

淮北綠金產業投資股份有限公司

HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.\*

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

STOCK CODE : 2450

# 2023 INTERIM REPORT

*\* For identification purposes only*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liu Yong (*Chairman*)

Ms. Zhao Li

(resigned on 15 May 2023)

Mr. Mao Hongxian

Mr. Qin Jiapeng

Mr. Zhang Lizhe

Ms. Shi Yinyan (*Chief financial officer*)

### Independent Non-Executive Directors

Mr. Gao Wei

Mr. Liu Chaotian

Ms. Xing Mengwei

### SUPERVISORS

Ms. Zhao Mingling (*Chairperson*)

Ms. Li Chi

Ms. Dong Jing

### JOINT COMPANY SECRETARIES

Ms. Shi Yinyan

Mr. Li Kin Wai (*ACG, HKACG*)

### AUDIT COMMITTEE

Mr. Gao Wei (*Chairman*)

Mr. Liu Chaotian

Ms. Xing Mengwei

### REMUNERATION COMMITTEE

Mr. Liu Chaotian (*Chairman*)

Mr. Gao Wei

Mr. Liu Yong

### NOMINATION COMMITTEE

Mr. Liu Yong (*Chairman*)

Mr. Gao Wei

Mr. Liu Chaotian

## ESG COMMITTEE

Mr. Liu Yong (*Chairman*)

Mr. Mao Hongxian

Mr. Qin Jiapeng

## AUTHORISED REPRESENTATIVES

Ms. Shi Yinyan

Mr. Li Kin Wai (*ACG, HKACG*)

## INTERNATIONAL AUDITOR

KPMG

*Certified Public Accountants*

Public Interest Entity Auditor

registered in accordance with the

Accounting and Financial Reporting

Council Ordinance

8th Floor, Prince's Building,

10 Chater Road

Central, Hong Kong

## LEGAL ADVISORS

### as to Hong Kong laws

DeHeng Law Offices (Hong Kong) LLP

### as to PRC laws

Beijing Deheng Law Offices

## COMPLIANCE ADVISER

China Everbright Capital Limited

## REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

4/F

Shuangchuang Service Centre

No. 3 Taobo Road

Song Tuan Town, Lieshan District

Huaibei City

Anhui Province

PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

## PRINCIPAL BANKERS

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

## HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## STOCK NAME

HUAIBEI GD CO

## STOCK CODE

2450

## COMPANY'S WEBSITE

<http://www.ljgfjt.com/>

# Management Discussion and Analysis

## OVERVIEW

The Group is a construction materials provider with state-owned background located in Huaibei City, Anhui Province. The main products of the Group include: aggregate products mined and processed by a subsidiary, Huaibei Tongming Mining Co., Ltd. ("Tongming Mining"), in the Gaoloushan Mine located in Lieshan District, Huaibei City and concrete products produced and manufactured by a subsidiary, Huaibei Liantong Municipal Engineering Co., Ltd. ("Liantong Municipal"), in Xiangshan District, Huaibei City. The Group mainly sells aggregate products and concrete products to construction companies, building materials companies and wholesalers. Compared with similar market participants during the six months ended 30 June 2023 (the "Reporting Period"), Tongming Mining maintained a stable sales volume and is one of the major construction aggregate producers in the market of Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) in terms of sales volume.

## BUSINESS REVIEW

In the first half of 2023, through the efforts of the management and its staff, the H share of the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 January 2023.

Affected by the economic downturn, the prices of both aggregate and concrete products decreased significantly, contributing to a decline in the Group's performance. Faced with numerous difficulties and challenges, the Group has made determined efforts to continuously improve its ability to mitigate risks and seize opportunities. Through the increasing sales effort of the Group, it effectively mitigated risks and challenges. In April 2023, the Company entered into a sales agreement with one of its customers to provide aggregate products of one million tonnes per year. In May 2023, the Company expanded its aggregates product business to Bengbu City, Anhui Province. In August 2023, the Company successfully won an open tender for the procurement of cement-stabilised macadam from 2023 to 2024 and it is estimated that the aggregate procurement volume during the period will be 2 million tonnes. During the Reporting Period, the Gaoloushan Project (Phase II) is also progressing in an orderly manner.

As disclosed in the prospectus of the Company dated 30 December 2022, with respect to the capital increase in Tongming Mining, the Company is still in further negotiation with Huaibei Leiming Kehua Co., Ltd.

# Management Discussion and Analysis

## OVERVIEW OF THE CONSTRUCTION MARKET

In order to maintain a stable real estate industry, several supportive policies have been adopted by the local government. The Housing and Urban-Rural Development Bureau of Huaibei City (淮北市住房和城鄉建設局) issued the notice on Several Measures to Promote the Stable and Sound Development of the Real Estate Market (關於促進房地產市場平穩健康發展的若干措施) in January 2023, providing policy support to the real estate market in terms of, among others, increasing financial support, and adjusting the housing provident fund policy, so as to better meet the housing needs of buyers and further promote the positive cycle and healthy development of the real estate market. In February 2023, the People's Government of Anhui Province issued the notice on Several Policy Measures to Further Boosting Market Confidence and Promote the Sound and Healthy Development of the Economy to promote (關於進一步提振市場信心促進經濟平穩健康運行的若干政策舉措), proposing policies on the healthy development of the construction industry and the real estate industry, which include supporting the competition for various high-tech and specialized projects, satisfying the rigid demand for better housing, and supporting demonstration of urban renewal development zones. In April 2023, the People's Government of Bozhou City issued the Notice on Further Promoting the Sound and Healthy Development of the Real Estate Market (關於進一步促進房地產市場平穩健康發展的若干政策的通知), proposing a number of measures to promote the development of the real estate industry, support real estate enterprises and encourage housing consumption, including increasing financing and supporting the construction of new real estate projects. Moreover, the notice issued in July 2023 on the Implementation Rules of the Incentive Policy for the Development of the Construction Industry in Huaibei City (淮北市建築業發展獎勵政策實施細則) provided implementation of incentive policy for construction companies from five aspects, in order to encourage expansion, encourage strengthening, provide rewards, encourage entry, and participate in prefabricated construction projects, so as to support the high-quality development of the construction industry.

