雅高控股
ARTGO HOLDINGS

ARTGO HOLDINGS LIMITED
雅高控股有限公司

(incorporated in the Cayman Islands with limited liability)
STOCK CODE: 3313

ANNUAL REPORT
2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. GU Zengcai

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Ms. WU Jing
Mr. GU Weiwen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. ZHAO Zhipeng

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units 03–04, 20/F
Shanghai Shimao Tower
55 Weifang West Road
Pudong New Area
Shanghai, PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1302, 13/F
Golden Centre
188 Des Voeux Road Central
Hong Kong

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

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

STOCK CODE

3313

WEBSITE

www.artgo.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of ArtGo Holdings Limited (the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2020.

The year 2020 is an extraordinary year to everyone in the world. The outbreak of COVID-19 pandemic worldwide has brought a tremendous impact on people's lives and also on the global economy. In the first half of 2020, especially the first quarter, China's real estate construction sector also suffered an unprecedented impact as construction works were suspended during lockdowns in various cities. The Group's marble business, being part of the supply chain of the construction sector, was inevitably affected. Despite the gradual resumption of construction works later in the year, there was time lags for construction sites and retailers in replenishing inventories which in turn affecting our annual sales performance as a whole.

Whilst the Group was experiencing a challenging time with its marble business due to the pandemic, there was an encouraging progress in our marble mining operation. With its effort in the past years working on the Green Mine compliances, the Group successfully renewed a ten-year mining license for our largest marble mine located in Yongfeng County of Jiangxi Province, China. This marked a significant progress for our future mining operation and served as a strong driving force to the Group's core business.

Amid lingering China-US tensions, we readjusted our business strategies. We withheld our commodities trading and also decided to abandon the warehouse logistics business in order to utilize our resources on our core business as well as on other potential lucrative projects.

Looking forward, with the launch of vaccines for COVID-19, it brought new hope to the world and the Group believe the influence of the pandemic will be diminishing as the time goes. Although there are still uncertainties and challenges in the PRC and the global economy, the Group will formulate long term business plans with a goal to fully utilize its existing resources. With the successful renewal of the mining license for our Yongfeng Mine, we have a more concrete foundation to develop our core business. The Group will keep monitoring the development of COVID-19 and assessing the impact of the pandemic on the Group's financial position and operating results and adopt its business plans in response to the everchanging business environment. It will seek out opportunities to monetise non-core assets where appropriate in order to generate immediate liquidity and to lower its debt level. Meanwhile, the Group will continue identifying any project or business which is beneficial to the Group and its shareholders as a whole.

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

WU Jing
Chairman and Executive Director
Hong Kong, 31 March 2021

BUSINESS REVIEW

In 2020, the outbreak of COVID-19 pandemic created a huge impact on the global economy. A wide range of businesses in different industries all over the world were facing an extremely challenging operating environment throughout the year. Whilst many of these businesses are still struggling to survive in the majority part of world, the China economy has recovered much faster than those of the rest of the world attributable to the prompt and decisive measures imposed by the PRC government. To fight against the epidemic, the PRC government imposed various prevention and control measures throughout the country including lockdowns and social distancing measures in different cities in various provinces. In order to support the local government's measures and to protect the health and safety of our employees, we have intermittently suspended the operation of our production facilities and the sales offices in the PRC in the first half of 2020. Although an orderly resumption of work and production was implemented subsequently, the Group's overall business operation was inevitably affected by the aftermath of the lockdowns and the suspension of business activities in early 2020.

Marble and Mining Business

In the recent years, the Green Mine concept emerged and kept optimised and a detailed formal standard in relation to the Green Mine construction《砂石行業綠色礦山建設規範》was issued by the PRC Ministry of Natural Resources together with the guidance《關於加快建設綠色礦山的實施意見》published by joint central government bureaus which laid down Green Mine requirements to be followed by mining companies. Managements of the Group's different mines have been working on the Green Mine governing plans and the related works in order to fulfill the required standard before renewed mining certificates can be officially issued or large-scale mining activities can be commenced. The Group has since then earmarked a substantial portion of its capital spending on different Green Mine constructions particularly, the Yongfeng Mine. Substantial works at the site of our mines such as redesigning of marble block transportation and deposit yard arrangement, mine site and side slop plantation, mine site sewage treatment system and gravel treatment centre construction etc. have been completed or in progress.

