costs	6	**(24,264)**	(45,777)
Share of results of associates	16	**(4,837)**	(318,174)
LOSS BEFORE TAX	7	**(149,377)**	(416,207)
Income tax credit/(expense)	9	**1,049**	(1,686)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(148,328)**	(417,893)
Attributable to:			
Owners of the Company		**(148,246)**	(417,778)
Non-controlling interests		**(82)**	(115)
		(148,328)	(417,893)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	11	**RMB(0.63)**	RMB(1.96)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**473,230**	452,379
Investment properties	13	**20,368**	21,323
Right-of-use assets	14	**279,491**	289,107
Intangible assets	15	**596,622**	662,325
Investments in associates	16	**89,141**	93,941
Prepayments, deposits and other receivables	19	**4,138**	4,430
Deferred tax assets	27	**1,102**	924
Total non-current assets		**1,464,092**	1,524,429
CURRENT ASSETS			
Inventories	17	**43,724**	59,855
Trade and bills receivables	18	**28,999**	26,424
Prepayments, deposits and other receivables	19	**100,222**	89,598
Restricted deposits	20	**8,341**	15,457
Cash and bank balances	20	**15,762**	23,088
Total current assets		**197,048**	214,422
CURRENT LIABILITIES			
Trade payables	21	**23,081**	16,380
Contract liabilities	22	**5,674**	2,571
Other payables and accruals	23	**101,403**	117,273
Tax payables		**23,283**	21,328
Lease liabilities	14	**1,099**	1,117
Interest-bearing bank and other borrowings	24	**24,650**	23,880
Total current liabilities		**179,190**	182,549
NET CURRENT ASSETS		**17,858**	31,873
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,481,950**	1,556,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**319,574**	261,340
Deferred tax liabilities	27	**8,841**	8,291
Deferred income	25	**4,219**	4,429
Lease liabilities	14	**202**	772
Provision for rehabilitation	26	**19,368**	18,237
Total non-current liabilities		**352,204**	293,069
NET ASSETS		**1,129,746**	1,263,233
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**44,935**	37,063
Reserves	30	**991,669**	1,132,946
		1,036,604	1,170,009
Non-controlling interests		**93,142**	93,224
TOTAL EQUITY		**1,129,746**	1,263,233

The consolidated financial statements on page 50 to 131 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Wu Jing
Director

Gu Weiwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

		Attributable to owners of the Company										
	Notes	Issued capital RMB'000 (note 28)	Share premium account RMB'000 (note 30(a))	Statutory surplus reserve RMB'000 (note 30(b))	Safety fund surplus reserve RMB'000 (note 30(c))	Share option reserve RMB'000 (note 30(e))	Difference arising from acquisition of non-controlling interests RMB'000	Contributed surplus RMB'000 (note 30(d))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2020 and 1 January 2021		**34,274**	**2,039,281***	**26,640***	**842***	**-***	**(19,048)***	**26,636***	**(553,316)***	**1,555,309**	**93,339**	**1,648,648**
Total comprehensive loss for the year		-	-	-	-	-	-	-	(417,778)	(417,778)	(115)	(417,893)
Issue of new shares	28	2,789	19,523	-	-	-	-	-	-	22,312	-	22,312
Transfer to reserves		-	-	806	-	-	-	-	(806)	-	-	-
Establish safety fund		-	-	-	4	-	-	-	-	4	-	4
Recognition of equity-settled share-based payments		-	-	-	-	10,402	-	-	-	10,402	-	10,402
Transfer of share option reserve upon the exercise of share options	29	-	10,402	-	-	(10,402)	-	-	-	-	-	-
Deregistered of a subsidiary		-	-	(240)	-	-	-	-	-	(240)	-	(240)
As at 31 December 2021 and 1 January 2022		**37,063**	**2,069,206***	**27,206***	**846***	**-***	**(19,048)***	**26,636***	**(971,900)***	**1,170,009**	**93,224**	**1,263,233**
Loss and total comprehensive loss for the year		-	-	-	-	-	-	-	(148,246)	(148,246)	(82)	(148,328)
Issue of new shares	28	7,872	9,961	-	-	-	-	-	-	17,833	-	17,833
Establish safety funds		-	-	-	22	-	-	-	-	22	-	22
Equity-settled share option arrangements		-	-	-	-	5,512	-	-	-	5,512	-	5,512
Transfer of share option reserve upon the exercise of share options	29	-	5,512	-	-	(5,512)	-	-	-	-	-	-
Deregistered of a subsidiary		-	-	(8,526)	-	-	-	-	-	(8,526)	-	(8,526)
Transfer retain to reserve		-	-	996	(996)	-	-	-	-	-	-	-
As at 31 December 2022		**44,935**	**2,084,679***	**19,676***	**(128)***	**-***	**(19,048)***	**26,636***	**(1,120,146)***	**1,036,604**	**93,142**	**1,129,746**

* These reserve accounts comprise the consolidated reserves of RMB991,669,000 (2021: RMB1,132,946,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(149,377)**	(416,207)
Adjustments for:			
Depreciation of property, plant and equipment	12	**23,695**	22,344
Depreciation of investment properties	13	**955**	4,070
Depreciation of right-of-use assets	14	**10,448**	10,305
Amortisation of intangible assets	15	**249**	225
Share of results of associates	16	**4,837**	318,174
Impairment losses on trade and bills receivables	18	**1,415**	9,073
Impairment losses on prepayments, other receivables and other assets	19	**–**	1,585
Impairment loss on property, plant and equipment	12	**–**	4,350
Impairment loss on investment properties	13	**–**	8,915
Impairment loss on mining rights	15	**65,169**	–
Deferred income released to profit or loss	25	**(210)**	(211)
Finance costs	6	**24,264**	45,777
Equity-settled share-based payment expenses	7	**5,512**	10,402
Gain on disposal of right-of-use assets	5	**–**	(804)
(Gain)/loss on disposal of subsidiaries	31	**(4,750)**	3,749
Gain on disposal of property, plant and equipment, net	5	**–**	(622)
Gain on disposal of associate	5	**(481)**	–
Loss on deregistered of a subsidiary		**–**	1,033
Bank interest income	5	**(321)**	(43)
		(18,595)	22,115
(Increase)/decrease in trade and bills receivables		**(3,990)**	25,560
Decrease/(increase) in inventories		**12,565**	(3,023)
Increase in prepayments, other receivables and other assets		**(21,194)**	(128,276)
Increase/(decrease) in trade payables		**6,701**	(18,740)
(Decrease)/increase in other payables and accruals		**(26,577)**	97,757
Increase/(decrease) in contract liabilities		**3,103**	(3,633)
Decrease/(increase) in restricted deposits		**7,116**	(15,206)
Cash used in operations		**(40,871)**	(23,446)
Income tax refund/(paid)		**3,376**	(1,400)
Interest paid		**(7,170)**	(32,135)
Interest received		**321**	43
Net cash flows used in operating activities		**(44,344)**	(56,938)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(45,774)**	(30,941)
Proceeds from disposal of property, plant and equipment		**–**	17,276
Purchase of right-of-use assets		**(72)**	(11,503)
Proceeds from disposal of an associate		**500**	–
Net cash (outflow)/inflow arising from disposal of subsidiaries	31	**(6,211)**	153,496
Net cash flows (used in)/from investing activities		**(51,557)**	128,328
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**17,833**	22,312
Advance from a director		**9,139**	11,491
Principal portion of lease payments		**(1,348)**	(2,431)
Proceeds from bank and other borrowings		**261,553**	78,285
Repayment of bank and other borrowings		**(198,602)**	(177,805)
Net cash flows from/(used in) financing activities		**88,575**	(68,148)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,326)**	3,242
Cash and cash equivalents at beginning of the year		**23,088**	19,761
Cash and bank balance reclassified from disposed group classified as held to sale		**–**	85
CASH AND CASH EQUIVALENTS AT END OF YEAR		**15,762**	23,088
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position — cash and bank balances	20	**15,762**	23,088