Based on the aforementioned government policies, the Board believes that support and incentives can be provided for real estate developers and construction companies in terms of supply side, thereby facilitating sustained investment in the real estate market and the construction industry. On the demand side, financial incentives and subsidies, such as increasing the housing provident fund loan amount and reducing the down payment ratio of housing provident fund loans for second-hand housing, are provided to the local and non-local residents or enterprises by the local government, financial institutions and property developers when residents purchase commodity properties in the urban area. While the effect and actual trend from the above governmental measures remain to be seen in the longer term, the Board believes that these measures may have begun to achieve certain positive effects, and help stimulate and maintain a stable real estate market in the foreseeable future. The construction materials industry would benefit from the future growth in the property market in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) as concrete is the key construction material in the PRC and construction aggregate is one of the primary raw materials in producing concrete products.

# Management Discussion and Analysis

## Operations

In the first half of 2023, China's real estate market was faced with significant downward pressure. The central and local governments continued to release positive signals to stabilize the housing market, favorable policies were continuously being promulgated, and the housing credit environment has been improving. However, the positive effects brought by the favourable policies have not been evident during the Reporting Period. Although there was a decrease in demand for the Group's aggregate products during the Reporting Period, the Group believes that the demand for aggregate products will be continuous and long-term due to the implementation of favourable policies.

## Progress of basic construction projects

During the Reporting Period, the Group had been focusing on Phase II of the Gaoloushan Project located in Lieshan District, Huaibei City, Anhui Province. As of the date of this report, the cumulative investment in Gaoloushan Project (Phase II) has reached RMB1,175.22 million and the construction progress of Phase II has been completed as to approximately 70%. The Group plans to start trial production in October 2023. The estimated mine life of the Gaoloushan Mine is 18 years based on the probable reserves of the mine and the anticipated annual production of up to 8 million tonnes in 2031 pursuant to the development plan. The Group mines the limestone in the Gaoloushan Mine and processes the mined limestone at the nearby production facilities into the aggregate products, which are produced by way of conventional open-pit mining and on-site crushing and screening.

## Safety and environmental protection

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

## SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

During the Reporting Period, there were no significant asset acquisitions or disposals, mergers or equity investments of the Company.

## FINANCIAL REVIEW

During the Reporting Period, the revenue of the Group amounted to RMB151.5 million, representing a decrease of 26.0% from RMB204.8 million for the corresponding period of 2022. There were no significant changes to the general business model of the Group during the Reporting Period, and overall business declined due to economic downturn.

# Management Discussion and Analysis

## Revenue from Principal Business

The following table illustrates the details of sales by products of the Group for the six months ended 30 June 2023 and 30 June 2022:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue	Sales volume	Unit price	Revenue	Sales volume	Unit price
	<i>RMB'000</i>	<i>Thousand tonnes/m<sup>3</sup></i>	<i>RMB per tonne/m<sup>3</sup></i>	<i>RMB'000</i>	<i>Thousand tonnes/m<sup>3</sup></i>	<i>RMB per tonne/m<sup>3</sup></i>
	(unaudited)			(unaudited)		
<b>Sales of aggregate products and others</b>						
– Aggregate products and others	106,340	1,818.8	58.5	147,798	2,088.9	70.8
<b>Sales of concrete products</b>						
– Ready-mixed concrete	36,647	91.1	402.4	48,865	104.0	470.0
– Cement-stabilised macadam	2,944	26.8	109.9	2,055	17.3	118.6
– Asphalt concrete	5,607	12.7	442.2	6,065	12.9	470.9
	45,198			56,985		
<b>Total</b>	<b>151,538</b>			<b>204,783</b>		

During the Reporting Period, the revenue from sales of aggregates products and others of the Group amounted to RMB106.3 million, representing a decrease of 28.1% as compared to the corresponding period of last year, which is due to the combined effect of (i) the decrease in the sales volume of aggregate products and others of the Group from 2,088.9 thousand tonnes for the six months ended 30 June 2022 to 1,818.8 thousand tonnes for the corresponding period of 2023, representing a decrease of 12.9%; and (ii) the decrease in the average selling price of aggregate products and others from RMB70.8 per tonne for the six months ended 30 June 2022 to RMB58.5 per tonne for the corresponding period of 2023, representing a decrease of 17.4%.

During the Reporting Period, the revenue from sales of ready-mixed concrete of the Group amounted to RMB36.6 million, representing a decrease of 25.0% as compared to the corresponding period of last year. Such decrease is due to the combined effect of (i) the decrease in sales volume of ready-mixed concrete of the Group from 104.0 thousand m<sup>3</sup> for the six months ended 30 June 2022 to 91.1 thousand m<sup>3</sup> for the corresponding period of 2023, representing a decrease of 12.4%; and (ii) the decrease in the average selling price of ready-mixed concrete of the Group from RMB470.0 per m<sup>3</sup> for the six months ended 30 June 2022 to RMB402.4 per m<sup>3</sup> for the corresponding period of 2023, representing a decrease of 14.4%.