With the great effort made by our local mining management team and the support from the Group's senior management, the Group has successfully renewed in the year the mining license of our largest mine located in Jiangxi Province, Yongfeng Mine, for another ten-year. The renewed license permits the Group to increase the production volume to as high as 1.1 million cubic metres per annum which is more than fourfold in production volume of that permitted under the previous license. The significance of the enlarged production limit of our mining operation is enabling the Group to formulate a more concrete long term business plan for our mining business which facilitate the future investment and financing strategies of the Group as a whole. The success in renewal of the Yongfeng mining license also provide the Group's mining management teams in other locations with invaluable experience in meeting the Green Mine standards and hence may expedite the licenses renewal process of the Group's other mines. Coupled with the establishment of our own marble processing facilities, our mining operation will be in favorable position in turn of both cost control and quality control.

At our new marble processing facilities in Jiangxi Province, marble blocks are cut into raw slabs by saw machines and processed through multiple stages, including resin-masking and polishing etc., into saleable slabs. Currently, marble blocks are from two stream of sources, namely own-excavated blocks and purchased blocks. Prior to the granting of the renewed mining license, the Group's mining activity was kept to minimal during the year. Slabs were produced in the processing facilities from our own inventories and other different types of marble blocks sourced from other mines operators in order to enrich our product line for sale before a full recommencement of excavation activity of our own mines.

During the peak outbreak of COVID-19 in the year, there were suspensions of construction work for the prevention and control of the pandemic together with the slower resumption of work of construction workers, the pace of development of real estate developers has also been forced to slow down in the first half of 2020 particularly in the first quarter. The Group's marble business is part of the supply chain of the construction industry and thus its supply was also adversely affected in term of timing and demand during that period. With some suspensions of operation in our processing facilities, the overall production and sales recorded certain decline during the first half of the year. While our end-user customers were still consuming their existing inventory in the second half of the year, their replenishment orders were reduced both in terms of amounts and frequencies resulting in a significant drop in revenue. Our processing facilities also experienced extended production lead time due to the unstable supply of raw material and other supplemental materials thus creating certain idle capacities. As certain costs were fixed in nature, the overall unit cost of our products was boosted up in the year as a result. With the renewed mining license, we believe that the supply and cost of marble blocks produced in future from our own mine will be more controllable and the Group will be benefit as a whole.

Apart from the marble business, our marble downstream calcium carbonate business also faced a similar situation. Production plants and sales channels are also affected by COVID-19 pandemic that led to the suspension of operation for a similar period of time. Consequently, the quantity produced and sold in the first half of 2020 was lower than normal and was approaching a normal level in the second half of 2020. However, the average price was adjusted downward to boost up the sales volume in the second half year which lowered the gross profit to some extent. Furthermore, factory fixed costs also added a burden to its unit cost whereas increase transportation costs in the year also have a negative effect to its gross profit. Having said that, the calcium carbonate business contributed an aggregate of approximately RMB31.9 million to the Group's revenue for the year. However, it was noted that the operating results of this business line was not encouraging this year partly due to the impact of the pandemic but mostly due to the increasing operating expenses such as transportation costs and financing cost in supporting its operation. Accordingly, an impairment review was conducted to determine the recoverable amount of this business line. Based on the results of the review, an aggregate impairment of approximately RMB15.4 million was made for the year. In view of the fact that the products are mainly produced from marble residues and hence is one of the downstream businesses of our marble business. Following the recommencement of the mining activities in future, the supply of marble residues by other group companies will have a positive impact to its costs. The Group will closely monitor the performance of this business line and ensure a synergy effect can be achieved among other group companies.

Commodities Trading Business

Apart from the impact of the COVID-19 pandemic, the intensified political tension between China and US with its western alliance is the major concern to investors and creating tremendous uncertainties and risks to the business world. With such business climate in the period, the Group decided withholding any further commodities trading transactions until the business risks are back to normal and become manageable to conduct such activities. As such, the Group does not record any revenue from this business segment during the year.