1. CORPORATE AND GROUP INFORMATION

ArtGo Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Ugland House, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Unit 1302, 13/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of mining, processing and sale of marble stones, warehousing and logistics.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company, nor there is in a position to exercise significant influence over the Company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
ArtGo Investment Limited 雅高投資有限公司 ("ArtGo Investment")	British Virgin Islands ("BVI") 26 September 2011	US$1	100	Investment holding
Indirectly held:				
ArtGo (HK) Investment Group Limited 雅高(香港)投資集團有限公司 ("ArtGo HK")	Hong Kong 3 October 2011	HK$100	100	Investment holding
ArtGo Stone (Jiangxi) Co., Ltd. 雅高石材(江西)有限公司[1] ("ArtGo Stone")	People's Republic of China ("PRC")/Mainland China 17 September 2013	US$18,000,000	100	Processing and sale of marble stones; and technical service of stone processing
ArtGo (Shanghai) Industrial Co., Ltd. 雅高(上海)實業有限公司[1] ("ArtGo Shanghai")	PRC/Mainland China 26 April 2016	HK$40,000,000	100	Retail and wholesale of decorating materials and chemical products

1. CORPORATE AND GROUP INFORMATION — *continued*

Information about subsidiaries — *continued*

Particulars of the Company's principal subsidiaries are as follows: — *continued*

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
ArtGo (Xuyi) Co., Ltd. 雅高(盱眙)實業有限公司[1] ("ArtGo Xuyi")	PRC/Mainland China 1 July 2016	US$159,990,000	100	Wholesale, logistics and mineral processing
ArtGo Junqi (Shanghai) Co., Ltd. 雅高珺奇(上海)實業有限公司[1] ("ArtGo Junqi")	PRC/Mainland China 22 November 2011	RMB100,000,000	100	Retail and wholesale of decorating materials and chemical products
Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. 江西省玨石(永豐)礦業有限公司[2] ("Jueshi Mining")	PRC/Mainland China 28 December 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
Jiangxi Jueshi (Ji'an) Mining Co., Ltd. 江西省玨石(吉安)礦業有限公司[2] ("Ji'an Mining")	PRC/Mainland China 21 January 2010	RMB140,000,000	100	Mining investment, mining planting projects and sale of decorating materials
Guizhou County Dejiang SanXin Stone Co., Ltd. 貴州德江三鑫石材有限公司[2] ("SanXin Stone")	PRC/Mainland China 11 April 2014	RMB20,000,000	80	Mining exploration, processing and sale of marble stones
Jiangsu Taifeng Logistics Co., Ltd. 江蘇泰豐物流有限公司[2] ("Jiangsu Taifeng")	PRC/Mainland China 3 June 2011	RMB66,000,000	100	Warehousing, logistics, and sale of mineral products
Lichuan Lotus Construction Material Co., Ltd. 利川市荷花建材有限公司[2] ("Lotus Materials")	PRC/Mainland China 20 December 2012	RMB12,000,000	80	Mining exploration, processing and sale of marble stones

1. CORPORATE AND GROUP INFORMATION — *continued*

Information about subsidiaries — *continued*

Particulars of the Company's principal subsidiaries are as follows: — *continued*

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Jiangxi Keyue Technology Co., Ltd. 江西科越科技有限公司[(1)] ("Jiangxi Keyue")	PRC/Mainland China 19 September 2007	RMB50,000,000	100	Production and sale of calcium carbonate

(1) These subsidiaries are registered as wholly-foreign-owned enterprises under the People's Republic of China (the "PRC") law.

(2) These subsidiaries are registered as domestic enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the applicable disclosures required by the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION — *continued*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

2.2 APPLICATION OF AMENDMENTS TO IFRS

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of (a) the consideration transferred, (b) the amount recognised for non-controlling interests; and (c) any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Business combinations and goodwill — *continued*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) 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); and
- (viii) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and the disposal group held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

	Useful lives	Principal annual rates
Buildings	20 years	5%
Plant and machinery	5–20 years	5%–20%
Office equipment	3–10 years	10%–33%
Motor vehicles	5–10 years	10%–20%

Depreciation of mining infrastructure is calculated using the unit-of-production ("UOP") method to write off the cost of the assets in proportion to the extraction of the proved and probable mineral reserves. The estimated useful lives of the mining infrastructure are determined in accordance with the production plans of the entity concerned and the proved and probable reserves of mines using the UOP method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investment properties

Investment properties are interests in leasehold lands, land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method. The estimated useful lives of investment properties are 20 years to 52 years with principal annual rates of 1.92% to 5.00%.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Non-current assets and the disposal group held for sale

Non-current assets and the disposal group are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or the disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and the disposal group (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Changes to a plan of sale

If an entity has classified an asset or disposal group as held for sale, but the criteria for classification as held for sale are no longer met, the Group cease to classify the asset or disposal group as held for sale.

Non-current asset or disposal group that ceases to be classified as held for sale are measured at the lower of: (a) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset or disposal group not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell or distribute.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	15 to 50 years
Warehouse	10 years
Office premises	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases — *continued*

Group as a lessee — continued

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of dormitory (that is those leases that have a lease term of 12 months). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

General approach — continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

General approach — continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

General approach — continued

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial liabilities — *continued*

Subsequent measurement

The subsequent measurement of the Group's loans and borrowings is as follows:

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of the required expenditure at the mines in accordance with the rules and regulations of the People's Republic of China (the "PRC"). The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability increases for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "Finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Income tax — *continued*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the goods.

(b) Provision of warehousing and logistics services

Revenue from the provision of warehousing and logistics services is recognised over time when the relevant service has been provided to which the Group has the right to invoice, as the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Revenue recognition — *continued*

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Share-based payments — *continued*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Other employee benefits — *continued*

Retirement benefit obligations

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees’ relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed in the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group’s employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2022, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

Termination benefits

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

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred. The Group’s liability in respect of the housing fund is limited to the contribution payable in each period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The estimates and underlying assumptions are reviewed on an on-going 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

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Renewal of mining rights

The Group has mining rights which represent the rights for the mining of marble reserves at the Yongfeng, Zhangxi, Dejiang and Lichuan mines which are located in Jiangxi, Guizhou, Hubei and Yunnan Provinces, the PRC, respectively. The existing mining permits have expired or will expire between July 2018 to June 2030. Those expired mining permits are currently in process of being renewed. The Group applies the judgement in evaluating whether or not to renew the mining permits, considering all relevant factors that create an economic incentive for it to renew. There will be a significant negative effect on production if renewal of rights is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Estimation uncertainty — *continued*

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

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. gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, 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 a customer's actual default in the future.

