



# Future Bright Mining Holdings Limited 高鵬礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

(Stock Code 股份代號：2212)



ANNUAL REPORT  
**2019** 年報



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Liu Jie (*Chairperson*) <sup>Note 1</sup>

Li Yuguo

Liu Yan Chee James (*Chief Executive Officer*) <sup>Note 2</sup>

Lyu Bin <sup>Note 3</sup>

Hu Minglong <sup>Note 4</sup>

Chen Gang <sup>Note 5</sup>

Rao Dacheng

Yang Xiaoqiu

### Non-Executive Director

Yang Xiaoqiang (*Vice Chairman*)

### Independent Non-Executive Directors

Chen Xun

Zhang Yijun

Prof. Lau Chi Pang J.P.

Liu Shuyan

## COMPANY SECRETARY

Wu Ho Wai

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3006, 30th Floor

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Sheng Wan, Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 718, No.189 Shuijing Road

Nanzhang County, Xiangyang City

Hubei Province, the PRC

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## AUDIT COMMITTEE

Liu Shuyan (*Chairman*)

Chen Xun

Zhang Yijun

Prof. Lau Chi Pang J.P.

## NOMINATION COMMITTEE

Chen Xun (*Chairman*)

Zhang Yijun

Prof. Lau Chi Pang J.P.

Liu Shuyan

## REMUNERATION COMMITTEE

Chen Xun (*Chairman*)

Zhang Yijun

Prof. Lau Chi Pang J.P.

Liu Shuyan

## AUTHORIZED REPRESENTATIVES

Wu Ho Wai

Yang Xiaoqiu

Note 1: Ceased on 5 March 2020

Note 2: Appointed on 9 August 2019

Note 3: Appointed on 29 April 2020

Note 4: Resigned with effect from 29 April 2020

Note 5: Resigned with effect from 9 August 2019

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
China Construction Bank (Asia) Corporation Company Limited  
China Citic Bank International Limited

### **LEGAL ADVISER AS TO HONG KONG LAWS**

Kwok Yih & Chan  
Suites 2103-05, 21st Floor  
9 Queen's Road Central  
Hong Kong

### **AUDITORS**

Ernst & Young  
22nd Floor, Citic Tower  
1 Tim Mei Avenue  
Central, Hong Kong

### **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **STOCK CODE**

2212

### **WEBSITE**

<http://www.futurebrightltd.com>  
(information contained in this website does not form part of this report)

# KEY FINANCIAL HIGHLIGHTS

	2019 RMB'000	2018 RMB'000	Change
<b>RESULTS</b>			
Revenue	<b>6,136</b>	38,746	(84.16%)
Gross profit	<b>2,314</b>	8,506	(72.80%)
Loss before tax from continuing operations	<b>(25,910)</b>	(46,695)	(44.51%)
Profit/(loss) before tax from a discontinued operation	<b>125</b>	(3,071)	(104.07%)
Income tax credit	<b>5,311</b>	113	4,600.00%
Loss for the year	<b>(20,474)</b>	(49,653)	(58.77%)
Loss attributable to owners of the Company	<b>(18,815)</b>	(49,528)	(62.01%)
Basic and diluted For loss for the year	<b>RMB0.49 cents</b>	RMB1.28 cents	(61.72%)
For loss from continuing operations	<b>RMB0.49 cents</b>	RMB1.20 cents	(59.17%)

	2019 RMB'000	2018 RMB'000	Change
<b>KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
Equity attributable to owners of the Company	<b>64,575</b>	83,089	(22.28%)
Total assets	<b>73,333</b>	111,971	(34.51%)
Net assets per share	<b>RMB0.016</b>	RMB0.023	(30.43%)

	2019	2018	Change
<b>OPERATION SUMMARY</b>			
Marble blocks production volume (M <sup>3</sup> )	<b>4,024</b>	5,526	(27.18%)
Marble blocks Sales volume (M <sup>3</sup> )	<b>5,337</b>	3,824	39.57%
Marble blocks Average sale price, excluding VAT (RMB)	<b>1,222</b>	2,575	(52.54%)

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the year ended 31 December 2019 (the “Year”), the operating revenue of Future Bright Mining Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) was approximately RMB6.14 million, which represented a decrease of approximately 84.16% as compared to the operating revenue of approximately RMB38.75 million for the year of 2018 (the “FY2018”). The decrease in revenue was mainly due to the decrease in revenue generated from both marble blocks segment and commodity trading segment during the Year. The decrease in revenue from marble business mainly due to the re-engineering of operation in the first half of the Year. As the Group has disposed of two joint venture companies involving commodity trading, no revenue was generated from this segment during the Year. The following table sets forth the breakdown of the Group’s revenue by business segment for the Year:

	2019 RMB’000	2019 Percentage to total revenue	Gross profit margin	2018 RMB’000	2018 Percentage to total revenue	Gross profit margin
Marble blocks	6,136	100.00%	37.71%	7,854	20.27%	71.45%
Commodity trading	—	0.00%	0.00%	30,892	79.73%	9.37%
Total	<u>6,136</u>	<u>100.00%</u>	<u>37.71%</u>	<u>38,746</u>	<u>100.00%</u>	<u>21.95%</u>

### Cost of Sales

The Group’s cost of sales decreased from approximately RMB30.24 million for FY2018 to approximately 3.82 million for the Year, representing a significant decrease of approximately 87.37%. This was in line with the decrease in sales recorded for the Year. The cost of sales for the Year represented the marble blocks mining costs only and mainly included mining labour costs, materials consumption, fuel, electricity, depreciation of production equipment and amortization of mining rights.

### Gross Profit and Gross Profit Margin

The gross profit of the Group amounted to approximately RMB2.31 million and the gross profit margin was approximately 37.71% for the Year, which represented a significant decrease of approximately 72.86% as compared with the gross profit for FY2018 of approximately RMB8.51 million (FY2018: gross profit margin of approximately 21.95%). The significant decrease in gross profit margin of marble block segment from 71.45% to 37.71% was due to the decrease in both selling price and disposal of the inventories carried forward from last year.

### Other Income and Gains

Other income and gains for the Year were approximately RMB2.41 million, which represented an increase of approximately RMB1.95 million as compared to the other income and gains of approximately RMB0.46 million for the FY2018. The increase was mainly due to the gain of approximately RMB1.43 million for disposal of subsidiaries during the Year (FY2018: Nil). Other income and gains mainly comprised the bank interest income, and rendering of services income during the Year.

### Selling and Distribution Expenses

Selling and distribution expenses, which mainly consisted of transportation fee, rental of show room, consultancy fee, salaries and wages of the Group’s sales and distribution staff and their entertainment and travelling expenses, were approximately RMB0.74 million for the Year (FY2018: approximately RMB6.62 million), representing approximately 12.03% of the revenue for the Year (FY2018: approximately 17.09%). The significant decrease in selling and distribution expenses was principally due to the change in the mode of operation. During the Year, products were sold to both distributor and individual customers. All transportation fee were borne by them under our existing operation mode, and therefore minimal selling and distribution expenses were incurred.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Administrative Expenses**

Administrative expenses decreased significantly by approximately RMB0.96 million or 4.72% from approximately RMB20.35 million for the FY2018 to approximately RMB19.39 million for the Year. Administrative expenses mainly included the legal and professional fees, consultancy fees, rental and salaries of staff.

### **Impairment on Financial Assets, Net**

The management assesses the measurement of expected credit losses (“ECL”) in relation to financial assets and uses provision matrix to calculate ECL. Net amount of impairment losses of approximately RMB2.55 million (FY2018: approximately RMB3.33 million) was recognised during the year. Most of the outstanding receivable balances were settled by customers during the Year.

### **Losses on Change in Fair Value of Financial Assets at Fair Values Through Profit or Loss**

As at 31 December 2019, the Group had current equity investments at fair value through profit or loss of approximately RMB1.86 million which were investments in various listed shares (FY2018: RMB8.77 million). The Group recorded net fair value loss of the equity investments of approximately RMB2.86 million for the Year (FY2018: loss of approximately RMB2.34 million).

### **Other Expenses**

Other expenses mainly included the written down of net realizable value of inventories of approximately RMB2.16 million and loss on disposal of items of property, plant and equipment of approximately RMB2.15 million for the Year. The Group did not incur such expenses for the FY2018.

As at 31 December 2019, the Directors performed impairment assessment on the non-financial assets of the marble block operating segment. No impairment of non-financial assets and goodwill was provided during the Year (FY2018: approximately RMB16.11 million impairment for non-financial assets and approximately RMB4.45 million impairment for goodwill). Details of impairment test and related assumptions used for valuation will be discussed in paragraph head “Impairments” below. Besides, approximately RMB35,000 donation in kind was made by the Group during the Year (FY2018: approximately RMB0.95 million cash donation).

### **Finance Costs**

Finance costs increased from approximately RMB0.07 million for the FY2018 to approximately RMB0.39 million for the Year mainly because the Group has adopted the International Financial Reporting Standard 16 *Leases*. Under this standard, depreciation and lease interest expenses were recognised in the statement of profit or loss rather than rental expenses under International Accounting Standard 17 *Leases* and thus, the finance costs were significantly increased during the Year.

### **Loss Attributable to Owners of the Company**

In view of the above factors, loss attributable to owners of the Company was approximately RMB18.82 million for the Year (FY2018: loss of approximately RMB49.53 million). The decrease of loss was mainly resulting from better cost control during the Year.



## Impairments

### *Impairment assessment of non-financial assets of marble block operating segment*

With respect to the impairment assessment for non-financial assets of the marble block operating segment, the impairment test was based on the recoverable amount of the cash-generating unit ("**CGU**"). The recoverable amount of the CGU is based on a value-in-use ("**VIU**") calculation. There was no change in the valuation method used by the management. The key assumptions used in the VIU calculation for impairment assessment are summarized as follows:

- the discounted cash flow projections were based on the mine reserve and Director's judgement to renew the mining permit to 2031.

The valuation method of discounted cash flow ("**DCF**") was adopted for the calculation of the VIU of the CGU. DCF analysis is a method used to estimate the value of an investment based on its future cash flows. DCF analysis determines the value of the company today based on projections on how much cashflow the company will generate in the future.

According to the Standards and Guidelines for Valuation of Mineral Properties issued by the Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties ("**CIMVAL**"), the DCF valuation method is very widely used and is generally accepted in Canada as the preferred method for valuation of mineral properties. CIMVAL is also recognised by the Stock Exchange under Chapter 18 of the Listing Rules.

No impairment provision was made for the Year as the Directors consider that the recoverable amount of the CGU had exceeded the carrying amount. More revenue is expected to be generated in coming years due to the increase in both selling price and sales volume and selling and distribution expenses will be significantly reduced due to change of operation mode (FY2018: impairment losses of approximately RMB16.11 million).

### *Impairment assessment of goodwill of money lending business*

Impairment test was based on the recoverable amount of the CGU of money lending business. The recoverable amount of the CGU is based on a VIU calculation. As a full provision was made in respect of the goodwill of money lending business in FY2018 and we have disposed of the relevant member of the Group and ceased the operation of this business segment, no assessment on impairment was conducted during the Year. The key assumptions used in the VIU calculation for impairment assessment in FY2018 are summarized as follows:

- the discounted cash flow projections cover a five-year period at a discount rate of 14%. Cash flows beyond the five-year period are extrapolated using declining growth rates until a steady 3% growth rate is reached. This growth rate does not exceed the long-term growth rate for the market in which the Group operates; and
- the current money lenders licensee would have expired in April 2019. It is renewable and is subject to the approval of the HKSAR government. It is assumed that the license can be renewed each year.



## MANAGEMENT DISCUSSION AND ANALYSIS

The valuation method of discounted cash flow (“**DCF**”) was adopted for the calculation of the VIU of the CGU. Due to keen competition and a challenging environment and the risks associated with possible default of borrowers and decline in loan interest rates, the Group did not expect to attract new customers and expand this business segment. Under the current condition of business, the CGU is expected to experience a net outflow of cash in the five-year period and cause the carrying amount of CGU to exceed its recoverable amount by approximately RMB4.45 million. The Group believes that any possible changes in other key assumptions on which the recoverable amount is based would not cause the CGU’s carrying amount to exceed its recoverable amount. For the year ended 31 December 2018, the directors determined that an impairment of approximately RMB4.45 million was recognised for the above CGU containing goodwill and the carrying amount of goodwill was reduced to zero.

## BUSINESS REVIEW

### Marble and Marble-related Business

During the Year, we have been focusing on the development of the Yiduoyan Project, which is an open pit mine located in Hubei Province of the People’s Republic of China (the “**PRC**”). A total of 4,024 m<sup>3</sup> of marble blocks had already been produced and 5,337 m<sup>3</sup> of marble blocks had already been sold in 2019. The revenue generated from this business segment during the Year amounted to approximately RMB6.14 million.

By adjusting the mode of operation, apart from selling to individual customers, the Group also sold marble blocks to a distributor. It is a common industry practice of the mining industry for mine owners to enter into distribution agreements with distributors. The entering of the distributor agreement by the Company is as a result of the common industry practice and market trend of the marble mine business in Hubei Province, which the management considered to be reasonable with the ability to receive a relatively guaranteed revenue from marble sales business and reduce the selling, marketing and distribution expenses at the same time. It is anticipated that the market awareness and recognition of our marble will be increased through the above sales channels. Therefore, we expected the demands for our marble will increase steadily in the coming years.

### Trading of Commodities Business

We have a business segment of trading of commodities which include mainly trading of metal ore products and granite slabs. In order to improve the development of marble business, the Group entered into sale and purchase agreements to dispose of two joint venture companies in Hong Kong engaging in trading of commodities business during the Year, details of which are set out in the announcements of the Company dated 15 March 2019, 22 March 2019, 5 July 2019 and 17 July 2019. Considerations have been received and both transactions have been completed on 30 September 2019.

No revenue was generated from commodity trading business for the Year. (FY2018: approximately RMB30.89 million). Although the Group has disposed of the two joint venture companies engaged in trading of commodities business, we will still look for any attractive opportunities in the trading business.

### Money Lending Business (Discontinued Operation)

The Group was also engaged in money lending business and was a holder of the Money Lenders License under the Money Lenders Ordinance (Cap 163 of the Laws of Hong Kong). Due to the keen market competition and challenging environment, risks associated with the possible default by the borrowers and decline in loan interest rates, we have disposed of the relevant member of the Group and ceased the operation of money lending business during the Year in order to focus on the core business of the Group, details of which had been set out in the announcement of the Company dated 20 March 2019. The consideration has been received and the transaction has been completed on 30 May 2019.

No income was generated from this business segment for the Year (approximately RMB1.36 million for FY2018).

### **Relationships with Customers, Suppliers, Contractors and Other Stakeholders**

During the year ended 31 December 2019, there were no material and significant dispute between the Group and its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

### **Environmental Policies**

The Group places emphasis on environmental protection in the course of its operation. We have adopted and implemented various measures on an on-going basis to minimise the impact of our operation on the environment and comply with the relevant environmental protection laws and regulations. Such measures include, inter alia, (i) restoring the land damaged by our mining activities pursuant to the relevant land rehabilitation laws and regulations; (ii) using abandoned stones for the access road and transfer pad construction; (iii) reusing domestic wastes as fertiliser; (iv) collecting and treating waste water for recycling in production or for irrigation; (v) adopting wet drilling to reduce fugitive dust emission; and (vi) using low noise equipment to reduce noise emission.

### **Compliance with Relevant Laws and Regulations**

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in relation to in particular, those having significant impact on the Group. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. 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.

During the Year, the Group has complied with all applicable laws and regulations in Hong Kong and the PRC in all material aspects for the business operation of the Group. Besides, the Group has also obtained all material approvals, permits and licences for its current business operations.

## **MAJOR EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES**

### **Mineral Exploration**

We have completed the mineral exploration works before the Yiduoyan marble mine of the Company commenced commercial production on 1 September 2014.

For the Year, no further mineral exploration was carried out. As a result, there was no expenditure on mineral exploration.

### **Development**

In March 2019, we provided all the staffs of the Company with training related to production safety and occupational health as well as work resumption training, and conducted assessment before work resumption. Those who failed in the assessment were retrained and were required to take the relevant exams again. Moreover, all staff have undergone occupational health examination. As such, we further consummated the staff training and examination files and occupational health records. In April 2019, we required all staffs to carry out self-examination and rectification on mining safety hazards every month, and carried out thorough inspection and maintenance for all production equipment to ensure that they operate safely during the production process. We also identified, assessed and eliminated potential risks of the mine from time to time.

For the Year, the Group recorded safety production expenditure of approximately RMB441,430 with respect to the expansion of Yiduoyan marble mine, which mainly comprised the procurement and preparation of production safety signs, distribution of labour protection supplies, regular education and training for production safety, safety rescue agreement, education and training for occupational health, occupational health check, rental, repair, maintenance of production equipments and machineries, soil and water conservation compensation, technical consulting service fee for mine reserves and mine safety.

## MANAGEMENT DISCUSSION AND ANALYSIS

The detailed classification of development expenditures during the Year is as follows:

	2019 RMB'000
Education and training for occupational health	1.8
Education and training for production safety	0.8
Labour protection supplies	23.63
Occupational health check	4.5
Production safety liability insurance	8.5
Production safety signs	6.9
Rental of production equipments and machineries	200
Repair and maintenance of production equipments and machineries	101.8
Safety rescue agreement	8
Soil and water conservation compensation	10.5
Technical consultation service fee for mine reserves	60
Technical consultation service fee for mine safety	15
	<u>441.43</u>

### Mining Operation

During the Year, we carried out the destocking of marble block inventories of the mine. As at 31 December 2019, we had realized sales of 5,337 m<sup>3</sup> of marble blocks. In the first half of the Year, we had conducted detailed inspection, testing and preparation works on horizontal platforms and two mining benches. During the Year, our Yiduoyan marble mine block production amounted to 4,024 m<sup>3</sup>. It also laid a solid foundation for the commencement of mining operation next year.

During the Year, the expenditure on mining activities of the Group was approximately RMB2,816,771. The expenditure of mining activities was approximately RMB700 per m<sup>3</sup> (FY2018: approximately RMB1,254 per m<sup>3</sup>).

### RESOURCE AND RESERVE

Our Yiduoyan Project is an open pit mine located in Hubei Province of the PRC. Currently, the Group holds the mining permit of the Yiduoyan Project with permitted production capacity of 20,000 m<sup>3</sup> per annum for a term of 10 years (which will expire on 30 December 2021 and can be extended for another 10 years to 30 December 2031 according to the applicable PRC laws and regulations), covering an area of approximately 0.5209 km<sup>2</sup>. The Yiduoyan Project contains marble resources with resource expansion potential through exploration according to the independent technical report dated 29 December 2014 (the "**Independent Technical Report**") prepared by SRK Consulting (Hong Kong) Limited set out in Appendix IV to the prospectus of the Company dated 29 December 2014 (the "**Prospectus**").

#### Yiduoyan Project's marble resource statement as at 31 December 2019

Resource Category	White marble V-1 (million m <sup>3</sup> )	Grey marble V-2 (million m <sup>3</sup> )	Total (million m <sup>3</sup> )
Inferred	1.80	1.50	3.30
Indicated	<u>5.48</u>	<u>1.80</u>	<u>7.28</u>
Total	<u><u>7.28</u></u>	<u><u>3.30</u></u>	<u><u>10.58</u></u>



**Yiduoyan Project's marble reserve statement as at 31 December 2019**

<b>Reserve Category</b>	<b>White marble V-1</b> (million m <sup>3</sup> )	<b>Grey marble V-2</b> (million m <sup>3</sup> )	<b>Total</b> (million m <sup>3</sup> )
Probable	<u>0.86</u>	<u>0.04</u>	<u>0.90</u>

Note:

- (1) The above table summarises the marble resource and reserve estimates prepared in accordance with JORC Code (2012 Edition) and are based on the Independent Technical Report.
- (2) There was no material change in these estimates during the period from 30 June 2014 to 31 December 2019.
- (3) Please refer to the Prospectus for the assumptions and methods used for making the above estimated resources and reserves.