# Management Discussion and Analysis

During the Reporting Period, the revenue from sales of cement-stabilised macadam of the Group amounted to RMB2.9 million, representing an increase of 43.3% as compared to the corresponding period of last year. Such increase is due to the combined effect of (i) the increase in the sales volume of cement-stabilised macadam of the Group from 17.3 thousand tonnes for the six months ended 30 June 2022 to 26.8 thousand tonnes for the corresponding period of 2023, representing an increase of 54.9%; and (ii) the decrease in the average selling price of cement-stabilised macadam of the Group from RMB118.6 per tonne for the six months ended 30 June 2022 to RMB109.9 per tonne for the corresponding period of 2023, representing a decrease of 7.3%.

During the Reporting Period, the revenue from sales of asphalt concrete of the Group amounted to RMB5.6 million, representing a decrease of 7.6% as compared to the corresponding period of 2022. Such decrease is mainly due to the decrease in the average selling price of asphalt concrete of the Group from RMB470.9 per tonne for the six months ended 30 June 2022 to RMB442.2 per tonne for the corresponding period of 2023, representing a decrease of 6.1%.

## **COST OF SALES**

During the Reporting Period, the Group's cost of sales amounted to RMB83.6 million, representing a decrease of RMB22.8 million from RMB106.4 million for the corresponding period of 2022. The decrease was primarily attributable to the decrease in both the sales volume and unit cost of the raw materials as compared to the corresponding period of last year.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

During the Reporting Period, the gross profit of the Group decreased from RMB98.4 million for the six months ended 30 June 2022 to RMB67.9 million for the six months ended 30 June 2023, representing a decrease of 31.0%. The gross profit margin during the Reporting Period was 44.8%, representing a decrease of 3.3 percentage points from 48.1% for the corresponding period of last year.

## **OTHER INCOME**

During the Reporting Period, the Group's other income was approximately RMB11.0 million, representing an increase of approximately 52.5% from RMB7.2 million for the corresponding period of last year. The increase in other income was mainly due to the increase in exchange gains.

## **ADMINISTRATIVE EXPENSES**

During the Reporting Period, the administrative expenses incurred by the Group amounted to RMB16.0 million, representing an increase of 14.7% from RMB13.9 million for the corresponding period of last year, primarily due to the increase in third-party service fees.

## **IMPAIRMENT REVERSAL ON TRADE RECEIVABLES**

During the Reporting Period, the Group's impairment reversal on trade receivables amounted to approximately RMB1.1 million, representing a decrease of approximately 74.0% from RMB4.4 million for the corresponding period of last year. The decrease was mainly due to the decrease in the provision for overdue bad debts.

## **FINANCIAL COSTS**

During the Reporting Period, the financial costs of the Group amounted to RMB33.1 million, representing a decrease of RMB3.9 million from RMB37.0 million for the corresponding period of 2022, primarily due to the decrease in loan principal.



# Management Discussion and Analysis

## Income tax expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB7.2 million, representing a decrease of RMB7.3 million as compared to RMB14.5 million for the corresponding period of last year. The decrease was primarily due to the significant decrease in the pre-tax profit compared to the corresponding period of 2022. During the Reporting Period, corporate income tax within the territory of the PRC has been provided at a rate of 25% (corresponding period of 2022: 25%) on the taxable income (except for the high and new technology enterprises and western-region-development subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (corresponding period of 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period. The Group did not incur any Hong Kong profits tax during the Reporting Period. The effective tax rate of the Group is approximately 25% during the Reporting Period (corresponding period of 2022: 25%).

## NET PROFIT

During the Reporting Period, the Group's net profit amounted to approximately RMB23.7 million (corresponding period of 2022: RMB44.5 million), representing a decrease of approximately 46.8% as compared to the corresponding period of last year. The decrease in net profit was mainly due to a significant decrease in revenue, while operating costs did not change much.

## Profit attributable to the equity shareholders of the Company

During the Reporting Period, the Group's profit attributable to the equity shareholders of the Company amounted to approximately RMB16.4 million, representing a decrease of approximately 44.1% from RMB29.4 million for the corresponding period of last year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents increased from RMB40.7 million as at 31 December 2022 to RMB167.7 million as at 30 June 2023, mainly due to the expiry of the pledge over a term deposit of RMB173.0 million and partially offset by the payment for Phase II mining rights, land and prepayment of engineering equipment.

As at 30 June 2023, guarantees provided by the Group to related parties amounted to RMB210.0 million.

## FINANCIAL CONDITION

As at 30 June 2023, total equity increased from RMB542.7 million as at 31 December 2022 to RMB634.3 million, mainly due to the increase in capital and share as well as the profit in 2023. Total assets decreased from RMB2,292.7 million as at 31 December 2022 to RMB2,185.1 million as at 30 June 2023, mainly due to the decrease in bank deposits of Tongming Mining as a result of the payment for Phase II mining rights, land and prepayment of engineering equipment.