Mineral 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 a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated on the UOP method and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Estimation uncertainty — *continued*

Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which were discounted to reflect the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible asset

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation, amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating-unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating-units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rate or the growth rate in the cash flow projections, could materially affect the recoverable amount.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2021: two) reportable continuing operating segments as below:

(a) the marble products segment produces marble stone products and calcium carbonate products mainly for further processing or trading; and

(b) the other segment includes the trading of commodities, and provision of warehousing and logistics services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, foreign exchange gain, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, restricted deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION — *continued*

Year ended 31 December 2022

	Marble products RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	87,533	1,536	89,069
Segment results	(18,414)	(1,279)	(19,693)
Reconciliation:			
Interest income			321
Impairment losses recognised in the statement of profit or loss			(66,584)
Finance costs (other than interest on lease liabilities)			(24,146)
Corporate and other unallocated expenses			(39,275)
Loss before tax			(149,377)
Segment assets	1,487,251	57,604	1,544,855
Reconciliation:			
Deferred tax assets			1,102
Cash and cash equivalents			15,762
Restricted deposits			8,341
Corporate and other unallocated assets			91,080
Total assets			1,661,140
Segment liabilities	461,318	5,775	467,093
Reconciliation:			
Tax payable			23,283
Deferred tax liabilities			8,841
Corporate and other unallocated liabilities			32,177
Total liabilities			531,394
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation and amortisation	33,702	1,645	35,347
Impairment losses recognised in the statement of profit or loss, net	66,584	–	66,584
Share of results of associates	4,837	–	4,837
Investments in associates	89,141	–	89,141
Capital expenditure*	45,774	–	45,774

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION — *continued*

Year ended 31 December 2021

	Marble products RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	86,314	1,662	87,976
Segment results	7,207	(1,194)	6,013
Reconciliation:			
Interest income			43
Impairment losses recognised in the statement of profit or loss			(23,923)
Finance costs (other than interest on lease liabilities)			(45,528)
Corporate and other unallocated expenses			(352,812)
Loss before tax			(416,207)
Segment assets	1,518,963	84,159	1,603,122
Reconciliation:			
Deferred tax assets			924
Cash and cash equivalents			23,088
Restricted deposits			15,457
Corporate and other unallocated assets			96,260
Total assets			1,738,851
Segment liabilities	433,826	817	434,643
Reconciliation:			
Tax payable			21,328
Deferred tax liabilities			8,291
Corporate and other unallocated liabilities			11,356
Total liabilities			475,618
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation and amortisation	36,172	772	36,944
Impairment losses recognised in the statement of profit or loss, net	19,737	4,186	23,923
Share of results of associates	318,174	–	318,174
Investments in associates	93,941	–	93,941
Capital expenditure*	53,562	–	53,562

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION — *continued*

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2022 and 2021 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities.

The Group's principal non-current assets were located in the PRC.

Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the total revenue, is set out below:

	2022 RMB'000	2021 RMB'000
Customer A (marble products segment)	13,189	N/A*
Customer B (marble products segment)	12,518	15,808
Customer C (marble products segment)	11,966	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**89,069**	87,976

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of marble products	**87,533**	86,314
Provision of warehousing and logistics services	**1,536**	1,662
Total revenue from contracts with customers	**89,069**	87,976

Timing of revenue recognition	2022 RMB'000	2021 RMB'000
Goods transferred at a point in time	**87,533**	86,314
Service transferred overtime	**1,536**	1,662
	89,069	87,976

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of marble products	**2,571**	6,116

5. REVENUE, OTHER INCOME AND GAINS — *continued*

Revenue from contracts with customers — *continued*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of marble products

The performance obligation is satisfied upon delivery of goods and payment is generally due within six months from delivery.

At 31 December 2022 and 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Other income and gains

An analysis of other income and gains from continuing operations is as follows:

	2022	2021
	RMB'000	RMB'000
Rental income (note 14)	**283**	7,464
Refund of value-added tax	**3,161**	4,612
Gain on disposal of right-of-use assets	**–**	804
Gain on disposal of property, plant and equipment, net	**–**	622
Bank interest income	**321**	43
Deferred income released to profit or loss (note 25)	**210**	211
Government grants*	**1,217**	8,560
Miscellaneous	**4**	53
Gain on disposal/deregistration of non-operating subsidiaries (note 31)	**4,750**	–
Gain on disposal of associate	**481**	–
Total other income and gains	**10,427**	22,369

* There were no unfulfilled conditions or contingencies relating to these government grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	RMB'000
Interest on bank loans	**2,190**	3,928
Interest on other borrowings	**20,825**	40,520
Unwinding of a discount for rehabilitation (note 26)	**1,131**	1,080
Interest on lease liabilities (note 14)	**118**	249
	24,264	45,777

7. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**64,120**	63,095
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		**16,473**	13,554
Welfare and other benefits		**562**	646
Pension scheme contributions			
— Defined contribution fund		**2,219**	1,889
Housing fund		**434**	320
Equity-settled share option expense		**5,512**	10,402
Total employee benefit expense		**25,200**	26,811
Depreciation of property, plant and equipment	12	**23,695**	22,344
Depreciation of investment properties	13	**955**	4,070
Depreciation of right-of-use assets	14	**10,448**	10,305
Amortisation of intangible assets	15	**249**	225
Depreciation and amortisation expenses		**35,347**	36,944
Impairment losses recognised on:			
Trade and bills receivables	18	**1,415**	9,073
Investment properties	13	**–**	8,915
Mining rights	15	**65,169**	–
Prepayments, other receivables and other assets	19	**–**	1,585
Property, plant and equipment	12	**–**	4,350
Total impairment losses recognised		**66,584**	23,923
Gain on disposal of property, plant and equipment, net		**–**	(622)
Lease payments not included in the measurement of lease liabilities		**150**	100
Auditor's remuneration		**1,200**	1,200
Foreign exchange loss, net		**442**	134
Bank interest income		**(321)**	(43)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	541	541
Other emoluments:		
Salaries, allowances and benefits in kind	767	1,341
Equity-settled share option expenses	885	–
Pension scheme contributions	112	100
	1,764	1,441
	2,305	1,982

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Hui Yat On	150	150
Ms. Lung Yuet Kwan	166	166
Mr. Zhai Feiquan	100	100
	416	416

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES — *continued*

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
2022					
Executive directors:					
Ms. Wu Jing	**–**	**499**	**15**	**295**	**809**
Mr. Gu Weiwen	**–**	**144**	**66**	**295**	**505**
Mr. Zhang Jian	**–**	**124**	**31**	**295**	**450**
Mr. Wan Jian	**–**	**–**	**–**	**–**	**–**
	–	**767**	**112**	**885**	**1,764**
Non-executive director:					
Mr. Gu Zengcai	**125**	**–**	**–**	**–**	**125**
	125	**767**	**112**	**885**	**1,889**
2021					
Executive directors:					
Ms. Wu Jing	–	998	15	–	1,013
Mr. Gu Weiwen	–	144	64	–	208
Mr. Zhang Jian	–	123	21	–	144
Mr. Wan Jian	–	76	–	–	76
	–	1,341	100	–	1,441
Non-executive director:					
Mr. Gu Zengcai	125	–	–	–	125
	125	1,341	100	–	1,566

Ms. Wu Jing is also the chief executive of the Company.

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

There was a temporary arrangement under which a director (Ms. Wu Jing) agreed to waive part of her remuneration in the amount of RMB499,000 during the year (2021: nil).

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES — *continued*

(c) Five highest paid employees

The five highest paid employees during the year included three directors (2021: one director), details of whose remuneration are set out in note 8 (b) above. Details of the remuneration for the year of the remaining two (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**1,418**	1,029
Equity-settled share option expense	**295**	4,952
Pension scheme contributions	**15**	70
	1,728	6,051

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	4

9. INCOME TAX (CREDIT)/EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI. No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong for both years.

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable for PRC CIT at a rate of 25% on the assessable profits generated during the year (2021: except Jiangxi Keyue, all subsidiaries at a rate of 25%).

Jiangxi Keyue has been entitled to a preferential PRC CIT rate of 15% as it is accredited as a "High and New Technology Enterprise" from 13 August 2018 to 13 August 2023.