## **MAJOR ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 28 February 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of Gogo Education Group Limited for a cash consideration of HKD185,000. The disposal was completed on 3 April 2019.

On 28 February 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of Future Bright Enterprise Group Limited for a cash consideration of HKD300,000. The disposal was completed on 3 April 2019.

On 15 March 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of the 51% equity interest of Future Bright Manganese Company Limited for a cash consideration of HKD5,650,000. It was originally scheduled to be completed on or before 30 June 2019. On 17 July 2019, both parties have agreed to postpone the long-stop date to 30 September 2019. The disposal was completed on 30 September 2019. For details, please refer to the Company's announcements dated 15 March 2019 and 17 July 2019.

On 20 March 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of Future Bright Finance Limited for a cash consideration of HKD10,000,000. The disposal was completed on 30 May 2019. For details, please refer to the Company's announcements dated 20 March 2019 and 27 March 2019.

On 22 March 2019, the Group entered into a sale and purchase agreement with one of the non-controlling shareholders of Future Bright Lithium Technology Company Limited to dispose of the 51% equity interest of the said company for a cash consideration of HKD5,240,000. It was originally scheduled to be completed on or before 30 June 2019. On 29 June 2019, both parties have agreed to postpone the long-stop date to 30 September 2019. The disposal was completed on 30 September 2019. This disposal constituted an exempted connected transaction under the Listing Rules. For details, please refer to the Company's announcements dated 22 March 2019 and 5 July 2019.

On 27 September 2019, the Group entered into a sale and purchase agreement with 深圳市中科九台資源利用科技產業股份有限公司 (Shenzhen Zhongke Jiutai Resources Technology Co., Ltd.\*) (the "**Vendor**") to acquire 70% equity interest of 深圳中科九台資源利用研究院有限公司 (Shenzhen Zhongke Jiutai Resources Utilization Research

## MANAGEMENT DISCUSSION AND ANALYSIS

Institute Co., Ltd.\*) (the “**Target Company**”) at the consideration of RMB62,000,000. The Vendor is a company incorporated in the PRC with limited liability and was jointly established by Mr. Li and the 中國科學院過程工程研究所(The Institute of Processing Engineering, Chinese Academy of Science\*) (the “**Institute**”) for the purpose of conducting researches in mineral processing methodology and as investment arm. The Target Company is owned as to 70% by the Vendor, in which Mr. Li, the controlling shareholder of the Company, has an indirect majority equity interest. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company’s announcements dated 27 September 2019, 15 November 2019, 31 December 2019, 31 January 2020, 28 February 2020 and 31 March 2020.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Year.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Limited operating history

The Yiduoyan Project is still in the development stage where full-scale site construction is currently taking place. Our limited operating history makes the evaluation of our business and prediction of our future operating results and prospects difficult.

As a developing mining company with a limited operating history, we cannot guarantee that we will generate revenue and achieve growth in our business as planned.

### Single mining project

We have only one mining project, the Yiduoyan Project. We expect the Yiduoyan Project will remain our only operating mine in the near future upon which we will depend on for the majority of our operating revenue and cash flows. The Yiduoyan Project is in the development stage where full-scale site construction is currently taking place, and its operations are subject to a number of operating risks and hazards as described below. As such, the Yiduoyan Project may not ultimately become profitable. If we fail to derive the expected economic benefits from the Yiduoyan Project due to any delay or difficulty in its development, the occurrence of any event that causes it to operate at less-than-optimal capacity or any other negative development as described below, our business, financial condition and results of operations could be materially and adversely affected.

### Inherently high-risk industry

The mining industry in which we operate inherently has a high level of risk. The risk we face is an accumulated risk due to factors such as the nature of the ore body and surrounding rock, colour variation, quality variation, natural disasters, environmental, geotechnical and hydrological risks, health and safety and variations such as joints and fractures that may affect mining and processing.

Marble volume estimations are not exact calculations of the actual physical marble units but are rather an analysis of the returned results from drill core samples. In this respect, even if the sampling density is high, the sample population is still very small as compared with the possible mass of the entire deposit. Therefore, any estimation of resource and reserve based on this sample data will have inherent errors. The final or actual mined volume may not precisely match the estimated results. In particular, in the Yiduoyan Project, the benches have provided a limited amount of information on colour and texture. Similarly, error factors exist in any calculations of capital and operating costs for the development phase of the Yiduoyan Project, as not all the parameters affecting these estimates can be accurately defined or valued for future events. Mining operation incomes are also affected by the variations of the sale price of marble, transportation costs, fluctuations in the construction industry and other market instabilities.

\* For identification purpose only

Should we fail to manage the above risks or should any of the foregoing inherent risk materialise, our operation may be disrupted and we may be unable to bring the Yiduoyan Project into full-scale commercial production. In such case, our business and results of operations may be materially and adversely affected.

### **Limited number of customers**

A limited number of customers have, historically, consistently accounted for a significant portion of our revenues. Accordingly, our success will depend on our continued ability to develop and manage relationships with major customers. In the event that any of these customers substantially reduce the quantity of their purchase order notwithstanding the minimum quantity they are obliged to purchase or otherwise terminate their business relation with us entirely, our business and results of operations may be materially and adversely affected if we are unable to find substitute customers in a timely manner.

### **Operating risks and hazards**

Our mining operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include: (i) unexpected maintenance or technical problems; (ii) interruptions of our mining operations due to unfavourable weather conditions and natural disasters (such as earthquakes, floods and landslides); (iii) accidents; (iv) unexpected outbreak of epidemic diseases; (v) electricity or water supplies interruptions; (vi) critical equipment failures in our mining operations; and (vii) unusual or unexpected variations in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas. These risks and hazards may result in personal injury, damage to, or destruction of production facilities, environmental damages and could temporarily disrupt our operations and damage our business reputation.

Any disruption for a prolonged period to the operations of our mine or production facilities may have a material adverse effect on our business, financial condition and results of operations.

For more details about the general risks and uncertainties facing the Group, please refer to the Prospectus.

In order to minimise the risk of exposure to market risks, we will seek to:

- (i) broaden our potential customer base so that even if any of our existing customers are to terminate the sales contract, we can minimize the impact of the loss of any one customer and secure orders from other potential customers to replace any loss of business on comparable terms; and
- (ii) lower production rate in response to possible weakening of market demand in order to minimise our risk exposure.

## **FUTURE PROSPECTS**

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies:

### **Response to COVID-19**

In mid January 2020, the novel coronavirus (“**COVID-19**”) spread widely in the PRC. Facing the grim situation of the COVID-19 outbreak, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, during this critical period, the Group has proactively taken steps in ensuring stable operations.

At present, the Group coordinates with different parties and takes swift actions. It actively discusses with the customers for effect of delay in delivery due to the traffic restrictions imposed by the PRC government authorities. The Group also implements various flexible working arrangements. The Group uses its best endeavors to mitigate the adverse impact of the COVID-19 outbreak on the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group will closely monitor the development of COVID-19 and ensure the safety of employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for epidemic prevention, operations and business development accordingly. The Group will make timely disclosure on any significant matters.

### **Business Outlook**

#### *Develop marble and marble-related business*

We will continue to develop the Yiduoyan Project and are confident about its future prospects of marble business. The Group is actively exploring new customers by different ways including through the network of the senior management, as well as through our sales teams in Beijing and Xiamen. We expect our business will have a stable growth in the coming years.

Other than enlarging customer base, we are also preparing for the application of enhancing annual production capacity for the Yiduoyun Project to meet our future orders. The application is subject to approval by the relevant government authorities and we will update the application status as appropriate.

Besides, we will increase product varieties and recognition through industry exchanges. As part of our future plans for acquisitive growth, we plan to continue to carefully identify and evaluate selective acquisition opportunities. The potential acquisition disclosed in the announcement of the Company dated 27 September 2019 can be beneficial to the Group's future business development in non-ferrous minerals especially in terms of processing technology. In addition, by co-operating with the Institute through the Institute's continuous interests in 30% of the equity interests in the Target Company, the Group is expected to co-operate with the Institute to research on the processing of marble ore and marble related products, and thus enabling us to process the Group's existing products in a more cost efficient manner. The potential acquisition is expected to create synergy with the marble sales business.

#### **Develop the commodities trading business**

We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. Although the Group has disposed of two joint venture companies engaged in commodities trading business, we will still look for any attractive opportunities in the trading business.

#### **Money lending business (Discontinued Operation)**

Due to keen market competition and the challenging environment, risks associated with the possible default by the borrowers and decline in loan interest rates, we have disposed of and ceased the operation of our money lending business during the Year in order to focus on the core business of the Group.

## SEGMENT INFORMATION

Particulars of the Group's segment information are set out in note 4 to the financial statements of this report.

## LIQUIDITY, CAPITAL RESOURCES AND GEARING RATIO

During the Year, the Group's liquidity funds were primarily used to invest in the development of our mine and for its operations and such funds were funded by a combination of capital contribution by shareholders as well as cash generated from operation.

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB31.90 million which were denominated in Hong Kong dollars and Renminbi (2018: approximately RMB2.66 million).

The Group had no borrowings as at 31 December 2019. Therefore, the gearing ratio (defined as long term debt divided by total shareholder's equity) is not applicable. The current ratio of the Group as at 31 December 2019 was approximately 8.31 times as compared to 5.51 times as at 31 December 2018, based on current assets of approximately RMB39.71 million (as at 31 December 2018: approximately RMB77.43 million) and current liabilities of approximately RMB4.78 million (as at 31 December 2018: approximately RMB14.06 million).

### **CAPITAL STRUCTURE**

There had been no material change in the capital structure of the Group since 31 December 2018.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Group employed a total of approximately 39 full time employees (FY 2018: approximately 50 employees) in Hong Kong and the PRC. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Besides, the Group also provides medical benefits and subsidies employees in various training and continuous education programmes.

### **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2019, the Group had authorised, but not contracted for capital commitments of approximately RMB26.98 million, which are primarily for the construction and purchase of property, plant and equipment for our development purpose.

The Group had no significant contingent liabilities as at 31 December 2019.

### **CHARGES OVER GROUP'S ASSETS**

The Group had no charges over the Group's assets as at 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS

For the Year, the Group had significant investments in equity securities of companies listed on the Stock Exchange which were classified as financial assets at fair value through profit or loss. The details are set out as follows:

Stock code	Name of investee company	Number of shares held as at 31 December 2019	Percentage of shareholding as at 31 December 2019	Investment cost HK\$	Unrealized gain/(loss) on change in fair value for the year ended	Fair value as at	Percentage of total financial assets at fair value through profit or loss as at	Percentage of total assets of the Group as at
					31 December 2019 HK\$ (Note 1)	31 December 2019 HK\$	31 December 2019	31 December 2019
0204	China Investment Development Limited (Note 2)	2,000,000	0.1890%	321,157	(321,157)	0	0.00%	0.00%
1227	National Investments Fund Limited (Note 3)	11,750,000	1.2847%	2,336,788	(292,288)	2,044,500	98.41%	2.50%
1783	Golden Ponder Holdings Limited (Note 4)	50,000	0.0063%	9,627	(177)	9,450	0.45%	0.01%
2312	China Financial Leasing Group Limited (Note 5)	100,000	0.0062%	11,686	1,114	12,800	0.62%	0.02%
8430	C&N Holdings Limited (Note 6)	5,000	0.0008%	388	12	400	0.02%	0.00%
8437	RMH Holdings Limited (Note 7)	56,000	0.0093%	11,679	(2,663)	9,016	0.43%	0.01%
8547	Pacific Legend Group Limited (Note 8)	10,000	0.0010%	1,634	(334)	1,300	0.06%	0.00%
Total:				<u>2,692,959</u>	<u>(615,493)</u>	<u>2,077,466</u>	<u>100%</u>	<u>2.54%</u>



### Notes:

1. These figures do not take into account the realized gain or loss arising from the disposal of the relevant equity securities during the Year.
2. According to the latest interim report of China Investment Development Limited, it recorded revenue of approximately HK\$301,000 and a net loss of approximately HK\$29,277,000 for the six months ended 30 September 2019.
3. According to the latest interim report of National Investments Fund Limited, it did not generate any revenue and recorded a net loss of approximately HK\$25,043,000 for the year ended 31 December 2019.
4. According to the latest interim report of Golden Ponder Holdings Limited, it recorded revenue of approximately HK\$135,212,000 and a net loss of approximately HK\$2,276,000 for the six months 30 September 2019.
5. According to the latest interim report of China Financial Leasing Group Limited, it recorded revenue of approximately HK\$1,000 and a net loss of approximately HK\$65,683,000 for the year ended 31 December 2019.
6. According to the latest annual report of C&N Holdings Limited, it recorded revenue of approximately \$28,749,00 (Singapore dollar) and a net loss of approximately \$980,000 (Singapore dollar) for the year ended 31 December 2019.
7. According to the latest annual report of RMH Holdings Limited, it recorded revenue of approximately \$7,225,000 (Singapore dollar) and a net profit of approximately \$158,000 (Singapore dollar) for the year ended 31 December 2019.
8. According to the latest annual report of Pacific Legend Group Limited, it recorded revenue of approximately HK\$307,718,000 and a net loss of approximately HK\$7,802,000 for the year ended 31 December 2019.

### Brief description of principal business and future prospect of investee companies

Name of investee company	Principal business and future prospect
China Investment Development Limited	<p>Investment holding for medium to long-term capital appreciation purposes and investment in listed and unlisted securities.</p> <p>As disclosed in the interim report for the six months ended 30 September 2019, China Investment Development Limited penetrates to diversify the investment portfolio and sourcing stable investments to reduce the risk of concentration in one single Hong Kong stock market. The company will keep on seeking business investment opportunities in Chinese enterprises with potentials, it is believed that they will bring considerable long-term returns. The company will adopt a pragmatic and enterprising approach to deploy the investment strategy, with an objective to contribute favorable return for shareholders.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Name of investee company    Principal business and future prospect**

National Investments Fund Limited	<p>Investments in a diversified portfolio of listed and unlisted companies.</p> <p>As disclosed in the annual report for the year ended 31 December 2019, National Investments Fund Limited will continue to implement diversified investment strategy aimed at identifying suitable investment opportunities with potential of asset appreciation to bring about better return to the company and the shareholders. The company will also continue to adopt and maintain a prudent but proactive investment approach and will closely monitor the performance of the investment portfolios and is confident that the investment portfolios will deliver results and add value to the shareholders of the company.</p>
Golden Ponder Holdings Limited	<p>Provision of superstructure building and RMAA works service as a main contractor in Hong Kong. Superstructure building works refer to the building works in relation to the parts of the structure above the ground level and the scope of the company's superstructure building works contracts mostly consists of development projects for residential and commercial buildings. RMAA works refer to the repair, maintenance, alteration and addition works for an existing structure.</p> <p>As disclosed in the interim report for the six months ended 30 September 2019, Hong Kong's operating and investment environment sector was being severely buffeted by external forces, including trade tension between the Mainland and the United States, as well as the impact of months of ongoing social incidents, and the local economy has slipped into a technical recession since the third quarter of 2019. In addition, as the construction market in Hong Kong is highly competitive, it is expected that the profit margin will remain substantially suppressed. Golden Ponder Holdings Limited will continue to face uncertain economic conditions and tougher trade environment in the second half of financial year, while the company will continue to use its best endeavors and prudence to bid for new major profitable projects.</p>
China Financial Leasing Group Limited	<p>Short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities.</p> <p>As disclosed in the annual report for the year ended 31 December 2019, China Financial Leasing Group Limited remains cautious on the stock market in 2020. The company will continue to monitor the market movement closely and explore listed and unlisted investment opportunities so as to diversify the investment portfolio and sourcing stable investments to reduce the risk of concentration; and to enhance the investment return for shareholders of the company.</p>

**Name of investee company    Principal business and future prospect**

C&N Holdings Limited    Provision of transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing.

As disclosed in the annual report for the year ended 31 December 2019, C&N Holdings Limited continues to strive to provide customers with timely delivery and storage of their containers, enhancing overall competitiveness and market share in Singapore. The increasing challenge with the uncertainty in the global trade economy will continue to affect the general economic and market conditions in Singapore and the industry in which they operate. The company expects to: (a) maintain growth in the industry and enhance overall competitiveness and market share in Singapore; (b) increase service capacity through the acquisition of new vehicles; (c) enhance and expand the company's workforce to keep up with the company's business expansion; (d) purchase a new office to incorporate an increase in workforce; and (e) enhance the company's information technology system. With the uncertainty in the global trade economy, the company is cautious with its expansion plans.

RHM Holdings Limited    Provision of dermatology treatment solutions, specialized in skin cancer, skin diseases and aesthetic procedures, to customers in Singapore.

As disclosed in the annual report for the year ended 31 December 2019, RMH Holdings Limited will continue to seek to enlarge the market share in the dermatological and surgical services industry in Singapore and to build their reputation, grow the "Dermatology & Surgery Clinic" brand and business. The company will continue to consolidate the position in the market and achieve a continued growth in the business. The company is exploring to further grow by capturing opportunities from markets with substantial growth potential such as Hong Kong and the People's Republic of China. Besides, the company also intend to broaden of the product line as they believed that it would complement the expansion plan.

Pacific Legend Group Limited    Sale and rental of home furniture and accessories and the provision of project and hospitality services.

As disclosed in the annual report for the year ended 31 December 2019, Pacific Legend Group Limited will continue to actively cut costs and streamline operations wherever possible to deliver on the strategic development plans and take advantage of growth opportunities as they arise in all regions. The company will also continue to develop the Sonder Living @Indigo partnership which will allow them to gain more retail and B2B market share. The company will also continue to develop the brand to stay aligned with current market trends and technology ensuring they remain ahead of the competitor curve.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, no dividend was received from the above securities investment. As at 31 December 2019, the market value of the listed securities being held by the Group was approximately HK\$2,077,466 and an unrealized loss on fair value change was approximately HK\$615,493. No impairment was made to the above securities investment.

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by various factors including the overall economic environment, equity market conditions, investor sentiment and business performance of the investee companies. The Board will continue to look for attractive investment opportunities which can generate better returns to its shareholders.

Save as disclosed above, there were no other significant investments by the Group during the Year.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there was no specific plan for material investments or capital asset as at 31 December 2019.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars ("**HKD**") and Renminbi ("**RMB**"). The exchange rates of RMB against HKD remained relatively stable during the year under review. During the Year, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the related foreign currency exposure and will take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

# CORPORATE GOVERNANCE REPORT

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, and can protect the rights of shareholders and enhance the value to shareholders. The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and accountability to our shareholders. This corporate governance report is prepared in compliance with the reporting requirements as contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and to enhance the corporate value, accountability and transparency of the Company. The Company’s corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules. Except for the deviations of the CG Code as explained below, the Company had complied with the applicable code provisions of the CG Code during the Year. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of its business.