Warehouse Logistics Business

In late December 2019, after reviewing the warehouse logistics segment's business environment and its operation performance, the Group decided to abandon this business segment so that the Group can better utilise the resources to its other business segments. Due to the unprecedented outbreak of the COVID-19 pandemic, the negotiation for the disposal and the due diligent works being conducted by the potential buyer has experienced certain delay due to the lockdowns and travel restrictions. The Group and the potential buyer continued working closely in the second half of the year during which multiple visits to the site have been made as planned and negotiation over core transaction terms were agreed upon. Different opinions and views on fair values of certain major assets were exchanged faithfully and both parties have a common goal in complete the transactions as soon as practicable. At the date of this report, the related works were ongoing and the Group will update the major progress in due course.

Investment Properties

The Group owns eight properties which are classified as investment properties. Five of the properties are commercial properties whereas the other three are residential properties situated in luxury locations in Shanghai, the PRC. Taken into consideration on rapid growth of the PRC economy in the past few years and the increasing demand on luxury residence in tier one cities, the Group held the view in the past that the price of luxury residence market had been moving in an upward trend in the past years other than some minor up-and-down in response to the central government's macro adjustment policy. Despite the historical trend, the sudden outbreak of the COVID-19 pandemic that is still raging around the world with possible multiple waves infections has huge impact on different industries and different class of people. People's wealthiness became volatile and their wealth may shuffle post-pandemic. As such, the Group considered that there may be changes to the historical growing trend of price of luxury residential properties. With the uncertainty on this luxury residence market, the Group commanded an impairment review on its investment properties portfolio during the year. Based on the valuations, an impairment loss of approximately RMB36.7 million was recognized at the time of preparation of its interim report. Although the Group noted that there was certain rebound of luxury residence market recently, the Group considered that there are multiple uncertainties over the persistency of the rebound trend when taken into consideration of the central government's philosophy of "Houses are for living in and not for speculative investment" "房住不炒". The Group will constantly review its investment strategy and, where appropriate, may adjust the strategy accordingly.

FINANCIAL REVIEW

REVENUE

In 2020, the Group recorded an operating revenue of approximately RMB73.9 million (2019: approximately RMB274.5 million) from both of its continuing and discontinued operations, representing a decrease of approximately RMB200.6 million (or 73.1%) compared to that of 2019, primarily due to the revenues in our commodity trading segment decreased by approximately RMB182.9 million. Given the raging of COVID and the global political tension during the year, the Group made its trading decisions cautiously and hence did not carry out any commodity trading in 2020. Revenue from continuing operations amounted to approximately RMB70.6 million, representing a decrease of approximately RMB203.1 million (or 74.2%) compared to that of 2019.

(a) *Sales by Product Categories*

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

	2020			2019		
		Approximate percentage	Gross profit margin		Approximate percentage	Gross profit/ (loss) margin
	RMB'000	%	(%)	RMB'000	%	(%)
Marble blocks	2,022	2.7	68.5	44,343	16.2	76.0
One-side-polished Slabs	18,605	25.2	36.5	29,767	10.8	40.0
Cut-to-size slabs	18,078	24.5	0.2	3,648	1.3	8.0
Calcium carbonate products	31,925	43.2	6.8	13,107	4.8	35.0
Commodity Trading	–	–	–	182,858	66.6	0.6
Revenue from continuing operations	70,630	95.6	14.7	273,723	99.7	18.8
Logistics	3,261	4.4	90.6	761	0.3	(377.0)
Revenue from discontinued operations	3,261	4.4	90.6	761	0.3	(377.0)
Total	73,891	100.0	18.1	274,484	100.0	17.7

(b) *Sales Volume and Average Selling Price*

The following table sets out the sales volumes and average selling prices of marble blocks, one-side-polished slab, cut-to-size slab and calcium carbonate products:

Sales volume	**2020**	2019
Marble blocks (m^3)	641	14,040
One-side-polished slabs (m^2)	85,113	242,040
Cut-to-size slabs (m^2)	134,233	35,519
Calcium carbonate products (Ton)	102,784	36,305
Average selling price		
Marble blocks (RMB/m^3)	3,154	3,158
One-side-polished slabs (RMB/m^2)	219	123
Cut-to-size slabs (RMB/m^2)	135	103
Calcium carbonate products (RMB/Ton)	311	361

For the year ended 31 December 2020, the unit selling price of marble blocks decreased slightly by 0.1% as compared to that of 2019, as the Group continued using the strategy of lower unit selling prices for sale of the aged marble products.