The major components of income tax expense were as follows:

	2022 RMB'000	2021 RMB'000
Current — PRC		
Charge for the year	**154**	237
Overprovision in prior years	**(1,575)**	(551)
Deferred tax (note 27)	**372**	2,000
	(1,049)	1,686

9. INCOME TAX (CREDIT)/EXPENSE — *continued*

A reconciliation of the income tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Loss before tax	(149,377)	(416,207)
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	(9,628)	(15,836)
— Hong Kong subsidiary, at 16.5%	(6,602)	(7,308)
Non-deductible expenses	4,410	4,273
Over-provision in prior years	(1,575)	(551)
Tax losses and timing difference not recognised	12,346	21,108
Tax (credit)/charge at the Group's effective rate	(1,049)	1,686

10. DIVIDENDS

The directors do not recommend any payment of dividend for the year ended 31 December 2022 (2021: nil).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the year ended 31 December 2022 is based on the loss for the year attributable to ordinary equity holders of the company, and the weighted average number of ordinary shares of 236,486,596 (2021: 212,292,153* restated) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 as there was no potential shares outstanding.

* *Restated based on the share consolidation effective on 28 October 2022.*

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
As at 1 January 2021	154,735	155,768	10,570	14,854	13,236	149,570	498,733
Additions	–	3,965	78	–	–	49,519	53,562
Transfer	4,280	1,882	–	–	118,000	(124,162)	–
Transfer from disposal group classified as held for sale	14,868	34,137	892	245	–	1,160	51,302
Disposal	(3,360)	(18,747)	(2,478)	–	–	–	(24,585)
As at 31 December 2021 and 1 January 2022	170,523	177,005	9,062	15,099	131,236	76,087	579,012
Additions	**160**	**1,365**	**–**	**257**	**–**	**43,992**	**45,774**
Disposal of subsidiaries	**–**	**(732)**	**(4,218)**	**(3,199)**	**–**	**–**	**(8,149)**
As at 31 December 2022	**170,683**	**177,638**	**4,844**	**12,157**	**131,236**	**120,079**	**616,637**
Accumulated depreciation and impairment:							
As at 1 January 2021	27,150	40,666	9,634	8,737	620	–	86,807
Provided for the year (note 7)	6,840	13,717	293	1,494	–	–	22,344
Transfer from disposal group classified as held for sale	9,709	9,111	752	218	–	–	19,790
Disposal	(2,284)	(2,074)	(2,300)	–	–	–	(6,658)
Impairment (note 7)	4,350	–	–	–	–	–	4,350
As at 31 December 2021 and 1 January 2022	45,765	61,420	8,379	10,449	620	–	126,633
Provided for the year (note 7)	**8,326**	**13,943**	**244**	**1,182**	**–**	**–**	**23,695**
Disposal of subsidiaries	**–**	**(158)**	**(4,301)**	**(2,462)**	**–**	**–**	**(6,921)**
As at 31 December 2022	**54,091**	**75,205**	**4,322**	**9,169**	**620**	**–**	**143,407**
Net carrying amount:							
As at 31 December 2022	**116,592**	**102,433**	**522**	**2,988**	**130,616**	**120,079**	**473,230**
As at 31 December 2021	124,758	115,585	683	4,650	130,616	76,087	452,379

As at 31 December 2022, the Group's buildings with carrying amount of RMB23,469,000 (2021: nil) were pledged as security for certain bank and other borrowings granted to the Group (note 24a)).

13. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**21,323**	247,478
Disposal of subsidiaries	**–**	(234,493)
Depreciation provided for the year (note 7)	**(955)**	(4,070)
Impairment (note 7)	**–**	(8,915)
Transfer from right-of-use assets (note 14)	**–**	21,323
Carrying amount at 31 December	**20,368**	21,323

As at 31 December 2022 and 31 December 2021, the Group's investment properties consist of two leasehold lands in Jiangsu, which are leased to third parties under operating leases.

As at 31 December 2022, the total fair value of the investment properties was estimated to be approximately RMB20,951,000 (2021: RMB22,528,000). The valuation was performed by Dongtai Real Estate Land Appraisal Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

Below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	Significant unobservable input	Range	
			2022	2021
Leasehold lands	Market comparison method	Estimated price per square metre	**RMB186**	RMB200

Under the market comparison approach, fair value is estimated with reference to recent transactions for similar leasehold lands/properties in the proximity with adjustments for the differences in floor area, etc. between the comparable leasehold lands/properties and the subject leasehold lands/properties.

A significant increase/(decrease) in the estimated price per square metre in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. The valuations take into account the characteristics of the investment properties which included the location, size and other factors collectively.

No impairment loss (2021: RMB8,915,000) was recognised to write down the carrying amount of Group's investment properties.

14. LEASES

The Group as a lessee

For both years, the Group has lease contracts for offices, factory and land use rights used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 15 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 2 and 3 years. Lease of factory has lease terms of 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**Office premises**	**Factory**	**Parcels of land**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	250,575	6,007	21,039	7,223	284,844
Additions					
New leases	10,315	–	–	1,188	11,503
Transfer from assets of a disposal group classified as held for sale	47,422	–	–	–	47,422
Disposal of subsidiaries	–	(1,995)	–	–	(1,995)
Depreciation charge (note 7)	(7,206)	(2,092)	–	(1,007)	(10,305)
Transfer to investment properties (note 13)	(21,323)	–	–	–	(21,323)
Termination of lease	–	–	(21,039)	–	(21,039)
As at 31 December 2021 and 1 January 2022	279,783	1,920	–	7,404	289,107
Additions					
New leases	**–**	**760**	**–**	**72**	**832**
Depreciation charge (note 7)	**(8,067)**	**(1,374)**	**–**	**(1,007)**	**(10,448)**
As at 31 December 2022	**271,716**	**1,306**	**–**	**6,469**	**279,491**

During the year ended 31 December 2021, the lease of factory has been terminated.

14. LEASES — *continued*

The Group as a lessee — *continued*

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**1,889**	28,299
New leases	**760**	–
Accretion of interest recognised during the year (note 6)	**118**	249
Payments	**(1,466)**	(2,680)
Disposal of subsidiaries	**–**	(2,136)
Termination of lease	**–**	(21,843)
Carrying amount at 31 December	**1,301**	1,889
Analysed into:		
Current portion	**1,099**	1,117
Non-current portion	**202**	772

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (note 6)	**118**	249
Depreciation charge of right-of-use assets (note 7)	**10,448**	10,305
Impairment of right-of-use assets	**–**	–
Gain on disposal of right-of-use assets	**–**	(804)
Expense relating to short-term leases (included in cost of sales)	**150**	100
Total amount recognised in profit or loss	**10,716**	9,850

14. LEASES — *continued*

The Group as a lessor

For the year ended 31 December 2022, the Group leases its investment properties consist of leasehold lands (2021: leasehold lands and disposed properties) in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB283,000 (2021: RMB7,464,000) (note 5).

The undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	–	1,979
After one year but within two years	–	1,979
After two years but within three years	–	2,177
After three years	–	30,834
	–	36,969

15. INTANGIBLE ASSETS

	Mining rights RMB'000	Software RMB'000	Total RMB'000
Cost			
As at 1 January 2021, 31 December 2021 and 1 January 2022	667,612	2,006	669,618
Disposal of subsidiaries	–	(2,006)	(2,006)
As at 31 December 2022	**667,612**	**–**	**667,612**
Accumulated amortisation and impairment:			
As at 1 January 2021	5,732	1,336	7,068
Amortisation provided during the year (note 7)	15	210	225
As at 31 December 2021 and 1 January 2022	5,747	1,546	7,293
Amortisation provided during the year (note 7)	**74**	**175**	**249**
Impairment (note 7)	**65,169**	**–**	**65,169**
Reversal upon disposal of subsidiaries	**–**	**(1,721)**	**(1,721)**
As at 31 December 2022	**70,990**	**–**	**70,990**
Net carrying amount:			
As at 31 December 2022	**596,622**	**–**	**596,622**
As at 31 December 2021	661,865	460	662,325

(a) As at 31 December 2022, the Group's mining rights with carrying amount of RMB nil (2021: RMB116,627,000) were pledged as security for certain other loans granted to the Group (note 24(a)).