Under Code Provision A.1.3, notice of at least 14 days should be given of a regular Board meeting to give all directors an opportunity to attend. For all other Board meetings, reasonable notice should be given. Due to the practical reasons, 14 days’ advance notifications have not been given for most of the meetings of the Board during the Period. Reasons have been given in the notifications in respect of those meetings of the Board where it was not feasible to give 14 days’ advance notification. The Board will use its best endeavors to give 14 days’ advance notifications of Board meeting to the extent practicable.

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Due to other business engagement, the chairman is not able to hold such meeting with the independent non-executive directors annually.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Due to other business engagement, the chairman of the Board, the non-executive director and all independent non-executive directors of the Company were unable to attend the adjourned annual general meeting of the Company held on 26 June 2019.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 to the Listing Rules (the “**Model Code**”).

The Company has put in place the following measures to ensure compliance with the Model Code by the Directors:

- (1) the Company has prepared an internal guideline on share dealings by the directors (which include the relevant requirements and prohibitions under the Model Code) (the “**Internal Guideline**”) and such Internal Guideline has been circulated to each of the Directors upon joining the Board;

## CORPORATE GOVERNANCE REPORT

- (2) upon joining the Board, each of the Directors will be provided with a set of comprehensive training materials (the “**Training Materials**”) in relation to the Listing Rules, which cover, among others, the requirements and prohibitions on the directors’ shares dealing activities under the Model Code. In particular, the Training Materials contains, among others, a separate section on dealing in securities of the Company by the Directors. Such section expressly provides, among others, that dealings in the securities of the Company are absolutely prohibited during the period of 60 days immediately preceding the publication date of the annual results; and
- (3) before the commencement of the black-out period for the interim results and annual results of the Company, the company secretary of the Company will, on behalf of the Board, notify all the Directors by email (the “**Notification Email**”) the date of commencement of each black-out period and remind the Directors regarding the prohibition of shares dealings during the black-out period. It is also expressly set out in such email that the Directors are prohibited from dealing in the securities of the Company during the black-out period.

The Board considers that the preparation and provision of the Internal Guideline and Training Materials, which set out in Chinese the relevant provisions and requirements under the Model Code, would enable the Directors to obtain an understanding of the dealing restriction during the black-out period and the procedures that they need to follow before dealing in the securities of the Company. Further, the Notification Email, which is sent out to each Director before the commencement of the black-out period, will serve to remind the Directors of the dealing restrictions under the Model Code. The Board therefore considered that the implementation of the above measures would minimise the chance of breach of the Model Code by the Directors.

Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code during the Year.

## BOARD OF DIRECTORS

### Composition

During the Year and as of the date of this report, the composition of the Board is set out as follow:

Board Members	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Ms. Liu Jie <i>(Ceased on 5 March 2020)</i>	Chairperson and Executive Director			
Mr. Li Yuguo	Executive Director			
Mr. Liu Yan Chee James <i>(Appointed on 9 August 2019)</i>				
Mr. Lyu Bin <i>(Appointed on 29 April 2020)</i>	Executive Director			
Mr. Hu Minglong <i>(Resigned with effect from 29 April 2020)</i>	Executive Director			
Mr. Chen Gang <i>(Resigned with effect from 9 August 2019)</i>	Executive Director			
Mr. Rao Dacheng	Executive Director			
Ms. Yang Xiaoqiu	Executive Director			
Mr. Yang Xiaoqiang	Vice Chairman and Non-executive Director			
Mr. Chen Xun	Independent Non-executive Director	Member	Chairman	Chairman
Mr. Zhang Yijun	Independent Non-executive Director	Member	Member	Member
Prof. Lau Chi Pang J.P.	Independent Non-executive Director	Member	Member	Member
Ms. Liu Shuyan	Independent Non-executive Director	Chairman	Member	Member

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of professional ethics and integrity. The biographical details of each Director are disclosed on pages 44 to 46 of this annual report. Save as disclosed therein, there are no financial, business, family or other material or relevant relationships among members of the Board.

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

Each independent non-executive Director has, pursuant to Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent within the meaning of the Listing Rules.

The term of office of the non-executive Directors and each of the independent non-executive Directors is for a term of three years unless terminated by either party giving at least one month's notice in writing or equivalent payment in lieu. All of them are subject to retirement by rotation and re-election at an annual general meeting at least once every three years.

During the year under review, Ms. Liu Jie (ceased on 5 March 2020) served as the chairman of the Board. Mr. Liu Yan Chee James was the chief executive officer and executive director of the Company to oversee the business of the Group and executing decisions of the Board.



## CORPORATE GOVERNANCE REPORT

### Function

The Board is responsible for formulation and approval of the Group's overall development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements and reporting, share issuance and repurchase, nomination of directors, appointment and remuneration of key management personnel, related party transactions, ensuring human and financial resources are appropriately applied, the periodic evaluation of the performance for the achievement of results and monitoring of significant transactions to ensure they are conducted in accordance with the Articles, Listing Rules and other applicable laws and regulations.

The executive Directors are responsible for the day-to-day management of the Group's operations. These executive Directors conduct regular meetings with the senior management of the Group, at which operational issues and financial performance of the Group are evaluated.

The Articles contain description of responsibilities and operation procedures of the Board. The Board holds regular meetings to discuss and consider significant matters relating to existing operations and proposals of new operations and projects.

The vice chairman of the Board ensures that Board meetings are held whenever necessary. Though the company secretary is responsible for setting the Board meeting's agenda, all Board members are encouraged to participate to include matters in the agenda. The Board conducts meetings on a regular basis and extra meetings are convened when circumstances require. The Articles allow a Board meeting to be conducted by way of a tele-conference.

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees and Directors, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

There were ten Board meetings being held during the Year and the attendance of individual Directors is as follows:

	Board Meetings
<b>Executive Directors:</b>	
Liu Jie ( <i>Ceased on 5 March 2020</i> )	0/10
Li Yuguo	8/10
Liu Yan Chee James ( <i>Appointed on 9 August 2019</i> )	5/5
Lyu Bin ( <i>Appointed on 29 April 2020</i> )	N/A
Hu Minglong ( <i>Resigned with effect from 29 April 2020</i> )	10/10
Chen Gang ( <i>Resigned with effect from 9 August 2019</i> )	4/5
Rao Dacheng	6/10
Yang Xiaoqiu	9/10
<b>Non-Executive Director:</b>	
Yang Xiaoqiang	9/10
<b>Independent Non-executive Directors:</b>	
Chen Xun	9/10
Zhang Yijun	8/10
Prof. Lau Chi Pang J.P.	7/10
Liu Shuyan	8/10

There was one general meeting being held during the Year and the attendance of individual Directors is as follows:

	<b>AGM</b>
<b>Executive Directors:</b>	
Liu Jie <i>(Ceased on 5 March 2020)</i>	0/1
Li Yuguo	0/1
Liu Yan Chee James <i>(Appointed on 9 August 2019)</i>	N/A
Lyu Bin <i>(Appointed on 29 April 2020)</i>	N/A
Hu Minglong <i>(Resigned with effect from 29 April 2020)</i>	1/1
Chen Gang <i>(Resigned with effect from 9 August 2019)</i>	0/1
Rao Dacheng	0/1
Yang Xiaoqiu	1/1
<b>Non-Executive Director:</b>	
Yang Xiaoqiang	0/1
<b>Independent Non-executive Directors:</b>	
Chen Xun	0/1
Zhang Yijun	0/1
Prof. Lau Chi Pang J.P.	0/1
Liu Shuyan	0/1

#### **Continuous Professional Development of the Directors**

During the Year, all the Directors have been kept abreast of their responsibilities as a Director and of the conduct, business activities and development of the Group.

Under code provision A.6.5 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses and are requested to provide their respective training record.

## CORPORATE GOVERNANCE REPORT

The individual training record of each Director received for the Year is summarised below:

Name of director	Attending seminar(s)/ programme(s)/conference(s) relevant to the business or directors' duties	Self-reading
<b>Executive Directors:</b>		
Liu Jie <i>(Ceased on 5 March 2020)</i>		
Li Yuguo	√	√
Liu Yan Chee James <i>(Appointed on 9 August 2019)</i>	√	√
Lyu Bin <i>(Appointed on 29 April 2020)</i>	N/A	N/A
Hu Minglong <i>(Resigned with effect from 29 April 2020)</i>		√
Chen Gang <i>(Resigned with effect from 9 August 2019)</i>		√
Rao Dacheng		√
Yang Xiaoqiu		√
<b>Non-Executive Director:</b>		
Yang Xiaoqiang	√	√
<b>Independent Non-executive Directors:</b>		
Chen Xun		√
Zhang Yijun		√
Prof. Lau Chi Pang J.P.		√
Liu Shuyan		√

### Responsibilities

The overall management of the Group's operation is rested in the Board. Their responsibilities include, among other things, (1) convening regular Board meetings focusing on business strategy, operational issues and financial performance of the Group; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting of the Group; (3) monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuring processes are in place to maintain the overall integrity of the Group, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all applicable laws and regulations. The management is delegated with the authority and responsibility by the Board for the daily business operations and administrative functions of the Group.

### Director's Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and to ensure that the financial statements of the Group will give a true and fair view of the Group's state of affairs, results and cash flow and are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. In preparing the financial statements of the Group for the Year, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards; and
- made judgments and estimates that are prudent and reasonable; and have prepared the consolidated financial statements on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### Delegation by the Board

The Board has established three Board committees, namely audit committee, remuneration committee and nomination committee to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and is required to report to the Board regularly on their decisions and recommendations. The day-to-day operation of the Group, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

### Audit Committee

The audit committee of the Board (the "**Audit Committee**") consists of all the independent non-executive Directors, namely Mr. Chen Xun, Mr. Zhang Yijun, Prof. Lau Chi Pang J.P. and Ms. Liu Shuyan. It is chaired by Ms. Liu Shuyan.

The Audit Committee reports directly to the Board and reviews the matters relating to the relationship with the external auditors, financial information of the Company, financial reporting system, risk management and internal control systems. The Audit Committee meets with the Company's external auditors to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

There are three Audit Committee meetings being held during the Year. The individual attendance of each member is as follows:

Liu Shuyan ( <i>Chairman</i> )	2/3
Chen Xun	3/3
Zhang Yijun	2/3
Prof. Lau Chi Pang J.P.	3/3

The members of the Audit Committee have full access to and co-operation from the management of the Group and they have full discretion to invite any Director or executive to attend the meeting. The Audit Committee had performed, among other things, the following functions during the Year: (1) reviewed external auditors' audit report and matters incidental thereto; (2) discussed the internal control system and risk management; and (3) reviewed the periodic financial statements of the Company and made recommendation to the Board for approval.

The Audit Committee had, amongst other things, reviewed the audited results of the Group for the Year and this report.

### Remuneration Committee

The remuneration committee of the Board (the "**Remuneration Committee**") consists of all the independent non-executive Directors, namely Mr. Chen Xun, Mr. Zhang Yijun, Prof. Lau Chi Pang J.P. and Ms. Liu Shuyan. It is chaired by Mr. Chen Xun.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

## CORPORATE GOVERNANCE REPORT

There are two Remuneration Committee meetings being held during the Year. The individual attendance of each member is as follows:

Chen Xun ( <i>Chairman</i> )	2/2
Zhang Yijun	2/2
Prof. Lau Chi Pang J.P.	2/2
Liu Shuyan	2/2

At the meetings held during the Year, the Remuneration Committee had, among other things, reviewed and discussed the remuneration policy, the remuneration package and bonus arrangements.

### **Nomination Committee**

The nomination committee of the Board (the "**Nomination Committee**") consists of all the independent non-executive Directors, namely Mr. Chen Xun, Mr. Zhang Yijun, Prof. Lau Chi Pang J.P. and Ms. Liu Shuyan. It is chaired by Mr. Chen Xun.

The Nomination Committee is responsible for, among other things, the nomination of the Directors, reviewing the structure of the Board, number of Directors and the composition of the Board and the Company's Board diversity policy. To maintain high quality of the Board with a balance of skill and experience, the Nomination Committee will identify individuals who fulfill the designated criteria of the Company. When assessing the quality of the individual, the Nomination Committee makes reference to his experience, qualification, integrity and other relevant factors.

There are two Nomination Committee meetings being held during the Year. The individual attendance of each member is as follows:

Chen Xun ( <i>Chairman</i> )	2/2
Zhang Yijun	2/2
Prof. Lau Chi Pang J.P.	2/2
Liu Shuyan	2/2

At the meetings held during the Year, the Nomination Committee had, among other things: (1) reviewed the structure, size and composition of the Board; (2) reviewed the Company's Board diversity policy; (3) discussed the casual vacancies arising from resignation of Directors during the Year; and (4) assessed the independence of independent non-executive Directors.

### **Board Diversity Policy**

The Board has adopted a Board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises ten Directors. Four of the Directors are independent non-executive Directors and independent of the management of the Group, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in terms of professional background or skills.



**Nomination Policy**

The company secretary of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

**DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS**

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the Listing Rules.

The statement of the external auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 47 to 51 of this annual report.

**REMUNERATION OF EXTERNAL AUDITORS**

During the Year, remuneration paid to the Company's auditors, Messrs Ernst & Young, was as follows:

Services rendered:	RMB'000
— audit services	1,185
— non-audit service	96

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors during the Year.

**INTERNAL CONTROL AND RISK MANAGEMENT**

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group and for reviewing their effectiveness. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimise risks of failure in operation systems. The Company is committed to implementing a stricter and more regulated internal control and risk management procedures in the new financial year.

The risk management and internal control system are reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present risk management and internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

During the Year, the Group did not have an internal audit function but has engaged an external professional firm to conduct the annual review of the risk management and internal control systems. The review has covered financial, operational and compliance control on a cyclical basis and some recommendations were provided in the internal control review report. All recommendations are properly followed up by the Group. Therefore, the Board considered that the risk management and internal control systems are effective and adequate.

### INSIDE INFORMATION

The Board is responsible for ensuring the Group's compliance with its disclosure obligations regarding inside information, and has appointed a disclosure group with specific designated duties to assist it in, among other things, overseeing and coordinating the disclosure of inside information. The procedures and internal controls for the handling and dissemination of inside information are given in a policy (the "**PSI Policy**") that was adopted by the Company to ensure that it is able to meet relevant obligations under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**"). The PSI Policy applies to all directors, officers and employees of the Group.

Under the PSI Policy, the Company must disclose inside information to the public by way of an announcement as soon as reasonably practicable unless the information falls within any of the safe harbours as stipulated under the SFO. Any director, officer or employee who becomes aware of any matter, development or event that he or she considers to be, or potentially to be, inside information shall report it promptly to the disclosure group. Before the relevant information is fully disclosed to the public, the disclosure group should take reasonable precautions to ensure that the information is kept strictly confidential. Where it is believed that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the information should be disclosed immediately to the public. If the disclosure group needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the disclosure group should consider issuing a "holding announcement" which details as much ascertainable information of the subject matter as possible and sets out the reasons why a full announcement cannot be made. Following a holding announcement, the disclosure group should ensure that a full announcement is made as soon as reasonably practicable. In the event that confidentiality has not been maintained and it is not able to make a full announcement or a holding announcement, the disclosure group should consider applying for a trading halt in the Company's securities, subject to approval of the Board, until disclosure can be made. All inside information announcements must be properly approved by the Board before publication, and all unpublished inside information must be kept in strict confidence until a formal announcement is made. The disclosure group must further ensure that access to unpublished inside information is given only to employees on a "need-to-know" basis for discharging their duties. Apart from reporting to the disclosure group, every director, officer or employee who possesses or has been given access to unpublished inside information must not disclose, discuss or share such information to or with any other parties within or outside the Group. The PSI Policy also sets out the criteria for advance disclosure of inside information to certain categories of people as may be necessary in the circumstances. In this case, the disclosure group should monitor the situation so that disclosure may be made as soon as reasonably practicable if there is any leakage of information. Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed by securities codes applicable to relevant employees and directors.

## SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration of the Group for the year ended 31 December 2019 falls within the following bands:

	Number of individuals
HK\$ Nil to HK\$1,000,000	2
HK\$1,000,001 to HK\$1,500,000	1
	<u>3</u>

## COMPANY SECRETARY

Mr. Wu Ho Wai is the company secretary of the Company. During the Year, Mr. Wu had taken no less than 15 hours of relevant professional trainings to update his skill and knowledge as required under the Listing Rules. Please refer to the section headed "Biography of Directors and Senior Management" of this report for his biographical information.

## COMMUNICATIONS WITH SHAREHOLDERS

The objective of shareholders' communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses various communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, annual and interim reports, various notices, announcements, circulars and electronic means of communication via the Company's website.

The annual general meetings provide a useful forum for shareholders to exchange views with the Board. The chairman of the Board, Directors, Board committees' chairman or members and external auditors, where appropriate, are available to answer questions at the meetings.

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the articles of association of the Company (the "**Articles**"), shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the company secretary of the Company. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in accordance with the Articles.

## CORPORATE GOVERNANCE REPORT

If any shareholder wishes to nominate a person to stand for election as a Director at general meeting, the following documents must be validly served on the Company's principal place of business in Hong Kong (Unit 3006, 30/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong) or to the branch share registrar of the Company (Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong), provided that the minimum length of the period, during which such documents are given, shall be at least seven days and that (if such documents are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such documents shall commence on the day after the despatch of the notice of a general meeting appointed for election of director and end no later than seven days prior to the date of such meeting:

- (i) notice in writing signed by the shareholder of his/her intention to propose such person for election (the "**Nominated Candidate**");
- (ii) notice in writing signed by the Nominated Candidate of his/her willingness to be elected; and
- (iii) the biographical details of the Nominated Candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address: Unit 3006, 30/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan,  
Hong Kong (For the attention of the Company Secretary)  
Fax: 852–2104 9060  
Email: contact@fbmining.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by the applicable laws and regulations.

An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website.

Shareholders may refer to the Articles for further details of their rights. The poll results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.futurebrightltd.com](http://www.futurebrightltd.com)) after the relevant general meetings.

## CONSTITUTIONAL DOCUMENTS

Pursuant to the written resolutions of the shareholders of the Company passed on 8 December 2014, the Articles were approved and adopted. Since the date of listing of the shares of the Company (being 9 January 2015) and up to the date of this report, no change has been made to the Articles and the memorandum of association of the Company.

# REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements for the Year.

## PRINCIPAL ACTIVITIES

The Company is a marble mining company and it acts as an investment holding company. The Group has been focusing on developing the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC. The principal activities and other particulars of its subsidiaries are set out in note 1 to the audited consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at 31 December 2019 are set out in the audited consolidated financial statements on pages 52 to 121 of this annual report.

## DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles of Association of the Company (the "**Articles**") and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in their long-term development, the financial conditions and business plan of the Group, and the market sentiment and circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Directors do not recommend the payment of a final dividend for the Year.



## REPORT OF THE DIRECTORS

### KEY PERFORMANCE INDICATORS (“KPIs”) WITH THE STRATEGY OF THE GROUP

The Group sets a number of KPIs to support the delivery of its strategies with its performance as below:

Strategy	KPIs	Performance
Maximise value for its shareholders	Gross profit margin = 37.71% (2018: 21.95%)  Return on equity = -32.55% (2018: -56.85%)	During the Year, the increase in average gross profit margin was mainly due to disposal of business with low profit margin.
Enhance customers satisfaction and maintain quality control	Number of complaint from customers = 0 (2018: 0)	The Group has established its quality control team. The Group targets to maintain its zero customer complaint record.
Improve the Group’s liquidity	Financing activity cash outflow = RMB2,581,000 (2018: RMB3,948,000 cash inflow)  Cash and bank balances = RMB31,898,000 (2018: RMB2,655,000)	The Group has maintained its normal financial position for the Year. The Group targets to maintain its cash position to a higher security level.
Strive for the “Zero Harm” safety goal	Number of occupational injury = 0 (2018: 0)	The Group has developed and implemented a system to monitor and record employee occupational safety statistics and provided training on production safety for its mining staff.

## USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds (the “**Net Proceeds**”) from the listing (the “**Listing**”) of the shares the Company on the Main Board of the Stock Exchange on 9 January 2015 (the “**Listing Date**”), after deducting the underwriting fees and commissions and other fees and expenses in relation to the Listing, amounted to approximately HK\$56 million (equivalent to approximately RMB45 million). The Net Proceeds have been applied in accordance with the proposed applications set out in the section headed “Future plans and use of proceeds” contained in the prospectus of the Company dated 29 December 2014 (the “**Prospectus**”).

Up to 31 December 2019, the Group had used the Net Proceeds as follows:

	Original allocation of Net Proceeds			Change in use of Net Proceeds (Note)		Utilisation up to 31 December 2019		Remaining balance of unused Net Proceeds as at 31 December 2019	
	HK\$'million	RMB	% of Net Proceeds	HK\$'million	RMB	HK\$'million	RMB	HK\$'million	RMB
		Equivalent 'million			Equivalent 'million		Equivalent 'million		Equivalent 'million
Capital expenditure of the Yiduoyan Project	45.6	36.5	81.3%	(12.5)	(10)	13.2	10.6	19.9	15.9
Development of sales channels and marketing	5	4.1	9%	—	—	5	4.1	—	—
Working capital and other general corporate purposes including expenses for our day-to-day operation	5.4	4.4	9.7%	12.5	10	17.9	14.4	—	—
<b>Total</b>	<b>56</b>	<b>45</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>36.1</b>	<b>29.1</b>	<b>19.9</b>	<b>15.9</b>

During the Year, the utilised Net Proceeds were approximately RMB0.4 million (details as follow) and the remaining Net Proceeds as at 31 December 2019 were approximately RMB15.9 million.

	Remaining Net Proceeds as at 31 December 2019	Net Proceeds utilised for the Year
	RMB'million	RMB'million
Capital expenditure of Yiduoyan Project	15.9	0.4
Development of sales channels and marketing	—	—
Working capital and other general corporate purposes	—	—
<b>Total</b>	<b>15.9</b>	<b>0.4</b>

Note:

On 15 July 2016, the Board had resolved to allocate not more than RMB10 million out of the unutilised proceeds originally intended for the development of the Yiduoyan Project for working capital and other general corporate purposes including expenses for our day-to-day operation. For details, please refer to the announcement of the Company dated 15 July 2016.

With a view to putting the Company's resources to better use, the Board had therefore temporarily re-allocated the aforesaid unutilized Net Proceeds of approximately HK\$19.9 million (equivalent to approximately RMB15.9 million) for the use of equity investment of securities listed on the Stock Exchange and general working capital

## REPORT OF THE DIRECTORS

of the Group. The Board will keep monitoring the overall development of the marble market and industry in the PRC and will deploy the unutilized Net Proceeds of approximately HK\$19.9 million back to the development of the Yiduoyan Project as and when appropriate after taking into account the market environment at the relevant time. The Group intends to use the remaining proceeds of approximately HK\$19.9 million by the end of December 2020.

### USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

#### Placing of new shares on 16 February 2017

The net proceeds from the placing of new shares under general mandate on 16 February 2017, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK\$34 million (equivalent to approximately RMB30 million).

Up to 31 December 2019, the Group had used the net proceeds as follows:

	Original allocation of net proceeds			Utilisation as at 31 December 2019		Remaining balance of net proceeds as at 31 December 2019	
	HK\$'million	RMB Equivalent 'million	% of net proceeds	HK\$'million	RMB Equivalent 'million	HK\$'million	RMB Equivalent 'million
Building a processing plant to produce slabs	24	21	70.59%	1	0.88	23	20.12
General working capital of the Group	10	9	29.41%	10	9	—	—
<b>Total</b>	<b>34</b>	<b>30</b>	<b>100.00%</b>	<b>11</b>	<b>9.88</b>	<b>23</b>	<b>20.12</b>

In relation to the plan for the construction of a processing plant, the Group plans to construct such processing plant in the stone industry park\* (石材產業園) invested by the Nanzhang People's Government\* (南漳縣政府 人民政府) of the PRC. As at the date of this report, the Group is arranging for the relevant procedures with the government authority for the construction plan, and the land parcel on which the processing plant is to be built is undergoing infrastructure constructions (including ground leveling and access to water, electricity, telecommunication, road and sewage) (commonly known as 五通一平). Due to outbreak of COVID-19, the progress will be further delayed. According to the existing plan of the Group, the Group intends to use the remaining proceeds of approximately HK\$23 million for the construction of the processing plant by 30 June 2021. Nevertheless, the construction of the processing plant is subject to both approval of the relevant governmental authority and the grant of the land use rights and based on the information available to the Group as at the date hereof, the said land will only be available after 30 September 2020.

In view of the aforesaid development, up to 31 December 2019, the utilized net proceeds were approximately HK\$11 million and the remaining proceeds as at 31 December 2019 were approximately HK\$23 million.

As disclosed above, the land for the construction of the processing plant (the "Subject Land Parcel") is expected to be available in or around June 2020. In view of the postponement of the timetable for the development of the processing plant, the Group had temporarily re-allocated the remaining proceeds of approximately HK\$23 million to investment in equity securities of companies listed on the Stock Exchange and general working capital of the Group. It is expected that the Group will obtain the aforesaid HK\$23 million in or around June

\* For identification purpose only

2020 when the Subject Land Parcel will be available through the realization of the equity securities. The Group intends to use the remaining proceeds of approximately HK\$23 million for the construction of a processing plant as originally planned.

	<b>Remaining net proceeds as at 31 December 2019</b>	<b>Net proceeds utilized up to 31 December 2019</b>
	HK\$'million	HK\$'million
Building a processing plant to produce slabs	23	1
General working capital of the Group	—	10
	<hr/>	<hr/>
Total	<u>23</u>	<u>11</u>

## MAJOR CUSTOMERS AND SUPPLIERS

	<b>Percentage of the Group's total Sales</b>	<b>Group's total Purchases</b>
Largest customer	49.47%	
Five largest customers in aggregate	100.00%	
Largest supplier		48.22%
Five largest suppliers in aggregate		78.51%

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers of the Group.

## SHARE PREMIUM, RESERVES AND DISTRIBUTABLE RESERVES

As of 31 December 2019, the aggregate amount of reserves available for distribution to the equity holders of the Company amounted to approximately RMB97.53 million (2018: approximately RMB115.03 million).

Details of movements in the share premium and reserves of the Group during the Year are set out in note 30 to the audited financial statements and page 108 of this annual report.

## SHARE CAPITAL

Particulars of the Company's share capital are set out in note 29 to the audited financial statements.

## CHARITABLE DONATIONS

Approximately RMB35,000 donation in kind was made by the Group during the Year (2018: RMB0.95 million cash donation).

## PERMITTED INDEMNITY PROVISIONS

During the Year, the Directors and officers are insured under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud or dishonesty.

## REPORT OF THE DIRECTORS

### SEGMENT INFORMATION

The segment information of the Group for the Year is set out in note 4 to the audited financial statements.

### FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for each of the five years ended 31 December 2019, as extracted from the audited financial statements, is set out on page 122 of this annual report. This summary is for information only and does not form part of the audited financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 14 to the audited financial statements.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the Year and up to the date of this report were as follow:

#### **Executive Directors:**

Liu Jie (*Ceased on 5 March 2020*)

Li Yuguo

Liu Yan Chee James (*Appointed on 9 August 2019*)

Lyu Bin (*Appointed on 29 April 2020*)

Hu Minglong (*Resigned with effect from 29 April 2020*)

Chen Gang (*Resigned with effect from 9 August 2019*)

Rao Dacheng

Yang Xiaoqiu

#### **Non-Executive Director:**

Yang Xiaoqiang

#### **Independent Non-Executive Directors:**

Chen Xun

Zhang Yijun

Prof. Lau Chi Pang J.P.

Liu Shuyan

The biographical details of the Directors are set out on pages 44 to 46 of this annual report.

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.

In accordance with article 83(3) of the Articles, any Director appointed by the Board to fill casual vacancy on the Board shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the



other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to article 83(3) of the Articles, Mr. Liu Yan Chee James (appointed on 9 August 2019) and Mr. Lyu Bin (appointed on 29 April 2020) will retire as Director at the forthcoming annual general meeting of the Company (the “**2020 AGM**”) and, being eligible, offer themselves for re-election. Mr. Rao Dacheng, Ms. Yang Xiaoqi and Ms. Liu Shuyan will retire by rotation at the 2020 AGM pursuant to article 84(1) of the Articles and, being eligible, will offer themselves for re-election.

The term of office of the non-executive Directors and each of the independent non-executive Directors is for a term of three years unless terminated by either party giving at least one month’s notice in writing or equivalent payment in lieu. All of them are subject to retirement by rotation and re-election at an annual general meeting at least once every three years.

Save as disclosed above, no Director proposed for re-election at the 2020 AGM has or is proposed to have a service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 34 to the consolidated financial statements.

The related party transactions set out in note 34 to the consolidated financial statements constituted connected transactions of the Company but were fully exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS

### Disposal of a subsidiary

On 22 March 2019, Future Bright (H.K.) Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with one of the non-controlling shareholders of Future Bright Lithium Technology Company Limited (the “**FB Lithium**”), namely Zhong Xi Int’l Holding Limited which held 15% shares of the FB Lithium, to dispose of the 51% equity interest of FB Lithium for a cash consideration of HKD5,240,000. The disposal was completed on 30 September 2019. This disposal constituted a connected transaction of the Group but was exempted from the circular and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the Company’s announcements dated 22 March 2019 and 5 July 2019.

### Acquisition of 70% equity interest of Target Company

On 27 September 2019, the Company entered into a sale and purchase agreement with 深圳市中科九台資源利用科技產業股份有限公司 (Shenzhen Zhongke Jiutai Resources Technology Co., Ltd.\*) (the “**Vendor**”) on 27 September 2019 to acquire 70% equity interest of 深圳中科九台資源利用研究院有限公司 (Shenzhen Zhongke Jiutai Resources Utilization Research Institute Co., Ltd.\*) (the “**Target Company**”) (the “**Acquisition**”) at the consideration of RMB62,000,000. The Vendor is a company incorporated in the PRC with limited liability and was jointly established by Mr. Li and the Institute for the purpose of conducting researches in mineral processing methodology and as investment arm. The Target Company is owned as to 70% by the Vendor, in which Mr. Li, an executive director and the controlling shareholder of the Company, has an indirect majority equity interest. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The acquisition constituted a connected transaction and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company’s announcements dated 27 September 2019, 15 November 2019, 31 December 2019, 31 January 2020, 28 February 2020 and 31 March 2020.

\* For identification purposes only

### CONTINUING CONNECTED TRANSACTION

#### Patent License and Technology Support Agreement

On 27 September 2019, the Target Company and the Vendor also entered into a patent license and technology support agreement (the “**Patent License and Technology Support Agreement**”) for a period of three years commencing from the completion date of the Acquisition, pursuant to which the Target Company agreed to, subject to completion of the Acquisition, grant to the Vendor a non-exclusive license to use certain patents registered under the name of the Target Company and undertakes to procure the Institute to provide technical support services to the Vendor at an aggregate annual fee of RMB38,000,000.

Upon completion of the Acquisition as mentioned in the paragraph headed “Acquisition of 70% equity Interest of Target Company” above, the Target Company will become a direct non-wholly owned subsidiary of the Company. The Vendor, in which Mr. Li, an executive director, the controlling shareholder and a connected person of the Company, has an indirect majority equity interest, is an associate of Mr. Li. Accordingly, the transaction contemplated under the Patent License and Technology Support Agreement constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company’s announcements dated 27 September 2019, 15 November 2019, 31 December 2019, 31 January 2020, 28 February 2020 and 31 March 2020.

### DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

### DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this annual report, 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 the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the Year.

### CONTROLLING SHAREHOLDERS’ INTEREST

Saved as disclosed in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined under the Listing Rules) of the Company or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

### DISCLOSURE OF INTERESTS

#### Directors’ and Chief Executive’s Interests and short positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2019, the interest or short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as were required to be notified to the Company and the Stock Exchange pursuant to Division 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 as were recorded in the register required to be kept 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 as set out in Appendix 10 to the Listing Rules (the “**Model Code**”):

Name of Director	Company/name of associated corporation	Nature of interest	Number of Ordinary Shares		Approximate % of shareholding
			Long Position	Short Position	
Li Yuguo	The Company	Beneficial owner and interest in controlled corporation	2,388,995,000	—	61.73 (Note 1)
Yang Xiaoqiu	The Company	Beneficial owner	241,140,000	—	6.23

Note:

- These 2,388,995,000 shares including (i) 100,760,000 shares owned by Mr. Li Yuguo as beneficial owner and (ii) 2,288,235,000 shares directly held by Zhong Ke Jiu Tai Technology Group Limited, which is in turn wholly-owned by Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited. Mr. Li Yuguo is the beneficial owner of the entire issued share capital of Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited.

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executive of the Company had registered any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 taken or deemed to be under such provisions of the SFO), or as were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2019, the following persons or corporations, other than the Directors or chief executive of the Company, had or were deemed or taken to have interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Long/short position	Capacity and nature of interest	Number of ordinary shares	Approximate % shareholding
Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited	Long position	Interest in controlled corporation	2,288,235,000 (Note 1)	59.13
Zhong Ke Jiu Tai Technology Group Limited	Long position	Beneficial owner	2,288,235,000 (Note 1)	59.13

Note:

- These 2,288,235,000 Shares are registered in the name of Zhong Ke Jiu Tai Technology Group Limited, which is directly wholly-owned by Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited. Mr. Li Yuguo is the beneficial owner of the entire issued share capital of Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2019.

## REPORT OF THE DIRECTORS

### MANAGEMENT CONTRACTS

There is no contract entered into by the Company relating to its management and administration of the entire or any substantial part of the business of the Group.

### EMOLUMENT POLICY AND REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Under the Mandatory Provident Fund Scheme, the Hong Kong employees are required to make regular mandatory contributions calculated at 5% of the employee's relevant income to an MPF scheme, subject to the minimum and maximum relevant income levels. No forfeited contribution is available to reduce the existing level of contributions for the defined contribution scheme.

The employees of the subsidiaries in the PRC are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the PRC in which they operate. The subsidiaries are required to contribute certain percentage of the relevant part of the payroll of these employees to the central pension scheme.

The emoluments of the Directors are decided by the Board and the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and the five highest paid individuals are set out in notes 8 and 9, respectively, to the audited financial statements.

Mr. Chen Gang, who has resigned on 9 August 2019, has agreed to waive his unpaid emolument during his appointment period.

### PRE-EMPTIVE RIGHTS

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

### CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code in Appendix 14 to the Listing Rules during the Year, except for those code provisions as set out above. Details of the corporate governance of the Company are set out in the Corporate Governance Report on pages 21 to 32 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules during the Year and at any time up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

### RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to its shareholders by reason of their holding of the shares of the Company.

### **BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES**

The business review of the Group for the Year, an indication of likely future developments in the Group's business and the principal risks and uncertainties facing the Group are included in the section "Management Discussion and Analysis" on pages 5 to 20 of this annual report. Those discussions form part of this Report of the Directors.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

The 2019 Environmental, Social and Governance Report of the Company will be disclosed separately at the websites of the Company and the Stock Exchange.

### **EVENTS AFTER THE REPORTING PERIOD**

In the beginning of 2020, the mass outbreak of COVID-19 continues to spread throughout the PRC and to countries across the world.

Since the core business of the Group is located in Hubei province, the PRC, the COVID-19 has a significant impact on the business operations of the Group in particular the mining activity as well as the delivery of marble blocks to certain degree in 2020, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. The Group has implemented various measures to mitigate the impacts of COVID-19 on the business and a number of measures to ensure the health and safety of the Group's employees.

The Group will continue to monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the announcement, the assessment is still in progress.

As announced by the Company on 5 March 2020, the office of Ms. Liu Jie, the former chairman and executive Director of the Company, has been vacated with effect from 5 March 2020 pursuant to Article 86(3) of the Articles of the Company. Please refer to the Company's announcement dated 5 March 2020 for further details.

Mr. Hu Minglong has resigned as an executive Director with effect from 29 April 2020 due to the need to spend more time on his other personal commitments. Mr. Lyu Bin has been appointed as an executive Director on 29 April 2020. For details of the above change, please refer to the announcement of the Company dated 29 April 2020.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this annual report.

### **AUDITORS**

The consolidated financial statements of the Group for the Year have been audited by Messrs. Ernst & Young, which will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2020 AGM. A resolution will be proposed to the 2020 AGM to re-appoint Messrs. Ernst & Young as auditors of the Company.

On behalf of the Board

**Li Yuguo**

*Executive Director*

Hong Kong, 12 May 2020



# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The profile of Directors and senior management as at the date of this annual report are as follows:

## EXECUTIVE DIRECTORS

**Mr. Li Yuguo**, aged 66, graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)) (Jiangxi, PRC) in July 1983, majoring in industrial accounting. He is an executive director and chairman of the board of directors of Asia Resources Holdings Limited (“**Asia Resources**”), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock Code: 899). He has been a non-executive director of Shengjing Bank Co., Ltd.\* (盛京銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 2066), since July 2013 and the vice chairman of the board of directors of the said bank from June 2014 to February 2018. He has been the chairman of Liaoning Huibao International Investment Group Co., Ltd.\* (遼寧匯寶國際投資集團有限公司) since June 2013 and the chairman of Beijing Jiutai Group Co., Ltd.\* (北京九台集團有限公司) since May 1993. Liaoning Huibao International Investment Group Co., Ltd. is principally engaged in investing activities and Beijing Jiutai Group Co., Ltd.\* (北京九台集團有限公司) is principally engaged in property development, property investment and management. Prior to that, he had worked at the planning bureau of the China Association for Science and Technology\* (中國科學技術協會) as principal staff, deputy chief and chief of the accounting division from August 1983 to October 1992. Mr. Li also has experience in mining business in The People’s Republic of China (the “**PRC**”) relating to non-ferrous metals mining during his involvement in Beijing Jiutai Group Co. Limited and related affiliate companies.

**Mr. Liu Yan Chee James**, aged 50, was appointed as the chief executive officer and executive director of our Group on 26 October 2018 and 9 August 2019 respectively. He has over 20 years of experience in finance and accounting. Mr. Liu has been the sales director and licensed representative of KGI Asia Limited during the period between October 2004 to September 2010 and Tung Shing Securities (Brokers) Limited during the period between September 2010 and October 2015. In February 1994, he graduated from Dalhousie University in Canada with a Bachelor of Commerce. He is an executive director and the chief executive officer of Asia Resources and an executive director of Mindtell Technology Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8611). He was also an independent non-executive director of Luen Wong Group Holdings Limited, a company listed on GEM (Stock Code: 8217) from March 2016 to December 2017.