The average selling price of One-side-polished slabs during the year increased by approximately 78.0% as compared with that of 2019, because our Group shifted to focus on the sale of high-priced One-side-polished slabs.

The average selling price of cut-to-size slabs increased by approximately 31.1% compared with that of 2019, because the sales promotion of long aged cut-to-size slabs in Shuitou, where our warehouse was previously located, was completed during the year. The selling price of the slabs in our new warehouse in Jiangxi got back to normal.

Since the demand for calcium carbonate products dropped due to the COVID 19, the Group lower the selling prices of calcium carbonate products in the 2nd half year by approximately 13.9% on average to boost up the sales.

Cost of Sales

For the year ended 31 December 2020, the Group's cost of sales amounted to approximately RMB60.2 million from continuing operations, which mainly consisted of processing costs, marble blocks costs and transportation costs.

Processing Costs

Processing costs of the Group represented the processing fees paid to processors for processing marble blocks into one-side-polished slabs and further polishing one-side-polished slabs into cut-to-size slabs. The overall processing fees for the year decreased by approximately RMB0.4 million, representing a decrease of approximately 39.3% as compared to 2019. With all one-side-slabs processing being done in our own processing facilities in Jiangxi since May 2020 when the facilities were put into use, we were managed to cut down on the processing costs in one-side-slabs that would have to pay to outside processors. Although the processing fees for cut-to-size slabs that were made by outside processors increased significantly following the increase in sales of cut-to-size slabs in this year, our savings in processing fee of one-side-slabs enable us to enjoy an overall reduced processing costs.

Marble Blocks Costs

In 2020, marble blocks costs included purchase cost, mining labour costs, materials consumption, fuel, power, depreciation of production equipment and amortisation of mining rights. The marble blocks cost decreased nearly by 59.6% compared to that of 2019, mainly due to the significant downsize in sales of marble blocks.

Transportation Costs

Transportation costs included: (i) long-distance transportation fees for transporting marble blocks from the blocks yard to the processing centre; and (ii) short-distance transportation fees for transporting marble locks to the transit yard and transportation between the warehouse and processing centre. Transportation costs accounted for approximately 8.7% and 2.0% of the production costs for 2020 and 2019, respectively.

The massive increase was mainly due to (i) more long-distance transportation fees were incurred in relocating the marble blocks that were stored in the warehouses of outside processors back to the own processing plant in Jiangxi to meet the needs of processing one-side-slab on our own plant, and (ii) carriage outwards were borne by the Group in the sale contracts entered into during the year with some new customers.

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2020, the Group realised a gross profit from continuing operations amounted to approximately RMB10.4 million, representing a decrease by approximately RMB41.0 million as compared to that of 2019. The gross profit margin in 2020 was approximately 14.7%, while the gross profit margin in 2019 was approximately 18.8%.

OTHER INCOME AND GAINS

Other income and gains mainly included government grants, rental income derived from commercial units of the Group and refund of value-added tax. Compared with 2019, other income and gains increased by RMB9.9 million mainly due to a tremendous increase in government grants by approximately RMB10.4 million.

OTHER EXPENSES

Other expenses mainly included inventory scrap loss, depreciation of investment properties and penalty. Compared with 2019, other expenses increased by RMB4.2 million mainly due to the increases in inventory scrap loss and penalty amounted to approximately RMB2.8 million and RMB1.4 million respectively.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, entertainment, travelling expenses, and advertising costs, were approximately RMB2.9 million, representing approximately 4.2% of the revenue from continuing operations during the year, while the selling and distribution expenses of RMB4.3 million in 2019 accounted for approximately 1.6% of the revenue from continuing operations in the corresponding period in 2019. The selling and distribution expenses during the year were decreased by approximately RMB1.4 million due to advertising cost as compared to that of last year.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to approximately RMB54.7million, mainly comprised of salaries of administrative staff, office rental expense, consultant fees, entertainment, depreciation of property, plant and equipment and amortization which amounted to RMB42.4 million. The overall administrative expenses were approximately RMB58.0 million in 2019. The overall administrative expenses in the year were decreased by RMB3.3 million compared to that of last year.