(b) Impairment

In accordance with the Group's accounting policies, each CGU is evaluated annually at 31 December to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). An impairment loss of RMB65,169,000 was recognised for the year ended 31 December 2022 (2021: nil).

16. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**89,141**	93,941

Particulars of the material associates of the Group, which were operated in the PRC, are as follows:

Name	Percentage of ownership interest attributable to the Group		Principal activities
	2022	2021	
Shangri-La Stone Co., Ltd. ("Shangri-La Stone")[(1)]	**N/A**	49	Mining exploration, processing and sale of marble stones
Shanghai Yunyi Enterprise Management Co., Ltd. ("Shanghai Yunyi")	**49**	49	Enterprise management and investing consulting
Good Benefit Holdings Limited and its subsidiaries ("Good Benefit Group")	**49**	49	Business management consulting and property holding

(1) During the year ended 31 December 2022, the Group disposed of 49% interests of Shangri-La Stone. Upon the completion of the disposal, the Group no longer holds any equity interest of Shangri-La Stone.

The Group's shareholding in associates are held through the subsidiaries of the Company.

16. INVESTMENTS IN ASSOCIATES — *continued*

Summarised financial information of material associates

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

Shangri-La Stone

	2022 RMB'000	2021 RMB'000
Current assets	N/A	2,694
Non-current assets	N/A	–
Current liabilities	N/A	(3,681)
Net liabilities	N/A	(987)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	0%	49%
Group's share of net assets of the associate	N/A	–
Carrying amount of the investment	N/A	–

	2022 RMB'000	2021 RMB'000
Revenue	N/A	–
Loss and total comprehensive loss for the year	N/A	(571,826)
Dividend received	N/A	–

Shanghai Yunyi

	2022 RMB'000	2021 RMB'000
Current assets	115,837	122,690
Non-current assets	88	2,571
Current liabilities	(28,699)	(26,451)
Net assets	87,226	98,810
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	42,741	48,417
Carrying amount of the investment	42,741	48,417

	2022 RMB'000	2021 RMB'000
Revenue	–	–
(Loss)/profit and total comprehensive (loss)/income for the year/period	(11,584)	8,090
Dividend received	–	–

16. INVESTMENTS IN ASSOCIATES — *continued*

Summarised financial information of material associates — *continued*

Good Benefit Group

	2022 RMB'000	2021 RMB'000
Current assets	30,002	30,000
Non-current assets	85,305	93,111
Current liabilities	(20,613)	(30,205)
Net assets	94,694	92,906
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	46,400	45,524
Carrying amount of the investment	46,400	45,524

	2022 RMB'000	2021 RMB'000
Revenue	–	–
Profit/(loss) and total comprehensive income/(loss) for the year/period	1,788	(88)
Dividend received	–	–

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of associates' losses and total comprehensive loss for the year	(9,203)	(42,384)
Aggregate carrying amount of the Group's investments in associates	–	–

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	36,113	44,012
Work in progress	7,324	15,502
Materials and supplies	287	341
	43,724	59,855

18. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and bills receivables	**84,883**	89,619
Allowance for credit losses	**(55,884)**	(63,195)
	28,999	26,424

The Group's trading terms with its customers are mainly on credit, except for new and minor customers, where payment in advance is normally required. The credit period is generally one month to six months, extending up to nine months for major customers.

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a limited number of major customers, there is a concentration of credit risk. The Group maintains strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade and bills receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**13,545**	3,950
1 to 3 months	**6,384**	2,610
Over 3 to 6 months	**3,474**	1,354
Over 6 to 12 months	**5,596**	4,512
Over 1 year	**–**	13,998
	28,999	26,424

18. TRADE AND BILLS RECEIVABLES *— continued*

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	63,195	54,032
Transfer from disposal group classified as held for sale	–	90
Release from disposal of subsidiary	(8,726)	–
Impairment losses provided (note 7)	1,415	9,073
At end of year	55,884	63,195

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2022

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	1.62%	42.32%	100%	
Gross carrying amount (RMB'000)	13,768	26,793	44,322	84,883
Expected credit losses (RMB'000)	223	11,339	44,322	55,884

As at 31 December 2021

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	1.91%	39.97%	100%	
Gross carrying amount (RMB'000)	19,808	11,652	58,159	89,619
Expected credit losses (RMB'000)	379	4,657	58,159	63,195

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2022 RMB'000	2021 RMB'000
Current portion:			
Prepayments in respect of:			
— Purchase of industrial goods		**29,300**	20,350
— Purchase of materials and supplies		**17,436**	7,911
— Service fee		**4,878**	1,469
Escrow funds	(a)	**1,709**	16,909
Performance security		**4,012**	3,016
Deductible input value-added tax		**2,445**	314
Deposits		**2,043**	2,565
Due from associates (note 33)	(b)	**37,978**	36,683
Other receivables		**3,271**	3,231
		103,072	92,448
Impairment allowance	(c)	**(2,850)**	(2,850)
		100,222	89,598
Non-current portion:			
Prepayments in respect of			
— Cultivated land compensation	(d)	**4,138**	4,430
		4,138	4,430

Notes:

(a) The balance represents deposits made to Xuyi County Housing Bureau, which was held in escrow for the payment related to the construction of Xuyi Logistics Park.

(b) The amount due from associates are unsecured, interest free and no fixed repayment terms.

(c) The movements in the loss allowance for impairment of financial assets in other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**2,850**	1,245
Transfer from disposal group held for sale	**–**	20
Impairment losses (note 7)	**–**	1,585
At end of year	**2,850**	2,850

Where applicable, an impairment analysis is performed at each reporting date by considering ECLs, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

(d) The balance represents prepayments made to local authorities for occupation of the cultivated land at Yongfeng Mine. The prepayments will be charged to profit or loss on a straight-line method over the terms of the mining right.

20. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000
Cash on hand and cash at banks	**24,103**	38,545
Less:		
Restricted deposits	**(8,341)**	(15,457)
	15,762	23,088

At the end of the reporting period, the Group's cash and bank balances are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**14,296**	33,709
HK$	**9,788**	4,271
US$	**19**	565
	24,103	38,545

Included in the restricted deposits were approximately RMB8,341,000 (2021:RMB15,457,000) held in a bank account by the Group, which the Xuyi County Housing Bureau restricted for the sole use of wages payment. The remaining balance of restricted deposits were mainly related to environmental rehabilitation deposits.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**23,081**	16,380

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

	2022 RMB'000	2021 RMB'000
Within 1 month	**4,553**	88
Over 1 to 2 months	**1,170**	126
Over 2 to 3 months	**5,853**	2,883
Over 3 months	**11,505**	13,283
	23,081	16,380

The trade payables are non-interest-bearing and are normally settled within three months after the Company obtains the invoices issued by the suppliers.

22. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Sales of goods	**5,674**	2,571

Contract liabilities include short-term advances received to deliver marble products.

23. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Current portion:			
Payables relating to:			
Taxes other than income tax		**20,303**	22,982
Professional fees		**11,940**	12,613
Payroll and welfare		**17,679**	13,325
Purchase of property, plant and equipment		**–**	7,518
Receipt in advance		**–**	400
Security deposit		**350**	350
Distributors' earnest money		**5,525**	1,855
Rental fees		**–**	2,019
Due to a director (note 33)	(a)	**20,630**	11,491
Due to associates (note 33)	(a)	**122**	5,592
Interest payables relating to:			
— Bank and other borrowings		**16,131**	32,915
— Purchase of mining right	(b)	**3,707**	3,707
Others		**5,016**	2,506
		101,403	117,273

Note:

(a) The amounts due to a director (Ms. Wu Jing) and associates are unsecured, interest free and have no fixed repayment terms.