**Mr. Lyu Bin**, aged 51, graduated from Inner Mongolia Institute of Agriculture and Animal Husbandry\* (內蒙古農牧學院) in agricultural machinery in June 1991, majoring in machinery manufacturing, agricultural machinery management and enterprise management. He worked as a technician and the head of the production and operation department of Grassland Cement Group Co., Ltd.\* (草原水泥集團有限公司) from 1991 to 2005, engaged in production and costing management. He worked as the supervisor of the staff, procurement, manpower and management departments of Baotou Want Want Company\* (包頭旺旺公司) in Inner Mongolia, a subsidiary of Want Want Group\* (旺旺集團), which is a Taiwan-owned enterprise, from September 2005 to July 2012. During this tenure as the supervisor, he has received Japanese enterprise management system trainings of Want Want Group and has extensive experience in factory cost and quality control. He served as the general manager of the mining department of Baotou Xinxing Industrial Company\* (包頭鑫星實業公司) in Inner Mongolia, a subsidiary of Fujian Zhentong Investment\* (福建振通投資) from December 2012 to October 2015, engaged in coordinating the exploration, mining and trading of the company’s mineral resources. Since October 2015, he has been the vice president of Xincheng (Group) Co., Ltd.\* (鑫辰(集團)有限公司), mainly responsible for the mining rights, technology and costing of companies in the mining segment. Mr. Lyu joined Shenzhen Zhongke Jiutai Resources Technology Co., Ltd.\* (深圳中科九台資源科技有限公司) in October 2016 and was appointed as the company’s executive director in September 2017, mainly responsible for the company’s project preparation, research and other related work and responsible for project preparation, research and other related work of the company. Since 6 April 2020, Mr. Lyu has been the director of two subsidiaries of the Company, namely Future Bright (H.K.) Investment Limited and Xiangyang Future Bright Mining Limited.

\* For identification purpose only

**Mr. Rao Dacheng**, aged 44, graduated from Beijing Jing Qiao University\* (北京京橋大學) with a bachelor's degree in business administration in 1999. He has extensive experience in business management, strategy development and execution. Mr. Rao worked as a general manager at Wuhan Huatong Electric Equipment Company\* (武漢華通電氣設備公司) from February 2000 to March 2001. From January 2004 to September 2010, he held the position of general manager at Qingdao Chuanghao Group Co. (Shenyang) Limited\* (青島創豪集團(瀋陽)分公司). From October 2010 to September 2013, he held the position of general manager at Zhejiang Fifth Season Trading Limited\* (第五季(浙江)商貿有限公司). From September 2013 to September 2014, he held the position of director at Fifth Season International Petrochemical (Shenzhen) Limited\* (第五季國際石化(深圳)有限公司). Since September 2014, he has been a director of HaiNanZhong Fishing Boat Service Limited\* (海南中漁船務服務有限公司).

**Ms. Yang Xiaoqiu**, aged 33, graduated from Hangzhou Normal University Qianjiang College\* (杭州師範大學錢江學院) with a bachelor's degree in tourism management in July 2008. She has extensive experience in operation and corporate management. Ms. Yang held the position of director at Hangzhou Chinese Apparel Limited\* (杭州華人服飾有限公司) from September 2008 to May 2014. Since July 2015, she has been the chairman of Shanghai Dons Lamour Jewelry Limited\* (上海再戀珠寶有限公司). She has been a director of AARUI International Group Holding Company Limited (愛瑞爾國際集團控股有限公司) since August 2017. Besides, she has been the non-executive director of China Investment Development Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00204), since August 2018 and the chairman of the board of directors of the said company since September 2018.

### NON-EXECUTIVE DIRECTOR

**Mr. Yang Xiaoqiang**, aged 48, obtained a master degree in civil and commercial law from Shenyang Normal University\* (瀋陽師範大學) in July 2001. Mr. Yang has extensive experience in real estate development and investment management. He has been appointed as director and general manager of Shenyang Tairong Real Estate Development Corporation Limited\* (瀋陽泰榮房地產開發有限公司) since September 2010 and a non-executive director and vice chairman of Asia Resources since September 2018.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chen Xun**, aged 47, obtained a professional qualification in financial auditing (財金系審計專業) from Nanjing Audit College\* (南京審計學院) in July 1995 and a bachelor's degree in accounting (會計學專業) from Nanjing University of Science & Technology\* (南京理工大學) in July 2003. He was certified as a Senior Accountant by Human Resources and Social Security Department of Jiangsu Province\* (江蘇省人力資源和社會保障廳) in July 2013. He has extensive experience in auditing and accounting, corporate finance, investment and financial management. Since February 2008, he has been the head of the ministry of securities department of Jiangsu Yueda Investment Company Limited\* (江蘇悅達投資股份有限公司), a company listed on the Shanghai Stock Exchange of the PRC (Stock Code: 600805.SH).

**Mr. Zhang Yijun**, aged 64, obtained his bachelor's degree in environmental engineering from China University of Geosciences\* (中國地質大學) in July 2005 and a diploma in geological mineral exploration from Hunan Province School of Geosciences\* (湖南省地質學校) in August 1980. From August 1980 to July 2015, he has served at Hunan Province Geological Survey Institute\* (湖南省湘南地質勘察院) for geological survey and mineral exploration.

\* For identification purpose only

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

**Prof. Lau Chi Pang J.P.**, aged 59, obtained a master of philosophy from the University of Hong Kong in November 1987 and a doctor of philosophy from the University of Washington in August 2000. He is currently a professor in the history department of Lingnan University. He has lectured at Lingnan University since September 1993. He has also been the secretary general of Hong Kong Local Records Foundations and director of Hong Kong Local Records Office (香港地方誌辦公室) since June 2009 and the director of the history of Hong Kong and southern China research department of Lingnan University since September 2005. He had served as the vice chairman of the Tuen Mun District Council of Hong Kong from July 2011 to December 2011 and had been a member of the Tuen Mun District Council from January 2004 to December 2011. He has been an independent non-executive director of Shengjing Bank Co., Ltd. (盛京銀行股份有限公司) (Stock Code: 02066) from July 2014 to August 2018. He has been an independent non-executive directors of Acme International Holdings Limited (Stock Code: 1870) since October 2019.

**Ms. Liu Shuyan**, aged 45, graduated from Renmin University of China\* (中國人民大學) with a bachelor's degree in Accounting (會計專業) in September 2005. She was certified as a Senior Accountant by the Senior Accreditation Committee of Professional Qualifications in Accounting of Shandong Province\* (山東省會計專業資格高級評審委員會) in June 2017. Ms. Liu has more than 20 years of experience in financial reporting, corporate finance, investment and financial management. Since August 2013, she has been appointed as director, deputy general manager and the financial controller of Kairuide Holding Company Limited\* (凱瑞德控股股份有限公司) ("Kairuide"), a company listed on the Shenzhen Stock Exchange of the PRC (Stock Code: 2072.SZ). The work responsibilities of Ms. Liu as the financial controller of Kairuide include (1) overseeing the daily financial accounting affairs and audit of Kairuide and its subsidiaries; (2) reviewing and supervising the financial reporting process and preparing the consolidated financial statements of Kairuide and its subsidiaries; (3) preparing the capital budget and operation efficiency analysis; (4) establishing the internal control system of Kairuide and supervising the accounting personnel to ensure the soundness of the financial management; and (5) coordinating with the external financial institutions on the arrangement of provision of financings.

### SENIOR MANAGEMENT

**Mr. Wu Ho Wai**, aged 43, is the chief financial officer and company secretary of our Group. He is the fellow member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu holds a degree of Bachelor of Arts in Accountancy from Hong Kong Polytechnic University. Mr. Wu has over 19 years of experience in accounting and auditing. He is also the company secretary and an authorized representative of Asia Resources.

**Mr. Liu Zhanghui**, aged 42, is currently the mine head of our Yiduoyan Project. He has approximately ten years of experience in extraction activities and production safety. Mr. Liu joined our Group in February 2012 and was appointed as the mine head of our Yiduoyan Project in June 2012. He is the key on-site person-in-charge of the daily operation of our Yiduoyan Project. Mr. Liu is primarily responsible for the setting up and management of mining production team, execution of mining plans, supervision and management of production activities, providing technical support and training to technical personnel for extraction activities, as well as overseeing production safety. Mr. Liu graduated from China Three Gorges University in July 2005.

\* For identification purpose only

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

Tel電話: +852 2846 9888  
Fax傳真: +852 2868 4432  
ey.com

**To the shareholders of Future Bright Mining Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Future Bright Mining Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 121, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2019, 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 ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<b>1. Impairment assessment on non-financial assets</b>	
<p>The Group's non-financial assets as at 31 December 2019, mainly comprised a mining right, property, plant and equipment, and right-of-use assets. In accordance with IFRS, management is required to perform detailed impairment assessment on those non-current assets when any impairment indicator is identified, and impairment provision is required when the recoverable amount is lower than the respective carrying value. The value in use was determined for the Group's individual cash-generating unit ("CGU") to which assets belong.</p>	<p>We assessed the value in use of the Group's individual CGU to which the assets belong and the impairment indicator that existed, which included, among others, involving our valuation specialists to assist us in evaluating the key assumptions and methodologies used by management, in particular, the marble block price projection and discount rate, and checking the data of mine reserves and resources used in the mine reserve report issued by an external qualified expert and certified by the local authority.</p>
<p>This matter was significant to our audit because the impairment assessment process was complex and involved significant judgements and estimations. The assessment of the existence of indicators of impairment of non-financial assets is judgemental. In the event that indicators are identified, the assessment of recoverable amounts of non-financial assets is also judgemental. The estimates involved in the assessment are particularly significant due to volatility of the market price of marble blocks, the estimation of future production and the uncertainty in connection with future economic outlook. The changes in the economic environment in China may lead to a decrease in production, revenue and profitability of the Group.</p>	<p>Regarding the marble block price projections and discount rate, we compared the key assumptions with external sources of information on the marble block industry and analysis of the specific risks relating to the relevant CGU.</p>
<p>The Group's disclosures about the impairment of these non-current assets are included in the section <i>Impairment of non-financial assets</i> in note 2.4, <i>Estimation uncertainty</i> in note 3, and notes 14 and 18 to the financial statements.</p>	<p>Regarding the capacity and projected output suggested within the mine reserve report, we assessed the mine geologist's professional competence in preparing the report and understanding the assumptions used in the estimation of mineral reserves and resources.</p> <p>We also focused on the adequacy of the Group's disclosures of impairment of non-current assets in the consolidated financial statements.</p>

**KEY AUDIT MATTERS (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>2. Recoverability of receivables</b></p> <p>As at 31 December 2019, the Group had trade receivables and other receivables amounting to RMB3,885,000 and RMB1,982,000, respectively.</p> <p>Management's estimate is required in assessing the expected credit losses ("ECLs") in accordance with IFRS 9. ECLs for receivables are based on management's estimate of lifetime ECLs to be incurred, which are estimated by taking into account the credit loss experience, ageing of overdue receivables, customers' repayment history and an assessment of both the current and forecast macro-economic conditions, all of which involve a significant degree of management estimation.</p> <p>Management has performed ECL analysis and concluded that ECL allowances of RMB5,818,000 and nil, should be recorded for trade receivables and other receivables, respectively, as at 31 December 2019.</p> <p>Related disclosures are included in notes 2.4, 3, 21 and 22 to the financial statements.</p>	<p>We examined management's assessment of the ECLs of receivables by checking, on a sampling basis, the bank-in slips for the settlements received subsequent to the end of the reporting period, the correctness of receivable ageing report, the recent historical repayment patterns and the correspondence with debtors. We also assessed the methodology in the ECL model against the requirements of IFRS 9.</p> <p>Furthermore, we also assessed the adequacy of disclosures in the consolidated financial statements.</p>



## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai.

**Ernst & Young**  
*Certified Public Accountants*  
 Hong Kong  
 12 May 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	5	<b>6,136</b>	38,746
Cost of sales		<u>(3,822)</u>	<u>(30,240)</u>
Gross profit		<b>2,314</b>	8,506
Other income and gains	5	<b>2,414</b>	463
Selling and distribution expenses		<b>(738)</b>	(6,623)
Administrative expenses		<b>(19,387)</b>	(20,347)
Other expenses		<b>(4,710)</b>	(22,953)
Impairment losses on financial assets, net		<b>(2,551)</b>	(3,325)
Losses on change in fair value of financial assets at fair value through profit or loss		<b>(2,859)</b>	(2,342)
Finance costs	7	<u><b>(393)</b></u>	<u>(74)</u>
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>(25,910)</b>	(46,695)
Income tax credit	10	<u><b>5,311</b></u>	<u>113</u>
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(20,599)</b>	(46,582)
<b>DISCONTINUED OPERATION</b>			
Profit/(loss) for the year from a discontinued operation	11	<u><b>125</b></u>	<u>(3,071)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(20,474)</b></u>	<u>(49,653)</u>
Attributable to:			
Owners of the Company		<u><b>(18,815)</b></u>	<u>(49,528)</u>
Non-controlling interests		<u><b>(1,659)</b></u>	<u>(125)</u>
		<u><b>(20,474)</b></u>	<u>(49,653)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	13		
Basic and diluted			
– For loss for the year		<u><b>RMB0.49 cents</b></u>	<u>RMB1.28 cents</u>
– For loss from continuing operations		<u><b>RMB0.49 cents</b></u>	<u>RMB1.20 cents</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>LOSS FOR THE YEAR</b>		<b><u>(20,474)</u></b>	<b><u>(49,653)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>1,195</b>	3,404
Reclassification adjustments for foreign operations disposed of during the year	31	<b><u>(571)</u></b>	<u>—</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b><u>624</u></b>	<b><u>3,404</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b><u>(19,850)</u></b>	<b><u>(46,249)</u></b>
Attributable to:			
Owners of the Company		<b><u>(18,382)</u></b>	(46,602)
Non-controlling interests		<b><u>(1,468)</u></b>	<u>353</u>
		<b><u>(19,850)</u></b>	<b><u>(46,249)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	9,367	11,848
Right-of-use assets	15	2,888	—
Long-term prepayments	17	162	618
Other intangible assets	18	21,210	22,074
Total non-current assets		33,627	34,540
<b>CURRENT ASSETS</b>			
Inventories	20	80	3,869
Trade receivables	21	3,885	31,071
Prepayments, other receivables and other assets	22	1,982	23,036
Financial assets at fair value through profit or loss	23	1,861	8,774
Loans receivable	24	—	8,026
Cash and cash equivalents	25	31,898	2,655
Total current assets		39,706	77,431
<b>CURRENT LIABILITIES</b>			
Trade payables	26	487	480
Other payables and accruals	27	2,030	9,345
Tax payable		—	84
Lease liabilities	15	2,258	—
An amount due to the ultimate controlling shareholder	34	—	4,152
Total current liabilities		4,775	14,061
<b>NET CURRENT ASSETS</b>		34,931	63,370
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		68,558	97,910
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	15	384	—
Deferred tax liabilities	19	4,011	9,395
Provision for rehabilitation	28	1,262	1,182
Total non-current liabilities		5,657	10,577
Net assets		62,901	87,333
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	29	3,087	3,087
Reserves	30	61,488	80,002
		64,575	83,089
Non-controlling interests		(1,674)	4,244
Total equity		62,901	87,333

Mr. Li Yuguo  
Director

Mr. Liu Yan Chee James  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 29)	Share premium* RMB'000 (Note 29)	Capital reserve* RMB'000 (Note 30)	Contributed reserve* RMB'000 (Note 30)	Safety	Statutory	Foreign	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					fund	reserve	currency				
					surplus reserve* RMB'000 (Note 30)	fund* RMB'000 (Note 30)	translation reserve* RMB'000				
At 1 January 2019	3,087	119,317	24,216	34,152	205	238	4,667	(102,793)	83,089	4,244	87,333
Loss for the year	-	-	-	-	-	-	-	(18,815)	(18,815)	(1,659)	(20,474)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,004	-	1,004	191	1,195
Reclassification adjustment for foreign operations disposed of during the year	-	-	-	-	-	-	(571)	-	(571)	-	(571)
Total comprehensive loss for the year	-	-	-	-	-	-	433	(18,815)	(18,382)	(1,468)	(19,850)
Establishment for safety fund surplus reserve	-	-	-	-	66	-	-	(66)	-	-	-
Use of safety fund surplus reserve	-	-	-	-	(132)	-	-	-	(132)	-	(132)
Disposal of subsidiaries (note 31)	-	-	-	-	-	-	-	-	-	(4,450)	(4,450)
At 31 December 2019	<u>3,087</u>	<u>119,317</u>	<u>24,216</u>	<u>34,152</u>	<u>139</u>	<u>238</u>	<u>5,100</u>	<u>(121,674)</u>	<u>64,575</u>	<u>(1,674)</u>	<u>62,901</u>

	Attributable to owners of the Company											
	Share capital RMB'000 (Note 29)	Share premium* RMB'000 (Note 29)	Share option reserve* RMB'000 (Note 30)	Capital reserve* RMB'000 (Note 30)	Contributed reserve* RMB'000 (Note 30)	Safety	Statutory	Foreign	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
						fund	reserve	currency				
						surplus reserve* RMB'000 (Note 30)	fund* RMB'000 (Note 30)	translation reserve* RMB'000				
At 1 January 2018	3,087	119,317	29,105	24,216	34,152	119	238	1,741	(82,280)	129,695	(57)	129,638
Loss for the year	-	-	-	-	-	-	-	-	(49,528)	(49,528)	(125)	(49,653)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	2,926	-	2,926	478	3,404
Total comprehensive loss for the year	-	-	-	-	-	-	-	2,926	(49,528)	(46,602)	353	(46,249)
Capital injections from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	3,948	3,948
Establishment for safety fund surplus reserve	-	-	-	-	-	90	-	-	(90)	-	-	-
Cancellation of share options	-	-	(29,105)	-	-	-	-	-	29,105	-	-	-
Use of safety fund surplus reserve	-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
At 31 December 2018	<u>3,087</u>	<u>119,317</u>	<u>-</u>	<u>24,216</u>	<u>34,152</u>	<u>205</u>	<u>238</u>	<u>4,667</u>	<u>(102,793)</u>	<u>83,089</u>	<u>4,244</u>	<u>87,333</u>

\* These reserve accounts comprise the consolidated reserves of RMB61,488,000 as at 31 December 2019 (31 December 2018: RMB80,002,000) in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax			
From continuing operations	6	<b>(25,910)</b>	(46,695)
From a discontinued operation	11	<b>125</b>	(3,071)
Adjustments for:			
Finance costs	7	<b>393</b>	74
Interest income	5	<b>(66)</b>	(1,375)
Gain on disposal of subsidiaries	31	<b>(1,724)</b>	—
Loss on disposal of items of property, plant and equipment	6	<b>2,150</b>	—
Fair value losses of financial assets at fair value through profit or loss	6	<b>2,859</b>	2,342
Use of safety fund surplus reserve		<b>(132)</b>	(4)
Depreciation of property, plant and equipment	6, 14	<b>898</b>	2,760
Depreciation of right-of-use assets	6, 15	<b>2,505</b>	—
Amortisation of a long-term prepayment	6, 17	<b>238</b>	140
Amortisation of intangible assets	6, 18	<b>427</b>	2,966
Impairment of goodwill	6, 16	<b>—</b>	4,453
Impairment of financial assets	6	<b>2,551</b>	6,567
Impairment of non-financial assets	6	<b>—</b>	16,107
		<b>(15,686)</b>	(15,736)
Decrease/(increase) in inventories		<b>3,789</b>	(1,482)
Decrease/(increase) in trade receivables		<b>22,859</b>	(120)
Decrease/(increase) in prepayments, other receivables and other assets		<b>2,476</b>	(13,038)
Increase in trade payables		<b>7</b>	330
Increase in an amount due to the ultimate controlling shareholder		<b>—</b>	4,152
(Decrease)/increase in other payables, accruals and contract liabilities		<b>(4,316)</b>	6,881
Cash generated from/(used in) operations		<b>9,129</b>	(19,013)
Cash payments for the interest portion of the lease liabilities	15	<b>(313)</b>	—
Interest received		<b>—</b>	15
Income taxes paid		<b>—</b>	(692)
Net cash flows from/(used in) operating activities		<b>8,816</b>	(19,690)

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	5	66	1,098
Purchases of items of property, plant and equipment and other long-term assets	14	(876)	(10)
Proceeds from disposal of items of property, plant and equipment		162	—
Payment for farmland occupation tax		—	(320)
Proceeds from disposal of financial assets at fair value through profit or loss		4,054	373
Provided loans		—	(5,230)
Disposal of subsidiaries	31	18,445	—
Net cash flows from/(used in) investing activities		<u>21,851</u>	<u>(4,089)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease payments	15	(2,581)	—
Capital injections from non-controlling shareholders of subsidiaries		—	3,948
Net cash flows (used in)/from financing activities		<u>(2,581)</u>	<u>3,948</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		28,086	(19,831)
Cash and cash equivalents at beginning of year		2,655	19,270
Effect of foreign exchange rate changes, net		1,157	3,216
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>31,898</u></u>	<u><u>2,655</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	25	<u>31,898</u>	2,655
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		<u><u>31,898</u></u>	<u><u>2,655</u></u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

## 1. CORPORATE AND GROUP INFORMATION

The Company was an exempted company with limited liability incorporated in the Cayman Islands on 23 August 2013 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- excavation and sale of marble blocks;
- production and sale of marble related products; and
- trading of mineral commodities.