## Cash flows and working capital

The Group's cash and cash equivalents have increased from approximately RMB40.7 million as at 31 December 2022 to approximately RMB167.7 million as at 30 June 2023. The increase was mainly due to the expiry of the pledge over a term deposit of RMB173.0 million and partially offset by the payment for Phase II mining rights, land and prepayment of engineering equipment.

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB167.7 million (31 December 2022: RMB40.7 million).

# Management Discussion and Analysis

## **Borrowings**

As at 30 June 2023, the Group had outstanding bank loans of approximately RMB835.4 million (31 December 2022: RMB900.4 million), of which RMB546.9 million must be repaid within one year, RMB18.0 million must be repaid after one year but within two years, RMB136.2 million must be repaid after two years but within five years and RMB134.3 million will be repayable in more than five years.

As at 30 June 2023, the bank loans were denominated in RMB. As at 30 June 2023, approximately 60% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

## **CAPITAL EXPENDITURES**

During the Reporting Period, the Group's capital expenditures were approximately RMB48.5 million, representing an increase of approximately 14.1% from RMB42.5 million for the corresponding period of last year.

## **Dividend**

The Board proposed that no payment of interim dividend for the Reporting Period is to be made by the Company.

## **Gearing ratio**

The Group monitors capital by gearing ratio, which is total liabilities divided by total assets as at the end of the year/period and multiplied by 100%. As at 30 June 2023, the gearing ratio of the Group was 71.0% (31 December 2022: 76.3%), mainly due to the increase in equity of owners for the year and the repayment of certain borrowings.

## **MARKET RISKS**

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

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

## **Interest rate risk**

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

# Management Discussion and Analysis

The Group had not used any interest rate swaps to hedge its exposure to interest rate risk during the Reporting Period.

## **Funding and treasury policy**

The Group utilises cash flows generated from operating activities and bank loans to finance its operations, construction and capital expenditure, to discharge its debt and to ensure the continuous growth of the Group's business.

## **Exposure to fluctuations in exchange rates and related hedges**

The Group's present operations are carried on in the PRC and generally all of the Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"). As of 30 June 2023, the Group was not exposed to any significant foreign currency exchange risk in its operations. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure during the Reporting Period.

## **Risk of change in industry policies**

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

## **Capital structure**

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

## **Information on employees**

As at 30 June 2023, the Group had 152 employees (31 December 2022: 152), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB14.9 million, representing an increase of approximately 3.5% from RMB14.4 million for the corresponding period of last year. Remuneration is determined with reference to market norms and individual employees' performance, qualifications and experience.

## **Future Plans for Material Investments and Capital Assets**

Save as disclosed in the Prospectus and in the section headed "Use of Proceeds from the Global Offering" in this report, the Group did not have plans for material investments and capital assets as of the date of this report.

## **Charges on Group assets**

As at 30 June 2023, the Group has no charge on assets (31 December 2022: RMB173.0 million).

## **Contingent liabilities**

The Group had no material contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

# Management Discussion and Analysis

## OUTLOOK

During the Reporting Period, the Group has been focusing on the implementation of its development plan, with an aim to increase its production volume of aggregate products and promote its sales volume of aggregate products and concrete products in the second half of 2023.

In the second half of 2023, it is expected that the Group's new production plant with a nameplate capacity of 8.0 million tonnes per annum will begin trial production. Looking ahead, the Group plans to gradually increase its annual production volume from 3.5 million tonnes to ultimately 8 million tonnes in 2031 according to its development plan. Leveraging its established presence in the region, the Group is able to capture the market needs by increasing its annual production volume, which will bring a positive impact on the business and financial performance of the Group in the future as a result.

In the second half of 2023, the Group will make every effort to implement and accomplish the tasks and goals set by the Board, so as to ensure the stable production of the Group's aggregate and concrete products, strive to create a new phase of improved quality and efficiency, and drive the steady and robust development of the Group with outstanding financial performance.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H shares of the Company were listed on the Main Board of the Stock Exchange on 20 January 2023. The net proceeds received from the Global Offering, after deducting the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$78.6 million (equivalent to approximately RMB67.9 million). As at 30 June 2023, the Company has utilised HK\$70.9 million proceeds from the Global Offering.

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HK\$' million)	Net proceeds utilized as of June 30, 2023 (HK\$' million)	Remaining net proceeds as of June 30, 2023 (HK\$' million)	Expected time to utilize the remaining net proceeds in full
Settling the payment of the balance acquisition price of the mining right in respect of Phase II Gaoloushan Mine	90%	70.7	70.7	–	
Working capital and general corporate purposes	10%	7.9	0.2	7.7	By the end of June in 2024
<b>Total</b>	<b>100.0%</b>	<b>78.6</b>	<b>70.9</b>	<b>7.7</b>	

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

## Other Information

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

Since the Listing Date up to 30 June 2023, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

### SHARE OPTION SCHEME

During the Reporting Period and up to the date of this report, the Group has no share option scheme.

### EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no material events occurred after the Reporting Period and up to the date of this report.