(b) The balances represented interest payables in connection with the purchase of mining rights to Yongfeng Mine at a rate with reference to the prevailing interest rate with the similar repayment term promulgated by the People's Bank of China, i.e., 4.75% per annum. The final payment of the mining rights fee was settled in January 2019.

Except for the payables as described above, all other payables of the Group are non-interest-bearing.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Bank loans:			
Secured	(a)	**15,000**	15,000
Guaranteed	(b)	**19,900**	23,847
		34,900	38,847
Effective interest rate per annum (%)		**4.56–6.80**	4.81–8.48
Other borrowings:			
Secured or guaranteed	(a)	**12,628**	144,898
Unsecured	(c)	**296,696**	101,475
		309,324	246,373
Effective interest rate per annum (%)		**1.00–24.00**	7.56–24.00
Analysed into:			
Bank loans repayable:			
Within one year		**19,900**	23,070
In the second year		**15,000**	540
In the third to fifth years, inclusive		**–**	15,237
		34,900	38,847
Other borrowings repayable:			
Within one year		**4,750**	810
In the second year		**15,600**	115,410
In the third to fifth years, inclusive		**288,974**	130,153
		309,324	246,373
Total bank and other borrowings		**344,224**	285,220
Portion classified as current liabilities		**(24,650)**	(23,880)
Non-current portion		**319,574**	261,340

24. INTEREST-BEARING BANK AND OTHER BORROWINGS — *continued*

Notes:

(a) The Group's bank loans and other borrowings of approximately RMB15,000,000 as at 31 December 2022 (2021: RMB132,270,000) were secured by the Group's assets with net carrying values as follows:

	2022 RMB'000	2021 RMB'000
Secured by:		
Buildings (note 12)	**23,469**	–
Mining rights (note 15)	**–**	116,627
	23,469	116,627

The Group's bank loans of approximately RMB9,900,000 as at 31 December 2022 (2021: RMB12,800,000) were guaranteed by the Group's management members, Ms. Chan Jianping and her spouse Mr. Chou Lu.

The Group's bank loans of approximately RMB15,000,000 as at 31 December 2022 (2021: RMB15,000,000) were secured by the patents of the subsidiary of the Company.

The Group's secured bank loans and other borrowings of approximately RMB12,628,000 as at 31 December 2022 (2021: RMB12,628,000) were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit.

(b) The Group's bank loans of approximately RMB10,000,000 as at 31 December 2022 were guaranteed by independent third parties (2021:RMB11,047,000).

(c) The Group's other borrowings of approximately RMB296,320,000 as at 31 December 2022 (2021: RMB233,745,000) were borrowed from several independent third party individuals or companies and bore interest at fixed rates of 1.00%–24% (2021: 7.56%–24%) per annum.

25. DEFERRED INCOME

	RMB'000
Government grant	
As at 1 January 2021	4,640
Released to profit or loss (note 5)	(211)
As at 31 December 2021 and 1 January 2022	**4,429**
Released to profit or loss (note 5)	**(210)**
As at 31 December 2022	**4,219**

Deferred revenue represents a government grant received by Jueshi Mining in respect of the cultivated land compensation paid. Such government grant will be released to profit or loss on a straight-line method to match with the amortisation of prepayments in respect of the cultivated land compensation.

26. PROVISION FOR REHABILITATION

	2022 RMB'000	2021 RMB'000
At the beginning of year	**18,237**	17,157
Unwinding of a discount (note 6)	**1,131**	1,080
At the end of year	**19,368**	18,237

27. DEFERRED TAX

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

Deferred tax assets

	Accrued expenses RMB'000	**Unrealised profits from inter-company transactions** RMB'000	**Impairment of trade receivables** RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
As at 1 January 2021	2,297	1,503	2,894	136	6,830
Deferred tax assets credited/(charged) to profit or loss during the year (note 9)	(1,373)	(1,503)	(2,894)	(136)	(5,906)
As at 31 December 2021 and 1 January 2022	**924**	**–**	**–**	**–**	**924**
Deferred tax assets credited/(charged) to profit or loss during the year (note 9)	**178**	**–**	**–**	**–**	**178**
As at 31 December 2022	**1,102**	**–**	**–**	**–**	**1,102**

The Group has tax losses arising in Mainland China of RMB206,209,000 (2021: RMB190,067,000) that will expire in 2023 to 2027 (2021: 2022 to 2026) years for offsetting against future taxable profits and deductible temporary differences arising other than Mainland China of RMB71,066,000 (2021: RMB71,066,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

27. DEFERRED TAX — *continued*

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment arising from business combination RMB'000	Excess book value of mining rights over tax amortisation RMB'000	Total RMB'000
As at 1 January 2021	136	4,048	4,033	8,217
Transfer from disposal group classified as held for sale	–	3,980	–	3,980
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(136)	(4,388)	618	(3,906)
As at 31 December 2021 and 1 January 2022	**–**	**3,640**	**4,651**	**8,291**
Deferred tax charged/(credited) to profit or loss during the year (note 9)	**–**	**(52)**	**602**	**550**
As at 31 December 2022	**–**	**3,588**	**5,253**	**8,841**

Pursuant to the income tax rules and regulations in the PRC, a 10% withholding tax is levied on dividends declared to foreign investors by foreign investment enterprises established in the PRC effective from 1 January 2008.

As at 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future (2021: nil).

As at 31 December 2022, there were no unremitted earnings associated with investments in subsidiaries in PRC for which deferred tax liabilities have not been recognised (2021: nil).

28. SHARE CAPITAL

Shares

	2022 HK$'000	2021 HK$'000
Authorised:		
500,000,000 ordinary shares of HK$0.20 each (2021: 10,000,000,000 ordinary shares of HK$0.01 each)	**100,000**	100,000
Issued and fully paid:		
262,624,875 ordinary shares of HK$0.20 each (2021: 4,368,767,501 ordinary shares of HK$0.01 each)	**52,525**	43,688
Equivalent to approximately	**RMB44,935**	RMB37,063

A summary of movements in the Company's share capital is as follows:

Issued share capital:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
As at 1 January 2021	4,032,697,729	34,274
Issue of shares under exercising of share options (note (a))	336,069,772	2,789
As at 31 December 2021 and 1 January 2022	4,368,767,501	37,063
Issue of shares under exercising of share options (note (b))	883,730,000	7,872
Share consolidation (note (c))	(4,989,872,626)	–
As at 31 December 2022	**262,624,875**	**44,935**

Note:

(a) During the year ended 31 December 2021, 336,096,772 share options were exercised to subscribe for 336,099,772 ordinary shares in the Company at a consideration of RMB22,312,000 of which RMB2,789,000 was credited to the share capital and the balance RMB19,523,000 was credited to the share premium account. Amount of RMB10,402,000 has been transferred from share option reserve to the share premium account.

(b) During the year ended 31 December 2022, 883,730,000 share options were exercised to subscribe for 883,730,000 ordinary shares in the Company at a consideration of RMB17,833,000 of which RMB7,872,000 was credited to the share capital and the balance RMB9,961,000 was credited to the share premium account. Amount of RMB5,512,000 has been transferred from share option reserve to the share premium account.

(C) During the year ended 31 December 2022, the Group carried out the share consolidation pursuant to which every twenty existing shares will be consolidated into one consolidated share with effect on 28 October 2022.

As a results of the share consolidation, the number of shares in issue has been updated from 4,368,767,501 then issued shares of HK$0.01 each to 262,624,875 shares of HK$0.20 each.