FINANCE COSTS

Finance costs mainly included interests on other borrowings, interest on bank loans and interest on lease liabilities. Finance costs for the year ended 31 December 2020 from continuing operations amounted to approximately RMB55.9 million and increased by approximately RMB10.6 million as compared to that of 2019. The increase was mainly attributable to the increase in interests on other borrowings and bank loans.

INCOME TAX EXPENSE

Income tax expense from continuing operations decreased by approximately RMB8.0 million from approximately RMB11.4 million for the year ended 31 December 2019 to approximately RMB3.4 million for the year. The decrease was mainly due to decrease in profits before tax.

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The net loss from continuing operations amounted to approximately RMB213.5 million (2019: approximately RMB86.7 million) and the net loss from a discontinued operation amounted to approximately RMB16.9 million (2019: approximately RMB4.1 million). The increased net loss was attributable to (i) the increase in impairment losses on investment properties, property, plant and equipment and trade receivables, (ii) increase in share of losses of associates and (iii) drop in overall revenues caused by COVID-19.

INVENTORIES

The Group's inventories increased by RMB28.0 million from approximately RMB29.2 million as at 31 December 2019 to approximately RMB57.2 million as at 31 December 2020. It was primarily due to the fact that our own processing facilities were put into use in the second half of year, which led to an increment in ending balance of inventories. For future processing by our new processing plants in Jiangxi, more marble blocks were working in progress at the year end. At the same time, with all one-side-slabs being produced by our plant since May 2020, more one-size-slabs were stored at our Jiangxi facilities at the year end.

TRADE RECEIVABLES

The Group's trade receivables from continuing operations decreased from approximately RMB172.9 million as at 31 December 2019 to approximately RMB60.6 million as at 31 December 2020. The decrease was mainly due to the fact that no commodity trading was done in the year and downsize in overall revenue in 2020. The financial market conditions kept on tightening, many downstream enterprises had difficulties in cash flow paying their suppliers, with that being said, some of the Group's distributor customers put off their repayment to the Group.

TRADE PAYABLES

The Group's trade payables from continuing operations decreased by approximately RMB22.6 million from approximately RMB57.7 million as at 31 December 2019 to approximately RMB35.1 million as at 31 December 2020. The decrease was in line with the declines in revenue and purchase.

NET CURRENT ASSETS

Net current assets of the Group increased from approximately RMB83.3 million as at 31 December 2019 by 7.6% to approximately RMB89.6 million as at 31 December 2020, which was primarily due to repayment in short term loans.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.45 as at 31 December 2020 (2019: 1.21).

BORROWINGS

The Group generally finances its operations with internally generated cash flows, other borrowings and banking credit facilities. As at 31 December 2020, the Group had total bank loans and other borrowings of approximately RMB384.7 million (2019: approximately RMB477.8 million).

GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank loans and other loans and it excludes liabilities incurred for working capital purposes. As at 31 December 2020, the gearing ratio was approximately 22.1% (2019: approximately 21.5%).

CAPITAL STRUCTURE

The total amount of authorised share capital of the Company is HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each, with 4,032,697,729 ordinary shares in new issue as at 31 December 2020.

On 22 May 2020, the Company entered into a subscription agreement pursuant to which the Company agreed to issue and allot the Subscriber agreed to subscribe for 203,870,000 Shares in cash. The net proceeds from the share subscription was HK$18,348,300 (equivalent to approximately RMB16,792,708).

On 22 July 2020, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place 450,000,000 Placing shares in cash. The net proceeds from the Placing of HK$40,095,000 (equivalent to approximately RMB36,201,775.50).

On 2 September 2020, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place 222,000,000 Placing shares in cash. The net proceeds from the Placing of HK$21,534,000 (equivalent to approximately the total of RMB18,901,963.20).