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

As at 30 June 2023, none of the Directors, the Supervisors and the chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 June 2023, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares	Capacity/ Nature of interest	Number of securities held <sup>(1)</sup>	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued H share capital	Approximate percentage of the total share capital
Huaibei City Construction Investment Holding Group Co., Ltd.* (淮北市建投控股集团有限公司)	Domestic Shares	Beneficial owner Interest in controlled corporation <sup>(2)</sup>	196,020,000 (L) 1,980,000 (L)	99% 1%	– –	74.25% 0.75%
CHU DAVID	H shares	Beneficial owner	3,664,500	–	5.55%	1.39%
Huatai Securities Co., Ltd.	H shares	Interest in controlled corporation	3,379,500	–	5.12%	1.28%

## Other Information

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) Huaibei Cultural Tourism Investment Development Group Co., Ltd.\* (淮北市文化旅遊投資發展集團有限公司) held 1,980,000 Domestic Shares, representing 1% equity interest of our Company. Huaibei Construction Investment holds the entire equity interest of Cultural Tourism Investment. Accordingly, by virtue of the SFO, Huaibei Construction Investment is deemed or taken to be interested in all the Shares which are beneficially owned by Cultural Tourism Investment.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS, AND CHIEF EXECUTIVES**

As disclosed in the announcement of the Company dated 15 May 2023, Ms. Zhao Li resigned as an executive Director with effect from 15 May 2023.

Save as disclosed above, the Company is not aware of any other change in Directors’ biographical details during the Reporting Period.

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **DIRECTORS’ AND SUPERVISORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

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

### **CONTINUING CONNECTED TRANSACTION**

On 27 April 2023, the Group entered into an equipment leasing framework agreement (the “Equipment Leasing Framework Agreement”) with Huaibei Huaihai Construction Engineering Co., Ltd.\* (淮北淮海建設工程有限責任公司) (“Huaihai Construction Engineering”), pursuant to which, the Group agreed to lease equipment to Huaihai Construction Engineering for the purpose of its construction business during the period commencing on 27 April 2023 to 31 December 2025.

Huaihai Construction Engineering is a subsidiary of Huaibei City Construction Investment Holding Group Co., Ltd.\* (淮北市建投控股集團有限公司) (“Huaibei Construction Investment”), a controlling shareholder of the Company. Under Rule 14A.07(4) of the Listing Rules, Huaihai Construction Engineering is a connected person of the Company.

## Other Information

The annual caps for the Equipment Leasing Framework Agreement for each of the three years ending 31 December 2025 are RMB8 million. During the Reporting Period, the rental paid by Huaihai Construction Engineering to the Group was RMB5.72 million.

For details of the aforesaid continuing connected transaction, please refer to the announcement of the Company dated 27 April 2023.

The Company confirmed that it had complied with the relevant requirements in accordance with Chapter 14A of the Listing Rules in relation to the continuing connected transaction to which the Group was a party during the Reporting Period.

### **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES**

The Group had no material acquisition or disposal of subsidiaries during the Reporting Period.

### **CORPORATE GOVERNANCE**

The Company recognizes the importance of sound corporate governance in enhancing the Company's management and protecting the interests of shareholders as a whole. The Company has adopted the Code Provisions as set out in the Corporate Governance Code as its own code to govern its corporate governance practices. The Board believes that the Company has complied with the relevant Code Provisions set out in the Corporate Governance Code from the Listing Date to the date of this report, and no Directors are aware of any information that reasonably shows that the Company has not complied with the Code Provisions at any time during the Reporting Period.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **AUDIT COMMITTEE**

The Audit Committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Gao Wei (Chairman), Mr. Liu Chaotian and Ms. Xing Mengwei, all of whom are independent non-executive Directors. The Company's interim report and interim results announcement for the six months ended 30 June 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of the financial information complies with the applicable accounting standards, the requirements of the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 – unaudited (Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Revenue</b>	4	<b>151,538</b>	204,783
Cost of sales		<b>(83,626)</b>	(106,382)
<b>Gross profit</b>		<b>67,912</b>	98,401
Other income	5	<b>11,000</b>	7,213
Administrative expenses		<b>(15,998)</b>	(13,943)
Impairment reversal on trade receivables		<b>1,130</b>	4,353
<b>Profit from operations</b>		<b>64,044</b>	96,024
Finance costs	6(a)	<b>(33,132)</b>	(37,034)
<b>Profit before taxation</b>	6	<b>30,912</b>	58,990
Income tax	7	<b>(7,246)</b>	(14,500)
<b>Profit and total comprehensive income for the period</b>		<b>23,666</b>	44,490
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>16,429</b>	29,413
Non-controlling interests		<b>7,237</b>	15,077
<b>Profit and total comprehensive income for the period</b>		<b>23,666</b>	44,490
<b>Earnings per share</b>			
Basic and diluted	8	<b>0.06</b>	0.15

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 16(a).



# Consolidated Statement of Financial Position

At 30 June 2023 – unaudited (Expressed in RMB)

	Note	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	1,865,359	1,820,219
Deferred tax assets		19,229	15,994
Non-current prepayments and deposits	11	89,735	123,530
		<b>1,974,323</b>	<b>1,959,743</b>
<b>Current assets</b>			
Inventories	10	3,420	4,934
Trade and other receivables	11	39,707	92,519
Income tax recoverable		–	21,776
Cash at bank and on hand	12	167,683	213,680
		<b>210,810</b>	<b>332,909</b>
<b>Current liabilities</b>			
Trade and other payables	13	415,717	442,738
Contract liabilities		4,681	4,454
Interest-bearing borrowings	14	546,869	36,600
Current taxation		5,022	1,517
		<b>972,289</b>	<b>485,309</b>
<b>Net current liabilities</b>		<b>(761,479)</b>	<b>(152,400)</b>
<b>Total assets less current liabilities</b>		<b>1,212,844</b>	<b>1,807,343</b>

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2023 – unaudited (Expressed in RMB)