29. SHARE OPTION SCHEME

The Company operated a share option scheme (the "Share Option Scheme") which has been conditionally adopted by the written resolutions of the shareholders of the Company on 9 December 2013. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Eligible Participants, including (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries, had or may have made to the Group. The Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to Directors, chief executives, substantial shareholders or any of their respective associates are subject to approval by the independent non-executive directors (excluding the independent non-executive directors who are the grantees of the options). In addition, any grant of share options to substantial shareholders or independent non-executive directors or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue on the date of offer with an aggregate value (based on the closing price of the Company's shares quoted on the Hong Kong Stock Exchange (the "HKSE") at the date of grant) in excess of HK$5 million made within any 12-month period from the date of grant (inclusive) would be subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the Share Option Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the board of Directors, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant of the share options; and (iii) the HKSE closing price of the Company's shares on the date of grant of the share options.

On 14 January 2021, the Company granted option to certain employees to subscribe for a total of 336,069,772 ordinary share of HK$0.01 each under Share Option Scheme at exercise price of HK$0.08. All of the share options are exercisable for a period of two years from the date of offer of the share options without vesting period.

On 29 April 2022 and 16 September 2022, the Company granted options to subscribe for 420,730,000 and 463,000,000 ordinary shares of HK$0.01 each under the Share Option Scheme to eligible directors and employees, and the exercise period of the share options granted was determinable by the Directors with a period of two years and commence effectively from the date of offer of the share options without vesting period. The exercise prices of the share options granted were HK$0.0250 and HK$0.0214 per share respectively.

29. SHARE OPTION SCHEME — *continued*

The number and weighted average exercise prices of share options (Note)

	2022		2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the 1 January	N/A	–	N/A	–
Expired during the year	N/A	–	N/A	–
Granted during the year	HK$0.0231	883,730,000	HK$0.08	336,069,772
Exercised during the year	HK$0.0231	(883,730,000)	HK$0.08	(336,069,772)
Outstanding at 31 December	N/A	–	N/A	–
Exercisable at the end of the year	N/A	–	N/A	–

During the year ended 31 December 2022, 883,730,000 (2021: 336,069,772) share options were granted and all of the share options have been exercised.

Fair value of share options and assumptions

The fair values of the share options determined on 29 April 2022 and 16 September 2022 were measured by an independent valuer engaged by the Group, namely Roma Appraisals Limited, based on the Binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options at the date of grant and assumptions

Measurement date	**16/9/2022**	**29/4/2022**	**14/1/2021**
Fair value at measurement date (HK$)	0.0064	0.0079–0.0084	0.0371
Share price (HK$) (Note)	0.0190	0.0250	0.080
Exercise price (HK$) (Note)	0.0214	0.0250	0.080
Expected volatility (expressed as average volatility used in the modelling under binomial model)	79.3%	64.9%	67.5%
Option life	2 years	2 years	2 years
Expected dividends yield	–	–	–
Risk-free interest rate	3.571%	2.098%	0.116%

The expected volatility is based on the historical volatilities of the share prices of the comparable companies. Expected dividends yield were estimated by the Company based on its expected dividend policy over the expected terms of the options. Changes in the subjective input assumptions could materially affect the fair value estimate.

Note: All the above share options granted and exercised were occurred before the effective date (28 October 2022) of the Share Consolidation. Therefore the numbers of share options granted and exercised, and their respective exercise price(s) were presented in their original amounts (without any adjustments based on the Share Consolidation).

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 53 of the financial statements.

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of their profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

According to the articles of association of subsidiaries located in Mainland China, the subsidiaries are required to allocate 10% of their profit after tax in accordance with PRC GAAP to the SSR.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. It can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Safety fund surplus reserve

Pursuant to a notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of marble blocks extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(d) Contributed surplus

The contributed surplus as at the end of the reporting period represents (i) the aggregate amount of RMB33,636,000 of the considerations paid to the former shareholders of Jueshi Mining by Mr. Liu Chuanjia to acquire Jueshi Mining, and (ii) after netting off the distribution to Mr. Liu by the Group on the acquisition of the entire equity interest in Jueshi Mining as part of the reorganisation with the consideration of RMB7,000,000.

(e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

31. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, the Group disposed of/deregistered five non-operating subsidiaries to streamline its corporate structure and save maintaining and administrative costs resulting in a gain on disposal of approximately RMB4.75 million recorded as other incomes (note 5).

	RMB'000
Property, plant and equipment	1,228
Intangible assets	285
Inventories	3,565
Other receivables	8,712
Prepayments, deposits and other receivables	2,095
Cash and bank balances	6,311
Other payables	(22,899)
Short term borrowing	(3,947)
Net assets disposed of	(4,650)
Gain on disposal	4,750
Satisfied by cash	100
Cash consideration	100
Cash and bank balance disposed of	(6,311)
Net cash outflow arising on disposal	(6,211)

During the year of ended at 31 December 2021, the Group disposed of majority equity interests in three investment properties holding companies, namely Genpex Investment Limited (100% disposed), Shanghai Yunyi Enterprise Management Co., Limited (51% disposed) and Good Benefit Holdings Limited (51% disposed), for considerations of RMB63.5 million, RMB45.0 million and RMB45.0 million respectively, resulting in losses on disposal of RMB54,000, RMB1,268,000 and RMB2,427,000 respectively (aggregated to a total sum of RMB3,749,000).

31. DISPOSAL OF SUBSIDIARIES — *continued*

The following table summarises the aggregate net assets and liabilities of the subsidiaries disposed of during 2021 and the financial impacts are summarised as follows:

	RMB'000
Property, plant and equipment	1,273
Intangible assets	234,493
Right-of-use asset	1,995
Inventories	361
Other receivables	106,615
Cash and bank balances	4
Other loan	(15,791)
Other payables	(95,336)
Lease liability	(2,136)
Net assets disposed of	231,478
Assignment of sale loan	15,791
Less: 49% equity interests	(90,020)
Total	157,249
Loss on disposal	(3,749)
Satisfied by cash	153,500
Cash consideration	153,500
Cash and bank balance disposed of	(4)
Net cash inflow arising on disposal	153,496

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest payables RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Due to a director RMB'000
As at 1 January 2021	24,060	384,740	28,299	–
Changes from financing cash flows	(31,886)	(99,520)	(2,431)	11,491
Non-cash changes:				
Termination of lease	–	–	(21,843)	–
Disposal of subsidiaries	–	–	(2,136)	–
Interest paid classified as operating cash flow	–	–	(249)	–
Interest expenses	44,448	–	249	–
As at 31 December 2021 and 1 January 2022	36,622	285,220	1,889	11,491
Changes from financing cash flows	**(43,506)**	**62,951**	**(588)**	**9,139**
Non-cash changes:				
Disposal of subsidiaries	**–**	**(3,947)**	**–**	**–**
Interest paid classified as operating cash flow	**–**	**–**	**(118)**	**–**
Interest expenses	**23,015**	**–**	**118**	**–**
As at 31 December 2022	**16,131**	**344,224**	**1,301**	**20,630**

33. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

As at 31 December 2022, the Group had obtained bank and other borrowings aggregated to RMB12,628,000 (2021: RMB12,628,000), which were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit with nil consideration.

At 31 December 2022, other loans of RMB12,628,000 (2021: RMB12,628,000) and RMB3,500,000 (2021: RMB3,500,000) were granted by the Group's management members Mr. Wu Xin and Ms. Chen Jianping with her spouse Mr. Chou Lu, respectively.