In the opinion of the directors, the holding company of the Company is Zhong Ke Jiu Tai Technology Group Limited, a private company incorporated in Hong Kong, and the ultimate controlling shareholder of the Company is Mr. Li Yuguo.

### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gold Title Investments Limited	British Virgin Islands	US\$50,000	100	—	Investment holding
New Victoria Investments Limited	British Virgin Islands	USD1	100	—	Investment holding
World Harvest Group Limited	British Virgin Islands	USD1	100	—	Investment holding
Future Bright (H.K.) Investment Limited	Hong Kong	HKD10,000	—	100	Commodity trading
East Pacific Investment Limited	Hong Kong	HKD1	—	100	Investment holding
Main Pacific Investment Limited	Hong Kong	HKD1	—	100	Investment holding
Xiangyang Future Bright Mining Limited*	PRC/Mainland China	RMB20,000,000	—	100	Mining, ore processing and sale of marble products
Guangdong Future Bright Materials Limited**	PRC/Mainland China	RMB10,000,000	—	100	Wholesaling of construction and decoration materials
Future Bright Huanshuo (Xiamen) Building Materials Technology Company Limited***	PRC/Mainland China	RMB23,000,000	—	60	Wholesaling of construction and decoration materials
Future Bright (Shenzhen) Energy Technology Company Limited****	PRC/Mainland China	RMB20,000,000	—	100	Wholesaling of construction and decoration materials

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

- \* Xiangyang Future Bright Mining Limited is registered as a wholly-foreign-owned enterprise under PRC law.
- \*\* Guangdong Future Bright Materials Limited is a limited liability company wholly owned by Xiangyang Future Bright Mining Limited under PRC law.
- \*\*\* Future Bright Huanshuo (Xiamen) Building Materials Technology Company Limited is a limited liability company jointly invested by Future Bright (H.K.) Investment Limited and Xiamen Huanshuo Trading Limited under PRC law.
- \*\*\*\* Future Bright (Shenzhen) Energy Technology Company Limited is registered as a wholly-foreign-owned enterprise under 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 of the Company, result in particulars of excessive length.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting standards, International Accounting Standards and Interpretations ("IASs")) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and a defined benefit plan. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### 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 2019. 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.

### 2.1 BASIS OF PREPARATION (continued)

#### Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of 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 investment 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.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 16 Leases and IFRIC 23 uncertainty over Income Tax Treatments, the other new and revised standards are not relevant to the preparation of the Group's financial statements. The nature and impact of the IFRS 16 and IFRIC 23 are described below:

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) (continued)

#### *New definition of a lease*

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### *As a lessee — Leases previously classified as operating leases*

##### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term lease") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

##### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under prepaid forest rental payment of RMB218,000 that was reclassified from long-term prepayments.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.



## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

*Financial impact at 1 January 2019*

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000
<b>Assets</b>	
Increase in right-of-use assets	2,077
Decrease in prepayments, other receivables and other assets	(9)
Increase in reclassification of a long-term prepayment	<u>(218)</u>
Increase in total assets	<u><u>1,850</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u><u>1,850</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
<b>Operating lease commitments as at 31 December 2018</b>	<u>2,731</u>
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	<u>(488)</u>
	<u>2,243</u>
Weighted average incremental borrowing rate as at 1 January 2019	<u>8%</u>
Discounted operating lease commitments as at 1 January 2019	<u>1,850</u>
<b>Lease liabilities as at 1 January 2019</b>	<u><u>1,850</u></u>

- (b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IAS 1 IFRS 17	<i>Classification of Liabilities as Current or Non-current</i> <sup>2</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Business combinations and goodwill**

Business combinations 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.

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.

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 the consideration transferred, the amount recognised for non-controlling interests and 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill (continued)

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

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. 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 (other than inventories, financial assets and non-current assets), 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### 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;

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties (continued)

- (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 of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 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. 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 principal annual rates used for this purpose are as follows:

Buildings and improvements	9.70% to 33.00%
Plant and machinery	9.70% to 19.40%
Motor vehicles	24.25% to 33.00%
Office equipment	19.40% to 33.00%

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

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 are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction 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)

### 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### *Mining right*

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licences, 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 right is 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. The mining right is written off to profit or loss if the mining property is abandoned.

#### *Money lending licence*

Money lending licence is stated at cost less any impairment losses. The cost of a money lending licence acquired in a business combination is the fair value at the date of acquisition. The money lending licence will not be amortised until its useful life is determined to be finite, but subject to impairment testing annually.

### Leases (applicable from 1 January 2019)

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 forest	70 years
Various items of buildings	1 to 3 years

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (applicable from 1 January 2019) (continued)

#### *Group as a lessee (continued)*

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

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.

#### (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 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 machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

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.

### Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid forest lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### 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 is as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

## 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 risk 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).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 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 accruals, contract liabilities, and an amount due to the ultimate controlling shareholder.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and 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 the statement of 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 an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **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.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Inventories**

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

### **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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

### **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 the statement of profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining operation's 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.



### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Provisions (continued)

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in the statement of profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure. Additional disturbances or changes in estimates will be recognised as additions or changes to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

#### 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, associates and joint ventures, 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, 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 realized 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 taxes 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 realize 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.

### 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.

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

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

#### *(a) Sale of goods*

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

### Other Income

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.

Income from the rendering of services is recognised in the period in which the services are rendered.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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).

#### **Other employee benefits**

##### *Pension scheme*

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

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

##### *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 they become payable in accordance with the rules of the central pension scheme. The Group's liability in respect of the housing fund is limited to the contribution payable in each period.

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **Foreign currencies**

These financial statements are presented in RMB. The functional currency of the Company is the Hong Kong dollar ("HKD"). The Company's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

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.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

### Judgement

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:

#### *Judgement in determining the useful life of a mining right*

The Group has a mining right which represents the right for the mining of marble reserves at the Yiduoyan mine which is located in Nanzhang County, Hubei Province, the PRC. The existing mining permit will expire in 30 December 2021. The Group applies the judgement in evaluating whether or not to renew the mining permit. That is, it considers all relevant factors that create an economic incentive for it to renew.

The Group includes the renewal period as part of the useful life in the mining right due to the significance of this asset to its operations. As the mining permit has a very short remaining period (two years) and there will be a significant negative effect on production if a renewal is not readily available.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

#### **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:

#### *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, 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 in the stone processing sector or the property refurbishment sector, 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 customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

#### *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment (2018: 16,107,000) has been provided during the year.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

#### Estimation uncertainty (continued)

##### *Mine reserves*

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

##### *Useful lives of property, plant and equipment*

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2019 was RMB9,367,000 (2018: RMB11,848,000).

##### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax relating to recognised tax losses at 31 December 2019 was RMB769,000 (2018: Nil). The amount of unrecognised tax losses at 31 December 2019 was RMB27,902,000 (2018: RMB12,532,000). Further details are contained in note 19 to the financial statements.

##### *Provision for rehabilitation*

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting 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 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. The carrying amount of provision for rehabilitation as at 31 December 2019 was RMB1,262,000 (2018: RMB1,182,000).

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the marble blocks segment is a supplier of marble blocks mainly for further processing, construction or trading; and
- (b) the commodity trading segment conducts trading business of commodities.



## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 4. OPERATING SEGMENT INFORMATION (continued)

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/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, finance costs, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, equity investments at fair value through profit or loss 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.

Year ended 31 December 2019	Marble blocks RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	6,136	—	6,136
Revenue from continuing operations			<u>6,136</u>
<b>Segment results</b>	<b>(4,202)</b>	<b>(13,719)</b>	<b>(17,921)</b>
<i>Reconciliation:</i>			
Interest income			66
Finance costs (other than interest on lease liabilities)			(80)
Corporate and other unallocated expenses			<u>(7,975)</u>
Loss before tax from continuing operations			<u>(25,910)</u>
<b>Segment assets</b>	<b>34,408</b>	<b>20,532</b>	<b>54,940</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(15,358)
Corporate and other unallocated assets			<u>33,751</u>
Total assets			<u>73,333</u>
<b>Segment liabilities</b>	<b>20,205</b>	<b>1,241</b>	<b>21,446</b>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(15,358)
Corporate and other unallocated liabilities			<u>4,344</u>
Total liabilities			<u>10,432</u>

**4. OPERATING SEGMENT INFORMATION (continued)**

Year ended 31 December 2019	Marble blocks RMB'000	Commodity trading RMB'000	Unallocated RMB'000	Total RMB'000
<b>Other segment information:</b>				
Depreciation and amortisation	1,059	1,431	1,578	4,068
Capital expenditure*	—	—	876	876
Impairment losses/(Reversal of impairment losses) recognised in the statement of profit or loss, net	2,908	(357)	—	2,551

\* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

Year ended 31 December 2018	Marble blocks RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	7,854	30,892	38,746
Intersegment sales	2,852	—	2,852
	10,706	30,892	41,598
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,852)
Revenue from continuing operations			38,746
<b>Segment results</b>			
	(21,029)	(7,284)	(28,313)
<i>Reconciliation:</i>			
Elimination of intersegment results			(73)
Interest income			1,375
Finance costs			(74)
Corporate and other unallocated expenses			(19,610)
Loss before tax from continuing operations			(46,695)
<b>Segment assets</b>			
	54,556	56,954	111,510
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(19,778)
Assets related to a discontinued operation			8,464
Corporate and other unallocated assets			11,775
Total assets			111,971
<b>Segment liabilities</b>			
	22,552	5,933	28,485
<i>Reconciliation:</i>			
Elimination of intersegment payables			(19,778)
Liabilities related to a discontinued operation			37
Corporate and other unallocated liabilities			15,894
Total liabilities			24,638

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018	Marble blocks RMB'000	Commodity trading RMB'000	Unallocated RMB'000	Total RMB'000
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#### Other segment information:

Depreciation and amortisation	4,505	1,020	341	5,866
Capital expenditure*	320	10	—	330
Impairment loss of goodwill	—	—	4,453	4,453
Impairment loss of non-current assets	16,107	—	—	16,107
Impairment loss of trade receivables	2,799	526	—	3,325

\* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

#### Geographical information

##### (a) Revenue from external customers

	2019 RMB'000	2018 RMB'000
Hong Kong	—	22,015
Mainland China	<u>6,136</u>	<u>16,731</u>
	<u><b>6,136</b></u>	<u><b>38,746</b></u>

The revenue information of continuing operations above is based on the locations of the customers.

##### (b) Non-current assets

	2019 RMB'000	2018 RMB'000
Hong Kong	<u>3,183</u>	1,187
Mainland China	<u>30,444</u>	<u>33,353</u>
	<u><b>33,627</b></u>	<u><b>34,540</b></u>

The non-current assets information of continuing operations above is based on the locations of the assets.

#### 4. OPERATING SEGMENT INFORMATION (continued)

##### Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer E	3,226	—
Customer F	1,798	—
Customer G	1,497	—
Customer A	—	7,294
Customer B	—	4,728
Customer C	—	4,366
Customer D	—	4,128
	<u>          </u>	<u>          </u>

#### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Sale of goods	<u>6,136</u>	<u>38,746</u>

##### Revenue from contracts with customers

###### (i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Marble blocks RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Type of goods or services</b>			
Sale of marble blocks	<u>6,136</u>	<u>—</u>	<u>6,136</u>
<b>Geographical markets</b>			
Hong Kong	<u>—</u>	<u>—</u>	<u>—</u>
Mainland China	<u>6,136</u>	<u>—</u>	<u>6,136</u>
Total revenue from contracts with customers	<u>6,136</u>	<u>—</u>	<u>6,136</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>6,136</u>	<u>—</u>	<u>6,136</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 5. REVENUE, OTHER INCOME AND GAINS (continued)

#### Revenue from contracts with customers (continued)

##### (i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Marble blocks RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Type of goods or services</b>			
Sale of goods	7,854	30,892	38,746
<b>Geographical markets</b>			
Hong Kong	—	22,015	22,015
Mainland China	7,854	8,877	16,731
Total revenue from contracts with customers	<u>7,854</u>	<u>30,892</u>	<u>38,746</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>7,854</u>	<u>30,892</u>	<u>38,746</u>

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

#### For the year ended 31 December 2019

Segments	Marble blocks RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Revenue from contracts with customers</b>			
External customers	<u>6,136</u>	—	<u>6,136</u>
Total revenue from contracts with customers	<u>6,136</u>	—	<u>6,136</u>

**5. REVENUE, OTHER INCOME AND GAINS (continued)****Revenue from contracts with customers (continued)***(i) Disaggregated revenue information (continued)*

For the year ended 31 December 2018

Segments	Marble blocks RMB'000	Commodity trading RMB'000	Total RMB'000
<b>Revenue from contracts with customers</b>			
External customers	7,854	30,892	38,746
Intersegment sales	<u>2,852</u>	<u>—</u>	<u>2,852</u>
	10,706	30,892	41,598
Intersegment adjustments and eliminations	<u>(2,852)</u>	<u>—</u>	<u>(2,852)</u>
Total revenue from contracts with customers	<u><u>7,854</u></u>	<u><u>30,892</u></u>	<u><u>38,746</u></u>

There was no revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

*(ii) Performance obligations*

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

**Sale of marble blocks**

The performance obligation is satisfied upon delivery of the marble blocks and payment is generally due within 30 to 240 days from delivery, except for new customers, where payment in advance is normally required.

There were no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019.

	2019 RMB'000	2018 RMB'000
<b>Other income</b>		
Bank interest income	66	15
Rendering of services	377	448
Others	<u>400</u>	<u>—</u>
	<u>843</u>	463
<b>Gains</b>		
Foreign exchange differences, net	145	—
Gains on disposal of subsidiaries	<u>1,426</u>	<u>—</u>
	<u><u>2,414</u></u>	<u>463</u>



## NOTES TO FINANCIAL STATEMENTS

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### 6. LOSS BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of inventories sold	3,822	30,240
Staff costs (including directors' remuneration (note 8)):		
Wages and salaries	6,776	8,890
Pension scheme contributions	286	194
	<u>7,062</u>	9,084
Auditor's remuneration	1,185	1,185
Amortisation of intangible assets (note 18)	427	2,966
Amortisation of a long-term prepayment (note 17)	238	140
Depreciation of items of property, plant and equipment (note 14)	898	2,760
Depreciation of right-of-use assets	2,505	—
Fair value losses of financial assets at fair value through profit or loss	2,859	2,342
Foreign exchange differences, net	(145)	1,384
Impairment of goodwill (note 16)	—	4,453
Loss on disposal of items of property, plant and equipment	2,150	—
Impairment of trade receivables (note 21)	2,551	3,325
Impairment of property, plant and equipment (note 14)	—	4,872
Impairment of long-term prepayments (note 17)	—	316
Impairment of other intangible assets (note 18)	—	10,919
Minimum lease payments under operating leases	—	2,115
Lease payments not included in the measurement of lease liabilities (note 15)	242	—
	<u><u>242</u></u>	<u><u>—</u></u>

### 7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 RMB'000	2018 RMB'000
Interest on discounted provision for rehabilitation	80	74
Interest on lease liabilities (note 15)	313	—
	<u><u>393</u></u>	<u><u>74</u></u>

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

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:

	2019 RMB'000	2018 RMB'000
Fees	<u>636</u>	<u>553</u>
Other emoluments:		
Salaries, allowances and benefits in kind	2,371	2,810
Pension scheme contributions	<u>16</u>	<u>3</u>
	<u><b>3,023</b></u>	<u><b>3,366</b></u>

**(a) Independent non-executive directors**

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

	2019 RMB'000	2018 RMB'000
Mr. Chen Xun	159	43
Mr. Zhang Yijun	159	43
Prof. Lau Chi Pang J.P.	159	43
Ms. Liu Shuyan	159	43
Mr. Chow Hiu Tung	—	99
Mr. Hu Minglong	—	84
Mr. Lai Kwok Leung	—	99
Mr. Lau Tai Chim	—	99
	<u><b>636</b></u>	<u><b>553</b></u>

Mr. Chow Hiu Tung, Mr. Lai Kwok Leung and Mr. Lau Tai Chim resigned as independent non-executive directors on 19 September 2018. Mr. Hu Minglong was appointed as an independent non-executive director on 8 February 2018 and re-designated to an executive director on 19 September 2018. There were no emoluments payable to the independent non-executive directors during the year (2018: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

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

	Notes	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2019</b>				
Executive directors:				
Ms. Liu Jie	a	213	—	213
Mr. Li Yuguo	b	372	—	372
Mr. Liu Yan Chee James	c	—	—	—
Mr. Chen Gang	d	253	—	253
Mr. Hu Minglong	e	—	—	—
Mr. Rao Dacheng		372	—	372
Ms. Yang Xiaoqiu	f	372	—	372
		<u>1,582</u>	<u>—</u>	<u>1,582</u>
Non-executive director:				
Mr. Yang Xiaoqiang		213	—	213
Chief executive:				
Mr. Liu Yan Chee James	c	576	16	592
		<u>2,371</u>	<u>16</u>	<u>2,387</u>

	Notes	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2018</b>				
Executive directors:				
Ms. Liu Jie	a	205	—	205
Mr. Li Yuguo	b	101	—	101
Mr. Chen Gang	d	472	—	472
Mr. Hu Minglong	e	71	—	71
Mr. Rao Dacheng		470	—	470
Ms. Yang Xiaoqiu	f	227	—	227
Mr. Hu Guoan	g	225	—	225
Mr. Wan Tat Wai David	h	443	—	443
Mr. Yuan Shan	i	84	—	84
Mr. Zhang De Cong	j	127	—	127
Mr. Zheng Feng Wei	k	225	—	225
		<u>2,650</u>	<u>—</u>	<u>2,650</u>
Non-executive director:				
Mr. Yang Xiaoqiang		58	—	58
Chief executive:				
Mr. Liu Yan Chee James	c	102	3	105
		<u>2,810</u>	<u>3</u>	<u>2,813</u>

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)****(b)** Executive directors, non-executive director and chief executive: (continued)

- a) The office of Ms. Liu Jie, the former chairman and executive director, has been vacated with effect from 5 March 2020.
- b) Mr. Li Yuguo was appointed as an executive director on 19 September 2018.
- c) Mr. Liu Yan Chee James was appointed as the chief executive officer and an executive director on 26 October 2018 and 9 August 2019 respectively.
- d) Mr. Chen Gang was appointed as an executive director on 8 February 2018 and resigned on 9 August 2019.
- e) Mr. Hu Minglong was appointed as an independent non-executive directors on 8 February 2018 and re-designated to an executive director on 19 September 2018. He has resigned as an executive director with effect from 29 April 2020.
- f) Ms. Yang Xiaoqi was appointed as an executive director, the joint authorised representative and the joint service agent on 8 February 2018.
- g) Mr. Hu Guoan retired on 8 June 2018.
- h) Mr. Wan Tat Wai David resigned as an executive director of the Group and subsidiaries on 19 September 2018 and 31 January 2019 respectively.
- i) Mr. Yuan Shan resigned as an executive director on 19 September 2018.
- j) Mr. Zhang De Cong resigned as an executive director on 19 September 2018.
- k) Mr. Zheng Feng Wei resigned as the joint authorised representative and joint service agent on 8 February 2018 and retired as an executive director on 8 June 2018.