	Note	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	14	288,500	863,769
Long-term payables	15	238,139	357,726
Deferred tax liabilities		35,458	27,089
Accrual for reclamation costs		16,408	16,012
		<b>578,505</b>	<b>1,264,596</b>
<b>NET ASSETS</b>			
		<b>634,339</b>	<b>542,747</b>
<b>CAPITAL AND RESERVES</b>			
	16		
Share capital		264,000	198,000
Reserves		191,889	173,534
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>455,889</b>	<b>371,534</b>
<b>Non-controlling interests</b>			
		<b>178,450</b>	<b>171,213</b>
<b>TOTAL EQUITY</b>			
		<b>634,339</b>	<b>542,747</b>

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b>	198,000	1,800	67,805	36,519	304,124	153,365	457,489
<b>Changes in equity for the six months ended 30 June 2022:</b>							
Profit for the period	-	-	-	29,413	29,413	15,077	44,490
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	29,413	29,413	15,077	44,490
Appropriation of maintenance and production funds	-	-	2,635	(2,635)	-	-	-
Utilisation of maintenance and production funds	-	-	(557)	557	-	-	-
	-	-	2,078	(2,078)	-	-	-
<b>Balance at 30 June 2022</b>	198,000	1,800	69,883	63,854	333,537	168,442	501,979

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 July 2022</b>	198,000	1,800	69,883	63,854	333,537	168,442	501,979
<b>Changes in equity for the six months ended 31 December 2022:</b>							
Profit for the period	-	-	-	37,997	37,997	22,571	60,568
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	37,997	37,997	22,571	60,568
Appropriation of maintenance and production funds	-	-	3,487	(3,487)	-	-	-
Utilisation of maintenance and production funds	-	-	(803)	803	-	-	-
Appropriation to statutory reserve	-	-	9,188	(9,188)	-	-	-
Distribution declared by a subsidiary	-	-	-	-	-	(19,800)	(19,800)
	-	-	11,872	(11,872)	-	(19,800)	(19,800)
<b>Balance at 31 December 2022</b>	198,000	1,800	81,755	89,979	371,534	171,213	542,747

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company				Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	198,000	1,800	81,755	89,979	371,534	171,213	542,747
<b>Changes in equity for the six months ended 30 June 2023:</b>							
Profit for the period	-	-	-	16,429	16,429	7,237	23,666
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	16,429	16,429	7,237	23,666
Issuance of shares by initial public offering	66,000	1,926	-	-	67,926	-	67,926
Appropriation of maintenance and production funds	-	-	3,477	(3,477)	-	-	-
Utilisation of maintenance and production funds	-	-	(93)	93	-	-	-
	66,000	1,926	3,384	(3,384)	67,926	-	67,926
Balance at 30 June 2023	264,000	3,726	85,139	103,024	455,889	178,450	634,339

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 – unaudited (Expressed in RMB)

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Operating activities</b>			
Cash generated from operations		136,604	73,754
Tax paid		(11,307)	(22,713)
<b>Net cash generated from operating activities</b>		<b>125,297</b>	<b>51,041</b>
<b>Investing activities</b>			
Decrease in deposits with maturities of over three months		173,000	–
Payments for purchase of property, plant and equipment		(48,527)	(42,479)
<b>Net cash generated from/(used in) investing activities</b>		<b>124,473</b>	<b>(42,479)</b>
<b>Financing activities</b>			
Proceeds from/(payments of) issuance shares by initial public offering, net of share issuance expenses		94,387	(9,357)
Repayment of bank loans		(65,000)	(1,000)
Repayment of long-term payables		(136,774)	(25,000)
Interest paid		(19,136)	(20,104)
<b>Net cash used in financing activities</b>		<b>(126,523)</b>	<b>(55,461)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>123,247</b>	<b>(46,899)</b>
Cash and cash equivalents at 1 January	12	40,680	581,670
Effect by foreign exchange rate changes		3,756	–
<b>Cash and cash equivalents at 30 June</b>	12	<b>167,683</b>	<b>534,771</b>

The notes on pages 22 to 40 are an integral part of this unaudited interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 1 GENERAL INFORMATION

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

## 2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 29 August 2023.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The interim financial statements are unaudited.

# Notes to the Unaudited Interim Financial Report

*(Expressed in RMB unless otherwise indicated)*

## 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to these unaudited condensed consolidated interim financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform-Pillar Two model rules*

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

None of these new and amended IFRSs have had a material effect on how the Group's results and financial position for the current period have been prepared or presented.



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

### (i) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
– Revenue from sales of aggregate products and others	106,340	147,798
– Revenue from sales of concrete products	45,198	56,985
	<b>151,538</b>	<b>204,783</b>

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting

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

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

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

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

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

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

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (continued)

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

	Six months ended 30 June 2023		
	Aggregate products and others RMB'000 (unaudited)	Concrete products RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Disaggregated by timing of revenue recognition</b>			
Point in time	106,340	45,198	151,538
<b>Revenue from external customers and reportable segment revenue</b>			
	106,340	45,198	151,538
<b>Reportable segment profit (adjusted EBITDA)</b>			
	82,537	5,292	87,829
Depreciation and amortisation	(24,908)	(3,487)	(28,395)
Interest income	2,126	89	2,215
Amortisation of unrealised financing income of non-current portion of other receivables	274	–	274
Finance costs	(32,709)	(423)	(33,132)
<b>As at 30 June 2023</b>			
<b>Reportable segment assets</b>	<b>2,006,933</b>	<b>130,245</b>	<b>2,137,178</b>
<b>Reportable segment liabilities</b>	<b>1,578,640</b>	<b>33,624</b>	<b>1,612,264</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (continued)