(b) Balance with related parties

At 31 December 2022, the amounts due from associates were RMB37,978,000 (2021: RMB36,683,000)

At 31 December 2022, the amounts due to associates were RMB122,000 (2021: RMB5,592,000)

At 31 December 2022, the amount due to a director (Ms. Wu Jing) was RMB20,630,000 (2021: RMB11,491,000)

(c) Compensation of key management personnel of the Group

	2022 **RMB'000**	2021 RMB'000
Salaries allowance and other benefits in kind	**5,527**	5,808
Equity-settled share option expense	**1,474**	4,952
Pension scheme contributions	**583**	351
Total compensation paid to key management personnel	**7,584**	11,111

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022

Financial assets

	2022 RMB'000	2021 RMB'000
Financial assets measured at amortised cost		
Trade and bills receivables	**28,999**	26,424
Financial assets included in prepayments, other receivables and other assets	**48,608**	59,868
Restricted deposits	**8,341**	15,457
Cash and cash equivalents	**15,762**	23,088
	101,710	124,837

Financial liabilities

	2022 RMB'000	2021 RMB'000
Financial liabilities measured at amortised cost		
Trade payables	**23,081**	16,380
Lease liabilities	**1,301**	1,889
Financial liabilities included in other payables and accruals	**81,100**	74,160
Interest-bearing bank and other loans	**344,224**	285,220
	449,706	377,649

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade receivables, deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade payables, other payables and interest-bearing bank and other borrowings.

Risk management is carried out by the finance department which is led by the Group's senior management. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below:

Credit risk

The carrying amounts of cash and bank balances, trade and bills receivables, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

Substantial amounts of the Group's cash and bank balances are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade, bills and other receivables and deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells most of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group has a contraction of credit risk as 27% (2021: 21%) and 31% (2021: 66%) of the total trade receivables were made up by the Group's largest customers and the five largest customers' outstanding balance respectively. The Group manages this risk by offering a six months credit term to its customers for the sale of self-produced products given the continuing downturn market conditions. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. In the trading sector, the Group has relatively weak bargaining power regarding sales price and terms of payment as its customers are generally large operators. During the year, the Group generated revenue from sales of self-produced products to other customers. In this regard, the Group is exposed to the concentration of credit risk in the marble industries. The Group maintains strict control over its outstanding receivables and senior management regularly reviews the overdue balances, in addition, the finance department and the sales department confirm the balances of trade receivables every month with customers. In respect of the credit quality of customers, the Group has adopted and will continue to implement a customer appraisal program to review its receivables, assess each customer's credibility and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that credit risk is significantly reduced.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

Credit risk — *continued*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2021. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Life time ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	84,883	84,883
Financial assets included in deposits and other receivables					
— Normal**	51,458	–	–	–	51,458
Restricted deposits					
— Not yet past due	8,341	–	–	–	8,341
Cash and cash equivalents					
— Not yet past due	15,762	–	–	–	15,762
	75,561	–	–	84,883	160,444

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

Credit risk — *continued*

Maximum exposure and year-end staging — continued

As at 31 December 2021

	12-month ECLs	Life time ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	89,619	89,619
Financial assets included in deposits and other receivables					
— Normal**	53,906	–	–	–	53,906
— Doubtful**	–	8,812	–	–	8,812
Restricted deposits					
— Not yet past due	15,457	–	–	–	15,457
Cash and cash equivalents					
— Not yet past due	23,088	–	–	–	23,088
	92,451	8,812	–	89,619	190,882

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and its own funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022						
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Over 4 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Interest-bearing bank and other borrowings	–	14,381	28,018	107,378	226,330	376,107	344,224
Trade payables	23,081	–	–	–	–	23,081	23,081
Lease liabilities	–	486	944	212	–	1,642	1,301
Other payables and accruals	81,100	–	–	–	–	81,100	81,100
	104,181	14,867	28,962	107,590	226,330	481,930	449,706

	2021						
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Over 4 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Interest-bearing bank and other borrowings	–	18,947	40,727	294,811	–	354,485	285,220
Trade payables	16,380	–	–	–	–	16,380	16,380
Lease liabilities	–	357	1,070	924	–	2,351	1,889
Other payables and accruals	74,160	–	–	–	–	74,160	74,160
	90,540	19,304	41,797	295,735	–	447,376	377,649

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank and other borrowings and lease liabilities (see note 14 and 24 for details). The Group is also exposed to cash flow interest rate risk in relation to bank deposit.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss before tax would decrease/increase by RMB80,000 (2021: RMB338,000) but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 24.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risks during the year.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	486,087	1,176,688
CURRENT ASSETS		
Prepayment	90	–
Cash at banks	3	1
	93	1
CURRENT LIABILITIES		
Other payables and accruals	1,667	6,680
NET CURRENT LIABILITIES	(1,574)	(6,679)
Net assets	484,513	1,170,009
EQUITY		
Issued capital	44,935	37,063
Reserves (note)	439,578	1,132,946
Total equity	484,513	1,170,009

Approved and authorised for issue by the board of directors on 31 March 2023.

Wu Jing
Director

Gu Weiwen
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Note:

The movements in the Company's reserves are as follows:

	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2021	1,815,405	223,876	–	(840,024)	1,199,257
Issue of new shares	19,523	–	–	–	19,523
Total comprehensive loss for the year	–	–	–	(96,236)	(96,236)
Equity-settled share option arrangement	–	–	10,402	–	10,402
Transfer of share option reserve upon the exercise of share options	10,402	–	(10,402)	–	–
As at 31 December 2021 and 1 January 2022	**1,845,330**	**223,876**	**–**	**(936,260)**	**1,132,946**
Issue of new shares	**9,961**	**–**	**–**	**–**	**9,961**
Total comprehensive loss for the year	**–**	**–**	**–**	**(708,841)**	**(708,841)**
Equity-settled share option arrangement	**–**	**–**	**5,512**	**–**	**5,512**
Transfer of share option reserve upon the exercise of share options	**5,512**	**–**	**(5,512)**	**–**	**–**
As at 31 December 2022	**1,860,803**	**223,876**	**–**	**(1,645,101)**	**439,578**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

A summary of the results, assets and liabilities of the Group for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 as extracted from the published audited financial statements and re-presented as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Re-presented)	(Re-presented)	(Re-presented)
REVENUE	**89,069**	87,976	73,921	274,484	536,792
(LOSS)/PROFIT BEFORE TAX	**(149,377)**	(416,207)	(232,420)	(79,667)	(648,142)
Income tax credit/(expense)	**1,049**	(1,686)	2,024	(11,072)	(997)
(LOSS)/PROFIT FOR THE YEAR	**(148,328)**	(417,893)	(230,396)	(90,739)	(649,139)
ATTRIBUTABLE TO:					
Owners of the Company	**(148,246)**	(417,778)	(230,236)	(90,164)	(395,786)
Non-controlling interests	**(82)**	(115)	(160)	(575)	(253,353)
	(148,328)	(417,893)	(230,396)	(90,739)	(649,139)

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,464,092**	1,524,429	1,962,995	2,017,430	1,824,798
Current assets	**197,048**	214,422	287,734	474,080	476,012
Non-current liabilities	**352,204**	293,069	403,900	293,568	216,327
Current liabilities	**179,190**	182,549	198,181	390,794	456,420
Total equity	**1,129,746**	1,263,233	1,648,648	1,807,148	1,628,063
Non-controlling interests	**93,142**	93,224	93,339	93,499	97,727
Equity attributable to owners of the Company	**1,036,604**	1,170,009	1,555,309	1,713,649	1,530,336

Notes: The results of the Group for the years ended 31 December 2018 to 2020 have been re-presented as a result of the reclassification of the Warehousing Logistics Business to continuing operation in 2021.

The results of the Group for the year ended 31 December 2021 and 2022 and of the assets, liabilities and equity of the Group as at 31 December 2021 and 2022 are extracted from the audited consolidated financial statements set out on pages 50 to 52.