Except for Mr. Chen Gang, who has agreed to waive all his unpaid remuneration during his appointment period, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included three directors (2018: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	1,345	1,650
Termination benefits	—	222
Pension scheme contributions	27	46
	<u>1,372</u>	<u>1,918</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2019	2018
Nil to HKD1,000,000	1	3
HKD1,000,001 to HKD1,500,000	1	—
	<u>2</u>	<u>3</u>

During the year ended 31 December 2019, none of them was paid by the Group to one of the five highest paid individuals as termination benefits (2018: RMB222,000).

### 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Provision for the People's Republic of China (the "PRC") corporate income tax ("CIT") is based on the CIT rate applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2019. The Group's subsidiaries located in Mainland China were subject to the PRC CIT at the rate of 25% during the year ended 31 December 2019.

	2019 RMB'000	2018 RMB'000
Current — Mainland China		
Charge for the year	—	—
Underprovision in prior years	—	224
Current — Hong Kong		
Charge for the year	—	82
Deferred (note 19)	<u>(5,311)</u>	<u>(419)</u>
Total tax credit for the year	<u>(5,311)</u>	<u>(113)</u>

**10. INCOME TAX (continued)**

A reconciliation of income tax credit applicable to loss before tax at the applicable income tax rate in the PRC to income tax expense of the Group at the effective tax rate is as follows:

	%	2019 RMB'000	2018 RMB'000
Loss before tax from continuing operations		(25,910)	(46,695)
Profit/(loss) before tax from a discontinued operation		<u>125</u>	<u>(3,071)</u>
		<u>(25,785)</u>	<u>(49,766)</u>
Tax at the statutory tax rate	25	(6,445)	(12,442)
Tax effect of different taxation rates in other tax jurisdictions		2,742	4,492
Adjustments in respect of current tax of previous years		—	224
Expenses not deductible for tax		245	56
Tax losses not recognised		2,401	2,196
Temporary differences recognised from previous year		(4,280)	—
Tax effect of temporary differences not recognised		<u>26</u>	<u>5,361</u>
Income tax credit at the Group's effective rate		<u>(5,311)</u>	<u>(113)</u>
Income tax credit from continuing operations at the effective rate		<u>(5,311)</u>	<u>(113)</u>
Income tax credit from a discontinued operation at the effective rate		<u>—</u>	<u>—</u>

**11. DISCONTINUED OPERATION**

On 20 March 2019, the Company announced the decision of its board of directors to dispose of Future Bright Finance Limited. Future Bright Finance Limited engages in the money lending business. The Group decided to cease its money lending business to focus on its main mining sector. The disposal of Future Bright Finance Limited was completed on 30 May 2019. Future Bright Finance Limited was classified as a discontinued operation. With Future Bright Finance Limited being classified as a discontinued operation, the "others" segment, which mainly comprised of Future Bright Finance Limited's money lending business, was no longer included in the note for operating segment information.

The results of Future Bright Finance Limited for the year are presented below:

	2019 RMB'000	2018 RMB'000
Revenue	—	—
Other income and gains	—	1,360
Administrative expenses	(173)	(844)
Other expenses	—	(345)
Impairment loss on financial assets, net	<u>—</u>	<u>(3,242)</u>
Loss from the discontinued operation	<u>(173)</u>	<u>(3,071)</u>
Gain on disposal of the discontinued operation	<u>298</u>	<u>—</u>
Profit/(loss) for the year from the discontinued operation	<u>125</u>	<u>(3,071)</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 11. DISCONTINUED OPERATION (continued)

The net cash flows generated from the disposal of Future Bright Finance Limited are as follows:

	2019 RMB'000
Cash received from disposal of the discontinued operation	8,776
Cash and bank balances disposed of	<u>(30)</u>
	<u>8,746</u>

The net cash flows incurred by Future Bright Finance Limited are as follows:

	2019 RMB'000	2018 RMB'000
Operating activities	(173)	(879)
Investing activities	<u>—</u>	<u>(236)</u>
Net cash outflow	<u>(173)</u>	<u>(1,115)</u>
Earnings/(loss) per share:		
Basic and diluted from the discontinued operation	<u>RMB0.003 cents</u>	<u>RMB(0.079) cents</u>

The calculations of basic and diluted earnings/(loss) per share from the discontinued operation are based on:

	2019 RMB'000	2018 RMB'000
Profit/(loss) attributable to ordinary equity holders of the Company from the discontinued operation	125	(3,071)
Weighted average number of ordinary shares in issue during the year	<u>3,870,000,000</u>	<u>3,870,000,000</u>

### 12. DIVIDENDS

The board of directors does not recommend the payment of dividends to the ordinary equity holders of the Company for the year ended 31 December 2019 (2018: Nil).

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

The calculation of the basic loss per share amount 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 3,870,000,000 (2018: 3,870,000,000) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 December 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented (2018: Nil).





## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mine infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2018</b>							
At 31 December 2017 and at 1 January 2018:							
Cost or valuation	1,857	3,217	3,318	2,171	15,239	1,094	26,896
Accumulated depreciation and impairment	(839)	(1,773)	(1,321)	(1,424)	(2,119)	—	(7,476)
Net carrying amount	<u>1,018</u>	<u>1,444</u>	<u>1,997</u>	<u>747</u>	<u>13,120</u>	<u>1,094</u>	<u>19,420</u>
At 1 January 2018, net of accumulated depreciation and impairment	1,018	1,444	1,997	747	13,120	1,094	19,420
Additions	—	—	10	—	—	—	10
Depreciation provided during the year	(402)	(319)	(692)	(399)	(948)	—	(2,760)
Impairment	(28)	(377)	(8)	(12)	(4,080)	(367)	(4,872)
Exchange realignment	24	—	2	24	—	—	50
At 31 December 2018, net of accumulated depreciation and impairment	<u>612</u>	<u>748</u>	<u>1,309</u>	<u>360</u>	<u>8,092</u>	<u>727</u>	<u>11,848</u>
At 31 December 2018:							
Cost or valuation	1,906	3,213	3,335	2,217	15,239	1,094	27,004
Accumulated depreciation and impairment	(1,294)	(2,465)	(2,026)	(1,857)	(7,147)	(367)	(15,156)
Net carrying amount	<u>612</u>	<u>748</u>	<u>1,309</u>	<u>360</u>	<u>8,092</u>	<u>727</u>	<u>11,848</u>

As at 31 December 2019, the directors of the Company performed impairment assessment on the non-financial assets of the marble blocks operating segment, which was a cash-generating unit (“CGU”) containing property, plant and equipment, long-term prepayments, right-of-use assets, and other intangible assets. The impairment loss will be allocated to reduce the carrying value of the assets of within the CGU pro rata on the basis of carrying amount of each asset in the unit.

#### Marble blocks CGU

The recoverable amount of the marble blocks CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a twelve-year period approved by management. The twelve-year period is based on the Group’s judgment to renew the mining permit to 2031. The discount rate applied to the cash flow projections is 14% (2018: 14%).

Assumptions were used in the value in use calculation of the marble blocks cash-generating units for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing.

Discount rates — The discount rates used are pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU.

Changes in sales volume and unit prices — Changes in sales volume and unit prices used are based on past practices and expectations of future changes in the market.

In the opinion of the Company’s directors, the carrying amount of the cash-generating unit had not exceeded its recoverable amount and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount.

As at 31 December 2019, no impairment loss (2018: RMB4,872,000) was provided for the property, plant and equipment associated with the marble blocks CGU.

**15. LEASES****The Group as a lessee**

The Group has lease contracts for various items of buildings with lease periods of 1 to 3 years. Lump sum payments were made upfront to acquire the leased forest land from the owners with lease periods of 70 years, and no ongoing payments will be made under the terms of these forest land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

*(a) Prepaid forest lease payments (before 1 January 2019)*

	RMB'000
Carrying amount at 1 January 2018	354
Recognised in profit or loss during the year	<u>(136)</u>
Carrying amount at 31 December 2018	<u><u>218</u></u>

*(b) Right-of-use assets*

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

	Forest lease payments RMB'000	Various items of buildings RMB'000	Total RMB'000
As at 1 January 2019	218	1,859	2,077
Addition	—	3,257	3,257
Exchange realignment	—	59	59
Depreciation provided	<u>(4)</u>	<u>(2,501)</u>	<u>(2,505)</u>
As at 31 December 2019	<u><u>214</u></u>	<u><u>2,674</u></u>	<u><u>2,888</u></u>

*(c) Lease liabilities*

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

	2019 RMB'000
Carrying amount at 1 January	1,850
New leases	3,257
Accretion of interest recognised during the year	313
Payment	(2,894)
Exchange realignment	<u>116</u>
Carrying amount at 31 December	<u><u>2,642</u></u>
Analysed into:	
Current portion	2,258
Non-current portion	<u><u>384</u></u>

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 15. LEASES (continued)

#### The Group as a lessee (continued)

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

	2019 RMB'000
Interest on lease liabilities	313
Depreciation charge of right-of-use assets	2,505
Expense relating to leases of low-value assets (included in administrative expenses)	242
Total amount recognised in profit or loss	3,060

### 16. GOODWILL

	RMB'000
Cost at 1 January 2018, net of accumulated impairment	4,249
Impairment during the year	(4,453)
Exchange realignment	204
Cost and net carrying amount at 31 December 2018	—
At 31 December 2018:	
Cost	4,453
Accumulated impairment	(4,453)
Net carrying amount at 31 December 2018 and 31 December 2019	—

#### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

##### *Money lending cash-generating unit*

On 26 July 2017, the Group acquired a 100% equity interest in Future Bright Finance Limited ("FB Finance") for a total consideration of HKD7,239,000 (equivalent to approximately RMB6,260,000). The excess of the acquisition costs over the net fair value of FB Finance's identifiable net assets was recorded as goodwill and allocated to the money lending operation of FB Finance.

The recoverable amount of the money lending cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied in 2018 to the cash flow projections was 14%. The growth rate used in 2018 to extrapolate the cash flows of the unit beyond the five-year period was 3%. This growth rate did not exceed the average growth rate of the industry in which the money lending unit operated.

**16. GOODWILL (continued)****Impairment testing of goodwill (continued)***Money lending cash-generating unit (continued)*

Assumptions were used in the value in use calculation of the money lending cash-generating unit for 31 December 2018. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Growth rates — The growth rates are by reference to industry growth forecasts.

Discount rates — The discount rates used are pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the relevant unit.

Changes in loan amounts — Changes in loan amounts are based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on the growth rates, discount rates and change in loan amounts are consistent with external information sources.

During the year ended 31 December 2018, the directors of the Group determined that an impairment of RMB4,453,000 was recognised for the above CGU containing goodwill.

**17. LONG-TERM PREPAYMENTS**

	Farmland occupation tax RMB'000
<b>31 December 2019</b>	
Cost at 1 January 2019 net of accumulated amortisation and impairment (restated)	400
Amortisation provided during the year	(238)
At 31 December 2019	<u>162</u>
At 31 December 2019:	
Cost	827
Accumulated amortisation and impairment	(665)
Net carrying amount	<u>162</u>

	Forest rental costs RMB'000	Farmland occupation tax RMB'000	Total RMB'000
<b>31 December 2018</b>			
Cost at 1 January 2018, net of accumulated amortisation	354	400	754
Additions	—	320	320
Amortisation provided during the year	(25)	(115)	(140)
Impairment	(111)	(205)	(316)
At 31 December 2018	<u>218</u>	<u>400</u>	<u>618</u>
At 31 December 2018:			
Cost	499	827	1,326
Accumulated amortisation and impairment	(281)	(427)	(708)
Net carrying amount	<u>218</u>	<u>400</u>	<u>618</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 17. LONG-TERM PREPAYMENTS (continued)

The net carrying amount of the Group's prepaid forest rental payment included in the total amounts of long-term prepayments at 31 December 2018 was RMB218,000. As a result of the initial application of IFRS 16, the long-term forest rental prepayment of RMB218,000 previously included in "Long-term prepayments" was adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 15 to the financial statements for further details).

As at 31 December 2019, the directors of the Group performed impairment assessment on the non-financial assets of the marble blocks operating segment, which was a CGU containing property, plant and equipment, long-term prepayments and other intangible assets of Xiangyang Future Bright Mining Limited. Please refer to note 14 for major underlying assumptions.

In the opinion of the Company's directors, no impairment loss (2018: RMB16,107,000) should be provided and the impairment loss was allocated to reduce the carrying amount of the assets of the CGU pro rata on the basis of the carrying amount of each asset in the unit.

As at 31 December 2019, no impairment loss (2018: RMB316,000) was provided for the long-term prepayments associated with the marble blocks CGU.

### 18. OTHER INTANGIBLE ASSETS

	Money lending licence RMB'000	Mining right RMB'000	Total RMB'000
<b>31 December 2019</b>			
Cost at 1 January 2019, net of accumulated amortisation	437	21,637	22,074
Exchange realignment	2	—	2
Disposal of subsidiaries (note 31)	(439)	—	(439)
Amortisation provided during the year	—	(427)	(427)
At 31 December 2019	—	21,210	21,210
At 31 December 2019:			
Cost	—	42,600	42,600
Accumulated amortisation and impairment	—	(21,390)	(21,390)
Net carrying amount	—	21,210	21,210

**18. OTHER INTANGIBLE ASSETS (continued)**

	Money lending licence RMB'000	Mining right RMB'000	Total RMB'000
<b>31 December 2018</b>			
Cost at 1 January 2018, net of accumulated amortisation	418	35,522	35,940
Exchange realignment	19	—	19
Impairment	—	(10,919)	(10,919)
Amortisation provided during the year	—	(2,966)	(2,966)
At 31 December 2018	<u>437</u>	<u>21,637</u>	<u>22,074</u>
At 31 December 2018:			
Cost	437	42,600	43,037
Accumulated amortisation and impairment	—	(20,963)	(20,963)
Net carrying amount	<u>437</u>	<u>21,637</u>	<u>22,074</u>

The mining right represents the right for the mining of marble reserves at the Yiduoyan mine which is located in Nanzhang County, Hubei Province, the PRC. The mine is operated by Xiangyang Future Bright Mining Limited. The local government has granted the mining permit to Xiangyang Future Bright Mining Limited for a term of 10 years from 30 December 2011 to 30 December 2021 with a production capacity of 20,000 cubic metres per annum. The mining permit licence is currently being renewed.

As at 31 December 2019, the directors of the Group performed impairment assessment on the non-financial assets of the marble blocks operating segment, which was a CGU containing property, plant and equipment, long-term prepayments, right-of-use assets and other intangible assets of Xiangyang Future Bright Mining Limited. Please refer to note 14 for major underlying assumptions.

As at 31 December 2019, in the opinion of the Company's directors, no impairment loss (2018: RMB10,919,000) should be provided for the mining right of the marble blocks CGU.

The money lending licence was acquired in a business combination and was recognised at fair value at the acquisition date using the market method. The licence has an indefinite life and is carried at cost less accumulated impairment losses.

On 20 March 2019, the Company announced the decision of its board of directors to dispose of Future Bright Finance Limited, which owns the money lending licence. Future Bright Finance Limited was classified as a discontinued operation.



## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 19. DEFERRED TAX

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

#### Deferred tax liabilities

	2019			Total RMB'000
	Depreciation difference of property plant and equipment between IFRSs and PRC tax regulations RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	
At 31 December 2018 and 1 January 2019	1,221	8,174	—	9,395
Disposal of subsidiaries (note 31)	—	(73)	—	(73)
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(312)	(2,813)	49	(3,076)
Gross deferred tax liabilities at 31 December 2019	<u>909</u>	<u>5,288</u>	<u>49</u>	<u>6,246</u>

#### Deferred tax assets

	2019			Total RMB'000
	Impairment of financial assets RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	
At 31 December 2018 and 1 January 2019	—	—	—	—
Deferred tax credited to the statement of profit or loss during the year (note 10)	1,427	39	769	2,235
Gross deferred tax assets at 31 December 2019	<u>1,427</u>	<u>39</u>	<u>769</u>	<u>2,235</u>

**19. DEFERRED TAX (continued)****Deferred tax liabilities**

	Depreciation difference of property plant and equipment between IFRSs and PRC tax regulations RMB'000	2018	
		Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2018	904	8,906	9,810
Exchange differences	—	4	4
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	<u>317</u>	<u>(736)</u>	<u>(419)</u>
Gross deferred tax liabilities at 31 December 2019	<u><u>1,221</u></u>	<u><u>8,174</u></u>	<u><u>9,395</u></u>

Deferred tax assets and liabilities related to the PRC subsidiary have been provided at an enacted CIT rate of 25%.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>4,011</u>	<u>9,395</u>
	<u><u>4,011</u></u>	<u><u>9,395</u></u>

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'000	2018 RMB'000
Deductible temporary differences	112	22,674
Tax losses	<u>27,902</u>	<u>12,532</u>
	<u><u>28,014</u></u>	<u><u>35,206</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 19. DEFERRED TAX (continued)

Deferred tax assets have not been recognised in respect of tax losses amounting to RMB27,902,000 and RMB12,532,000 as at 31 December 2019 and 31 December 2018, respectively. The tax losses amounting to RMB9,195,000 as at 31 December 2019 (2018: RMB2,108,000) will expire within the next 5 years for offsetting against future taxable profits. The tax losses of RMB18,707,000 as at 31 December 2019 (2018: RMB10,424,000) are available indefinitely for offsetting against future taxable profits in Hong Kong. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors.

The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the resolution of the board of directors of the Company, the profits generated from the PRC subsidiaries since 1 January 2008 onwards will be retained by the PRC subsidiaries for use in future operations or investments in Mainland China. In the opinion of the directors, it is not probable that the PRC subsidiaries will distribute such earnings in the foreseeable future. There were no temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised (2018: Nil).