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

	Six months ended 30 June 2022		
	Aggregate products and others RMB'000 (unaudited)	Concrete products RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Disaggregated by timing of revenue recognition</b>			
Point in time	147,798	56,985	204,783
Revenue from external customers	147,798	56,985	204,783
Inter-segment revenue	83	–	83
<b>Reportable segment revenue</b>	<b>147,881</b>	<b>56,985</b>	<b>204,866</b>
<b>Reportable segment profit (adjusted EBITDA)</b>	<b>109,190</b>	<b>12,919</b>	<b>122,109</b>
Depreciation and amortisation	(26,582)	(3,985)	(30,567)
Interest income	2,949	57	3,006
Amortisation of unrealised financing income of non-current portion of other receivables	260	–	260
Finance costs	(36,961)	(73)	(37,034)
As at 30 June 2022			
<b>Reportable segment assets</b>	<b>2,166,445</b>	<b>131,214</b>	<b>2,297,659</b>
<b>Reportable segment liabilities</b>	<b>1,754,195</b>	<b>58,773</b>	<b>1,812,968</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (continued)

#### (ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Profit</b>		
Total reportable segment profit	<b>87,829</b>	122,109
Depreciation and amortisation	<b>(28,398)</b>	(30,570)
Interest income	<b>2,847</b>	3,144
Amortisation of unrealised financing income of non-current portion of other receivables	<b>274</b>	260
Unallocated head office and corporate other income	<b>7,754</b>	2,263
Unallocated head office and corporate expenses	<b>(6,262)</b>	(1,182)
Finance costs	<b>(33,132)</b>	(37,034)
Consolidated profit before taxation	<b>30,912</b>	58,990

#### (iii) Geographic information

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 5 OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income	2,847	3,144
Government grants	4,000	3,616
Net foreign exchange gain	3,756	–
Others	397	453
	<b>11,000</b>	<b>7,213</b>

## 6 PROFIT BEFORE TAXATION

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

### (a) Finance costs

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest expenses on:		
– Bank and other borrowings	19,136	20,104
– Long-term payables	13,600	16,555
Unwinding interest of provisions	396	375
	<b>33,132</b>	<b>37,034</b>

No borrowing costs have been capitalised during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB Nil).

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION (CONTINUED)

### (b) Other items

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Depreciation and amortisation charge		
– owned property, plant and equipment	26,551	29,482
– right-of-use assets (Note 9)	1,847	1,088
Cost of inventories sold (Note 10)	83,626	106,382

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax	2,112	10,371
Deferred tax	5,134	4,129
	7,246	14,500

The Company and the subsidiaries of the Group established in the PRC are subject to PRC Corporate Income tax rate of 25% during the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB16,429,000 for the six months ended 30 June 2023 (2022: RMB29,413,000) and the weighted average number of ordinary shares in issue during the period of 258,500,000 shares (2022: 198,000,000 shares).

### (b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the period of 2023 and 2022. Accordingly, diluted earnings per share is the same as the basic earnings per share.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB73,488,000 (six months ended 30 June 2022: RMB7,173,000).

### (a) Right-of-use assets

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Land use rights (Note 9(a)(iii))	<b>149,777</b>	151,624

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

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000 (unaudited)</b>	2022 RMB'000 (unaudited)
Depreciation charge of right-of-use assets by class of underlying asset (Note 6(b)):		
– Land use rights	<b>1,847</b>	1,088

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



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 10 INVENTORIES

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Raw materials and others	<b>3,420</b>	4,934

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

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000 (unaudited)</b>	2022 RMB'000 (unaudited)
Carrying amount of inventories sold	<b>83,626</b>	106,382

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 11 TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
<b>Current</b>		
Trade and bills receivables, net of loss allowance	<b>35,570</b>	52,378
Other receivables	<b>400</b>	400
	<hr/>	<hr/>
Financial assets measured at amortised cost	<b>35,970</b>	52,778
VAT recoverables	<b>1,334</b>	2,025
Deposits and prepayments	<b>2,403</b>	37,716
	<hr/>	<hr/>
	<b>39,707</b>	92,519
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Non-current</b>		
Reclamation deposit	<b>10,117</b>	9,843
Prepayment for engineering equipment	<b>79,618</b>	113,687
	<hr/>	<hr/>
	<b>89,735</b>	123,530
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	<b>129,442</b>	216,049
	<hr/>	<hr/>

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 11 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Ageing analysis

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Within 3 months	<b>25,340</b>	35,033
3 to 6 months	<b>4,019</b>	10,365
6 to 12 months	<b>6,211</b>	6,980
	<b>35,570</b>	52,378

Trade debtors and bills receivables are due within 10-90 days from the date of billing.