### 20. INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods	8	2,584
Materials and supplies	72	1,285
	<u>80</u>	<u>3,869</u>

### 21. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	9,703	34,405
Impairment	(5,818)	(3,334)
	<u>3,885</u>	<u>31,071</u>

**21. TRADE RECEIVABLES (continued)**

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to eight months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019 RMB'000	2018 RMB'000
Within 6 months	3,885	8,422
6 months to 12 months	—	107
12 months to 24 months	—	13,274
Over 24 months	—	9,268
	<u>3,885</u>	<u>31,071</u>

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

	2019 RMB'000	2018 RMB'000
At beginning of year	3,334	—
Impairment losses (note 6)	2,551	3,325
Disposals of subsidiaries	(70)	—
Exchange realignment	3	9
	<u>5,818</u>	<u>3,334</u>
At end of year	<u>5,818</u>	<u>3,334</u>

The increase (2018: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

- (i) Decrease in the loss allowance of RMB1,514,000 (2018: Nil) as a result of a net decrease in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables;
- (ii) Increase in the loss allowance of RMB4,065,000 as a result of an increase in trade receivables which were past due for over 6 months (2018: increase in the loss allowance of RMB3,325,000 as a result of an increase in trade receivables which were past due for over 3 months); and
- (iii) Decrease in the loss allowance of RMB70,000 (2018: Nil) as a result of the disposals of the subsidiaries.

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 each customer. 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. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 21. TRADE RECEIVABLES (continued)

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

As at 31 December 2019

	Current	Less than 1-year	Past due 1 to 2 years	Over 2 years	Total
Expected credit loss rate	4.49%	10.09%	17.54%	100.00%	59.96%
Gross carrying amount (RMB'000)	4,068	—	—	5,635	9,703
Expected credit losses (RMB'000)	183	—	—	5,635	5,818

As at 31 December 2018

	Current	Less than 1-year	Past due 1 to 2 years	Over 2 years	Total
Expected credit loss rate	3.00%	4.55%	15.00%	100.00%	9.69%
Gross carrying amount (RMB'000)	8,681	14,020	10,904	800	34,405
Expected credit losses (RMB'000)	260	638	1,636	800	3,334

### 22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	465	18,942
Deposits and other receivables	1,513	4,050
Interests receivable	—	262
Others	4	44
	<b>1,982</b>	23,298
Impairment allowance	—	(262)
	<b>1,982</b>	23,036

The movements in the loss allowance for impairment of other receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	262	—
Impairment losses (note 6)	—	256
Disposal of subsidiaries	(262)	—
Exchange realignment	—	6
At end of year	—	262

**22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)**

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses 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.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019, the loss allowance was assessed to be minimal (2018: RMB262,000).

**23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	<u>1,861</u>	<u>8,774</u>

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

**24. LOANS RECEIVABLE**

	Note	2019 RMB'000	2018 RMB'000
Loans receivable due from			
— Third parties	(a)	—	11,082
Impairment		<u>—</u>	<u>(3,056)</u>
		<u>—</u>	<u>8,026</u>

(a) On 20 March 2019, the Company announced the decision of its board of directors to dispose of Future Bright Finance Limited. Future Bright Finance Limited engages in the money lending business. Please refer to note 11 for details of the discontinued operations.

The movements in the loss allowance for impairment of loan receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	3,056	—
Impairment losses (note 6)	—	2,986
Disposal of subsidiaries	(3,056)	—
Exchange realignment	<u>—</u>	<u>70</u>
At end of year	<u>—</u>	<u>3,056</u>

## NOTES TO FINANCIAL STATEMENTS

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### 25. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	<u>31,898</u>	<u>2,655</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in HKD amounted to RMB12,556,000 (2018: RMB1,933,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.

### 26. TRADE PAYABLES

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

	2019 RMB'000	2018 RMB'000
Over 3 months	<u>487</u>	<u>480</u>

The trade payables in commodity trading segment of RMB487,000 are non-interest bearing and aged over three months.



**27. OTHER PAYABLES AND ACCRUALS**

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
Payroll accruals		401	1,274
Other payables	(a)	1,139	2,428
Accruals		390	1,752
Contract liabilities	(b)	100	3,891
		<b>2,030</b>	<b>9,345</b>

Notes:

- (a) Other payables are unsecured, non-interest-bearing and repayable on demand.
- (b) Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
<i>Short-term advances received from customers</i>			
Sale of goods	100	3,891	—
Total contract liabilities	100	3,891	—

Contract liabilities include short-term advances received to provide goods to customers.

**28. PROVISION FOR REHABILITATION**

	2019 RMB'000	2018 RMB'000
At the beginning of year	1,182	1,108
Unwinding of discount (note 7)	80	74
At the end of year	<b>1,262</b>	<b>1,182</b>

A provision for rehabilitation is mainly recognised for the present value of estimated costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the estimated rehabilitation expenditures at the mine when the mining permit expires, and are discounted at a discount rate of 6.55%. Changes in assumptions could significantly affect these estimates. Over time, the discounted provision is increased for the change in present value based on the discount rate that reflects market assessments and risks specific to the provision. The periodic unwinding of the discount is recognised in profit or loss as part of the interest expenses.

## NOTES TO FINANCIAL STATEMENTS

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### 29. SHARE CAPITAL

#### Shares

	2019 RMB'000	2018 RMB'000
Issued and fully paid (HK\$0.001 per share): 3,870,000,000 (2018: 3,870,000,000) ordinary shares	<u>3,087</u>	<u>3,087</u>

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

	Number of shares	Share in issue capital RMB'000
At 31 December 2018 and 31 December 2019	<u>3,870,00,000</u>	<u>3,087</u>

### 30. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 55 of the financial statements.

#### Capital reserve

The capital reserve represents the capital contribution from the shareholders of Gold Title Investments Limited prior to the incorporation of the Company and the capital contribution from the shareholders of the Company.

#### Contributed reserve

The Group's contributed reserve mainly represents the excess of (a) the fair value of the identifiable net assets of Future Bright (H.K.) Investment Limited and its subsidiary at the date of acquisition, over (b) the consideration paid to the former owner of Future Bright (H.K.) Investment Limited who was also a shareholder of Gold Title Investments Limited.

#### Safety fund surplus reserve

Pursuant to the 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.

#### Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their Boards of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with the relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the Company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

**31. DISPOSAL OF SUBSIDIARIES**

On 3 April 2019, the Group completed the disposal transaction of entire equity interests in Future Bright Enterprise Group Limited and Gogo Education Group Limited at total consideration of HKD485,000 (equivalent to approximately RMB420,000). On 30 May 2019, the Group completed the disposal of entire equity interest in Future Bright Finance Limited at a consideration of HKD10,000,000 (equivalent to approximately RMB8,776,000). On 30 September 2019, the Group completed the disposal transactions of a 51% equity interest in Future Bright Manganese Company Limited at a consideration of HKD5,650,000 (equivalent to approximately RMB5,023,000), as well as a 51% equity interest in Future Bright Lithium Company Limited at a consideration of HKD5,240,000 (equivalent to approximately RMB4,659,000).

The aggregate net assets disposed of in respect of the disposal of the above subsidiaries during the year are as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	149
Intangible assets (note 18)	439
Cash and bank balances	433
Loans receivable	8,051
Trade receivable, net	1,843
Prepayments, other receivables and other assets	18,569
Advances from customers	(4,006)
Accruals and other payables	(3,146)
Tax payable	(84)
Deferred tax liabilities	(73)
Non-controlling interests	(4,450)
	<u>17,725</u>
Exchange fluctuation reserve	(571)
	<u>17,154</u>
Gains on disposal of subsidiaries	<u>1,724</u>
Satisfied by:	
Cash	<u><u>18,878</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the above subsidiaries is as follows:

	2019 RMB'000
Cash consideration	18,878
Cash and bank balances disposed of	(433)
	<u>18,445</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>18,445</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**(a) Major non-cash transactions**

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,257,000 and RMB3,257,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

**(b) Changes in liabilities arising from financing activities**

During the year, no changes in liabilities of the Group arose from financing activities (2018: Nil).

**2019**

	Lease liabilities RMB'000
At 31 December 2018	—
Effect of adoption of IFRS 16	<u>1,850</u>
At 1 January 2019 (restated)	1,850
Changes from financing cash flows	(2,581)
New leases	3,257
Foreign exchange movement	116
Interest expense	313
Interest paid classified as operating cash flows	<u>(313)</u>
At 31 December 2019	<u><u>2,642</u></u>

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	313
Within financing activities	<u>2,581</u>
	<u><u>2,894</u></u>

**33. COMMITMENTS**

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Authorised, but not contracted for: Property, plant and equipment	<u>26,975</u>	<u>27,752</u>

**(b) Operating lease commitments as at 31 December 2018**

The Group leased certain of its various items of buildings under operating lease arrangements. Leases were with terms of 12 months or less.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	2,008
In the second to fifth years, inclusive	<u>723</u>
	<u>2,731</u>

(c) On 27 September 2019, the Group entered into a sale and purchase agreement with Shenzhen Zhongke Jiutai Resources Technology Co.,Ltd (the "Vendor") to acquire 70% equity interest of Shenzhen Zhongke Jiutai Resources Utilization Research Institution Co.,Ltd. (the "Target Company"). The Target Company is owned as to 70% by the Vendor, in which Mr. Li, the controlling shareholder of the Company, has an indirect majority equity interest.

The company and the vendor entered into a supplemental agreement on 31 March 2020 to extend the long stop date to 30 June 2020.

**34. RELATED PARTY TRANSACTIONS**

(a) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	4,112	4,290
Termination benefits	—	222
Pension scheme contributions	<u>74</u>	<u>77</u>
	<u>4,186</u>	<u>4,589</u>

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

**(b) Outstanding balances with related parties**

	2019 RMB'000	2018 RMB'000
Due to its ultimate controlling shareholder	<u>—</u>	<u>4,152</u>

## NOTES TO FINANCIAL STATEMENTS

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### 35. 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:

**2019**

#### *Financial assets*

	Financial assets at fair value through profit or loss — held for trading RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	3,885	3,885
Equity investments at fair value through profit or loss	1,861	—	1,861
Financial assets included in prepayments, other receivables and other assets	—	1,517	1,517
Cash and cash equivalents	—	31,898	31,898
	<u>1,861</u>	<u>37,300</u>	<u>39,161</u>

#### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	487	487
Financial liabilities included in other payables and accruals (note 27)	1,529	1,529
	<u>2,016</u>	<u>2,016</u>

**35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)****2018***Financial assets*

	Financial assets at fair value through profit or loss — held for trading RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	31,071	31,071
Equity investments at fair value through profit or loss	8,774	—	8,774
Financial assets included in prepayments, other receivables and other assets	—	4,094	4,094
Loans receivable	—	8,026	8,026
Cash and cash equivalents	—	2,655	2,655
	<u>8,774</u>	<u>45,846</u>	<u>54,620</u>

*Financial liabilities*

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	480	480
An amount due to the ultimate controlling shareholder	4,152	4,152
Financial liabilities included in other payables and accruals (note 27)	<u>4,180</u>	<u>4,180</u>
	<u>8,812</u>	<u>8,812</u>



## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	<u>1,861</u>	<u>8,774</u>	<u>1,861</u>	<u>8,774</u>

Management has assessed that the fair values of cash and cash equivalents, trade receivable and financial assets included in prepayments, other receivables and other assets, and financial liabilities included trade payables, other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**As at 31 December 2019**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	<u>1,861</u>	<u>—</u>	<u>—</u>	<u>1,861</u>

*Assets measured at fair value:*

**As at 31 December 2018**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	<u>8,774</u>	<u>—</u>	<u>—</u>	<u>8,774</u>

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as prepayments and other receivables and other payables, which arise directly from its operations.

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

#### Foreign currency risk

The Group's exposure to foreign currency risk relates to the Group's bank deposits denominated in HKD.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HKD rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in loss before tax
	%	2019 RMB'000	2018 RMB'000
If RMB weakens against HKD	5%	675	1,559
If RMB strengthens against HKD	5%	(675)	(1,559)

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

#### *Maximum exposure and year-end staging*

The tables below show 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. The amounts presented are gross carrying amounts for financial assets.

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### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

As at 31 December 2019

	12 months	Lifetime ECLs			Simplified approach	Total
	ECLs	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	3,885	3,885	
Financial assets included in prepayments, other receivables and other assets						
— Normal***	1,517	—	—	—	1,517	
— Doubtful***	—	—	—	—	—	
	<u>1,517</u>	<u>—</u>	<u>—</u>	<u>3,885</u>	<u>5,402</u>	

As at 31 December 2018

	12 months	Lifetime ECLs			Simplified approach	RMB'000
	ECLs	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	31,071	31,071	
Loans receivable**	—	—	8,026	—	8,026	
Financial assets included in prepayments, other receivables and other assets						
— Normal***	4,094	—	—	—	4,094	
— Doubtful***	—	—	—	—	—	
	<u>4,094</u>	<u>—</u>	<u>8,026</u>	<u>31,071</u>	<u>43,191</u>	

\* For trade receivables which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

\*\* For loans receivable which the Group applies the stage 3 lifetime ECL approach for impairment, information is disclosed in note 24 to the 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”.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 49% (2018: 39%) and 100% (2018: 98%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively, within the marble blocks segment.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments 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 borrowings, advances from the shareholders and lease liabilities.

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

*As at 31 December 2019*

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	487	—	—	—	487
Lease liabilities	—	—	2,258	384	2,642
Financial liabilities included in other payables and accruals	1,529	—	—	—	1,529
	<u>2,016</u>	<u>—</u>	<u>2,258</u>	<u>384</u>	<u>4,658</u>

*As at 31 December 2018*

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	480	—	—	—	480
An amount due to the ultimate controlling shareholder	4,152	—	—	—	4,152
Financial liabilities included in other payables and accruals	4,180	—	—	—	4,180
	<u>8,812</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,812</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which equals to its net debt (total debts net of cash and bank balances) divided by capital and net debt. Net debt includes trade payables, other payables and accruals and an amount due to the ultimate controlling shareholder, less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Trade payables (note 26)	487	480
Other payables and accruals (note 27)	1,930	5,454
An amount due to the ultimate controlling shareholder	—	4,152
Less: Cash and cash equivalents	<u>(31,898)</u>	<u>(2,655)</u>
Net (assets)/debt	<u>(29,481)</u>	<u>7,431</u>
Equity attributable to owners of the Company	<u>N/A</u>	<u>83,089</u>
Capital and net debt	<u>N/A</u>	<u>90,520</u>
Gearing ratio	<u>N/A</u>	<u>8.21%</u>

### 38. EVENTS AFTER THE REPORTING PERIOD

In addition to the events detailed elsewhere in these financial statements, the Group has following events after the reporting date:

Since the beginning of 2020, the mass outbreak of the novel coronavirus (COVID-19) has continued to spread throughout China and to countries across the world.

Since the core business of the Group is located in Hubei province, the COVID-19 has a significant impact on the business operations of the Group, in particular, the mining activity as well as the delivery of marble blocks to a certain degree in 2020, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. The Group has implemented various measures to mitigate the impacts of COVID-19 on the business and a number of measures to ensure the health and safety of the Group's employees.

The Group will continue to monitor the developments of the COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

### 39. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

As further explained in note 2.2 to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

## NOTES TO FINANCIAL STATEMENTS

31 December 2019

### 40. 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:

	2019 RMB'000	2018 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	697	—
Right-of-use assets	1,705	—
Investment in a subsidiary	<u>28,680</u>	<u>28,680</u>
Total non-current assets	<u>31,082</u>	<u>28,680</u>
<b>CURRENT ASSETS</b>		
Due from subsidiaries	59,716	94,885
Prepayments, other receivables and other assets	1,313	1,248
Cash and cash equivalents	<u>12,314</u>	<u>930</u>
Total current assets	<u>73,343</u>	<u>97,063</u>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	334	1,881
Amounts due to subsidiaries	1,789	1,594
Lease liabilities	1,305	—
An amount due to ultimate controlling shareholder	<u>—</u>	<u>4,152</u>
Total current liabilities	<u>3,428</u>	<u>7,627</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<u>376</u>	<u>—</u>
Total non-current liabilities	<u>376</u>	<u>—</u>
<b>NET CURRENT ASSETS</b>	<u>69,915</u>	<u>89,436</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>100,997</u>	<u>118,116</u>
Net assets	<u>100,621</u>	<u>118,116</u>
<b>EQUITY</b>		
Issued capital	3,087	3,087
Reserves (note 40)	<u>97,534</u>	<u>115,029</u>
Total equity	<u>100,621</u>	<u>118,116</u>



**40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)**

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Contributed reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2018	119,552	29,105	20,868	1,565	(52,832)	118,258
Loss for the year	—	—	—	—	(7,517)	(7,517)
Cancellation of share options	—	(29,105)	—	—	29,105	—
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	—	—	—	4,288	—	4,288
Total comprehensive loss for the year	—	(29,105)	—	4,288	21,588	(3,229)
At 31 December 2018	<u>119,552</u>	<u>—</u>	<u>20,868</u>	<u>5,853</u>	<u>(31,244)</u>	<u>115,029</u>
At 1 January 2019	119,552	—	20,868	5,853	(31,244)	115,029
Loss for the year	—	—	—	—	(19,281)	(19,281)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	—	—	—	1,786	—	1,786
Total comprehensive loss for the year	—	—	—	1,786	(19,281)	(17,495)
At 31 December 2019	<u>119,552</u>	<u>—</u>	<u>20,868</u>	<u>7,639</u>	<u>(50,525)</u>	<u>97,534</u>

The Company's contributed reserve mainly represents the excess of (a) the fair value of the identifiable net assets of Future Bright (H.K.) Investment Limited and its subsidiary at the date of acquisition, over (b) the consideration paid to the former owner of Future Bright (H.K.) Investment Limited, who was also a shareholder of Gold Title Investments Limited.

**41. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 12 May 2020.

# FINANCIAL SUMMARY

## RESULTS

	2019 RMB'000	Year ended 31 December			
		2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	<u>6,136</u>	<u>38,746</u>	<u>42,540</u>	<u>12,909</u>	<u>11,271</u>
Loss before tax	<u>(25,785)</u>	<u>(49,766)</u>	<u>(42,397)</u>	<u>(10,905)</u>	<u>(1,463)</u>
Income tax credit/(expense)	<u>5,311</u>	<u>113</u>	<u>(831)</u>	<u>(1,004)</u>	<u>(1,301)</u>
Loss for the year attributable to:					
Owners of the Company	<u>(18,815)</u>	<u>(49,528)</u>	<u>(43,171)</u>	<u>(11,909)</u>	<u>(2,764)</u>
Non-controlling interests	<u>(1,659)</u>	<u>(125)</u>	<u>(57)</u>	<u>—</u>	<u>—</u>
	<u>(20,474)</u>	<u>(49,653)</u>	<u>(43,228)</u>	<u>(11,909)</u>	<u>(2,764)</u>
Loss for the year attributable to owners of the Company:					
Basic and diluted	<u>RMB0.49 cents</u>	<u>RMB1.28 cents</u>	<u>RMB1.16 cents</u>	<u>RMB0.34 cents</u>	<u>RMB0.08 cents</u>

	2019 RMB'000	As at 31 December			
		2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	<u>73,333</u>	<u>111,971</u>	<u>143,644</u>	<u>100,355</u>	<u>107,915</u>
Total liabilities	<u>(10,432)</u>	<u>(24,638)</u>	<u>(14,006)</u>	<u>(14,458)</u>	<u>(12,811)</u>
Net assets	<u>62,901</u>	<u>87,333</u>	<u>129,638</u>	<u>85,897</u>	<u>95,104</u>
Equity attributable to:					
Owners of the Company	<u>64,575</u>	<u>83,089</u>	<u>129,695</u>	<u>85,897</u>	<u>95,104</u>
Non-controlling interests	<u>(1,674)</u>	<u>4,244</u>	<u>(57)</u>	<u>—</u>	<u>—</u>
	<u>62,901</u>	<u>87,333</u>	<u>129,638</u>	<u>85,897</u>	<u>95,104</u>



**Future Bright Mining Holdings Limited**  
高鵬礦業控股有限公司