## 12 CASH AT BANK AND ON HAND

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Cash at bank and on hand	<b>167,683</b>	40,680
Deposits with original maturities over three months (Note 19(a))	–	173,000
Cash at bank and on hand in the consolidated statement of financial position	<b>167,683</b>	213,680
Less: deposits with original maturities over three months	–	173,000
Cash and cash equivalents in the consolidated cash flow statement	<b>167,683</b>	40,680

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 13 TRADE AND OTHER PAYABLES

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Trade payables to		
– related parties	<b>8,098</b>	4,526
– third parties	<b>28,160</b>	35,447
	<b>36,258</b>	39,973
Interest payables	<b>719</b>	719
Payables for staff related costs	<b>5,641</b>	5,640
Payables for other taxes	<b>8,760</b>	9,578
Payables for capital expenditure	<b>129,398</b>	144,182
Dividends payables	<b>19,800</b>	19,800
Other accruals and payables	<b>3,041</b>	10,746
Financial liabilities measured at amortised cost	<b>203,617</b>	230,638
Cash advances from a related party (Note i)	<b>212,100</b>	212,100
	<b>415,717</b>	442,738

Note:

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 13 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Within 12 months	35,857	39,578
Over 12 months	401	395
	<b>36,258</b>	<b>39,973</b>

## 14 INTEREST-BEARING BORROWINGS

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
<b>Current interest-bearing borrowings</b>		
Bank loans		
– Guarantees and/or pledge of assets provided by related parties	546,869	36,600
<b>Non-current interest-bearing borrowings</b>		
Bank loans		
– Guarantees and/or pledge of assets provided by a related party	288,500	863,769
	<b>835,369</b>	<b>900,369</b>

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

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 14 INTEREST-BEARING BORROWINGS (CONTINUED)

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Within 1 year or on demand	<b>546,869</b>	36,600
After 1 year but within 2 years	<b>18,000</b>	592,269
After 2 years but within 5 years	<b>136,200</b>	136,200
More than 5 years	<b>134,300</b>	135,300
	<b>835,369</b>	900,369

## 15 LONG-TERM PAYABLES

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
Present value of mining rights payable	<b>367,537</b>	490,710
Less: current portion recorded in trade and other payables (Note 13)	<b>129,398</b>	132,984
Carrying amount	<b>238,139</b>	357,726

It represents consideration for mining rights of RMB683,869,000, which was repayable by five equal instalments per annum. The carrying amounts were discounted at an effective rate of 5.7% per annum.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the interim period

No interim dividend has been declared and recognised as a liability at the end of the reporting period.

### (b) Share capital

On 20 January 2023, the Company's H Shares were listed on the Main Board of the Stock Exchange, where 66,000,000 H Shares were issued and subscribed at an offer price of HKD1.91 per H Share by way of initial public offering to Hong Kong and overseas investors. Gross proceeds from these issues amounted to HKD126,060,000. The over-allotment option described in the prospectus was not exercised and lapsed on 12 February 2023.

Movements of the Company's ordinary shares are set out below:

	At 30 June 2023		At 31 December 2022	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	198,000	198,000	198,000	198,000
Issuance of shares by initial public offering	66,000	66,000	–	–
At 30 June/31 December	264,000	264,000	198,000	198,000

## 17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

## 18 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the financial statements were as follows:

	At 30 June 2023 RMB’000 (unaudited)	At 31 December 2022 RMB’000
Contracted for	102,188	192,314

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transactions during the six months ended 30 June 2023 and 2022:

### (a) Significant transactions with related parties

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<u>Sales to</u>		
Ultimate controlling party and its affiliates	51,613	60,314
<u>Receiving service from</u>		
Non-controlling equity owner of a subsidiary	18,963	11,271
Ultimate controlling party and its affiliates	71,038	7,950
<u>Purchasing goods from</u>		
Ultimate controlling party and its affiliates	3,297	993
<u>Guarantees provided at the end of the period (Note (i))</u>		
Ultimate controlling party and its affiliates	210,000	–
<u>Guarantees received at the end of the period</u>		
Ultimate controlling party and its affiliates	835,369	933,869

Notes:

- (i) During the year ended 31 December 2022, a subsidiary of the Company, in substance, provided guarantees to a related party of the Group for its borrowings aggregated amounted to RMB210,000,000. These guarantees will expire in November 2023 upon the expiry of primary arrangements of those borrowings.
- (ii) On 29 December 2022, a subsidiary of the Company pledged its time deposit, amounted to RMB173,000,000, to a commercial bank for a loan, which was granted to a related party of the Group. The pledge has expired on 28 June 2023.



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 19 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties

Details of the outstanding balances with related parties are as follows:

<u>Trade in nature</u>	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000
<u>Trade and other receivables</u>		
Ultimate controlling party and its affiliates	<b>116,985</b>	154,679
<u>Trade and other payables</u>		
Ultimate controlling party and its affiliates	<b>1,322</b>	1,521
Non-controlling equity owner of a subsidiary	<b>7,728</b>	14,223
<u>Contract liabilities</u>		
Ultimate controlling party and its affiliates	<b>705</b>	–

<u>Non-trade in nature</u>	<b>At 30 June 2023</b>	At 31 December 2022
<u>Trade and other payables</u>		
Parent company of non-controlling equity owner of a subsidiary	<b>212,104</b>	212,104

### (c) Transactions with other state-controlled entities in the PRC

The ultimate controlling party of the Company, 淮北市建投控股集团有限公司 (“Huaibei Construction Investment Holding Group Co., Ltd.”), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Huaibei Construction Investment and its affiliates, the Group also has transactions with other state-controlled entities, including but not limited to the following:

- the sale of aggregate products and others and concrete products;
- blasting services;
- bank deposits; and
- bank loans.

## 20 EVENTS AFTER THE REPORTING PERIOD

There has been no significant subsequent event after the end of the Reporting Period.