USE OF PROCEEDS FROM THE SUBSCRIPTION AND THE PLACINGS

The use of the net proceeds from the Subscription and the Placings are as follows:

Subscription of 203,870,000 new shares on 22 May 2020

Intended use	Planned use of proceeds	Utilisation up to 31 December 2020	Balance up to 31 December 2020
	HK$ million	HK$ million	HK$ million
Construction works relating to the office building and dormitory etc. of the Group's processing facility in the PRC	9.2	9.2	–
Construction works for sewage treatment facilities in the PRC	3.6	3.6	–
Working capital related to recommencement of mining activities	2.7	2.7	–
Administration expenses such as payroll and rentals etc.	2.8	2.8	–
	18.3	18.3	–

Placing of 450,000,000 new shares on 22 July 2020

Intended use	Planned use of proceeds	Utilisation up to 31 December 2020	Balance up to 31 December 2020
	HK$ million	HK$ million	HK$ million
General working capital	10.0	10.0	–
Repayment of debts and related interest costs of the Group	30.0	30.0	–
	40.0	40.0	–

Placing of 222,000,000 new shares on 2 September 2020

Intended use	Planned use of proceeds	Utilisation up to 31 December 2020	Balance up to 31 December 2020
	HK$ million	HK$ million	HK$ million
General working capital	2.5	2.5	–
Repayment of debts and related interest costs of the Group	19.0	19.0	–
	21.5	21.5	–

CAPITAL EXPENDITURE

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase mining rights, land, property, plant and equipment. In 2020, the Group's expenditure for: (i) purchase of property, plant and equipments aggregated to approximately RMB109.1 million; and (ii) purchase of mining rights aggregated to approximately RMB5.1 million.

FOREIGN EXCHANGE EXPOSURE

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

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

HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 31 December 2020, the total number of full-time employees of the Group was 194 (31 December 2019: 205). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB19.8 million for 2020 (2019: approximately RMB15.5 million). Meanwhile, taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognising their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations were in line with the market performance and their qualifications and abilities, and made adjustment according to varied percentage. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

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

The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2020, the contributions of approximately RMB1.18 million (2019: approximately RMB1.33 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

PLEDGE OF ASSETS

As at 31 December 2020, the property, plant and equipment of approximately RMB29.3 million, the investment properties of RMB112.5 million, the leasehold land of approximately RMB253.4 million, mining rights of Zhangxi Mine and Lichuan Mine aggregated to approximately RMB282.1 million and investments in an associate of approximately RMB279.7 million were pledged as security for obtaining certain bank and other loans granted to the Group. As at 31 December 2019, the property, plant and equipment of approximately RMB35.6 million, the investment properties of RMB204.8 million, the leasehold land of approximately RMB259.9 the million, the mining rights of Zhangxi Mine and Lichuan Mine aggregated to approximately RMB282.1 million and the investments in an associate of approximately RMB279.8 million were pledged as security for obtaining certain bank and other loans granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had capital commitments of approximately RMB3.3 million for acquisition of property, plant and equipment, which were contracted but not provided for (2019: RMB95.9 million). As at 31 December 2020, the Group had no other material contingent liabilities.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

The Company did not conduct any material acquisition or disposal of any subsidiary, associate or joint venture for the year ended 31 December 2020.

SUBSTANTIAL INVESTMENT

The Group had no significant investments or material acquisitions or disposal of subsidiaries and associated companies during the year.

RESOURCES AND RESERVES

SHANGRI-LA MINE

Our Shangri-La Mine is located at Xianggelila City of Yunnan Province, China. The table below summarises key information related to our current mining permit for the Shangri-La Mine.

Holder	Shangri-La Company
Nature of resource	marble
Covered area	approximately 0.1649 square kilometres
Issuance date	March 2018
Expiration date	March 2021
Permitted production volume	50,000 cubic metres per annum

The Yunnan Province Bureau of Land and Resources assessed a mining right fee of RMB0.56 million for a period of every three years.

The table below summarizes the marble resources of Shangri-La Mine estimated as of 31 December 2020 according to Chinese Standards.

RESOURCES	**Millions of cubic metres**
Indicated	2.2
Inferred	0.3
Total	2.5

The Group did not have exploration, development and production activities for Shangri-La Mine in 2020 (2019: excavated approximately 258 cubic metres of marble blocks). No capital expenditure was incurred in 2020 (2019: Nil).

DEJIANG MINE

Our Dejiang Mine is located at Guan Jia Fen, Dejiang Town of Guizhou Province, China. The table below summarises key information related to our current mining permit for the Dejiang Mine.

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

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

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

The following table summarises the marble resources of our Dejiang Mine, estimated as of 31 December 2020 under Chinese Standards.

RESOURCES	Millions of cubic metres
Indicated	1.3
Inferred	0.8
Total	2.1

The Group did not have exploration, development and production activities for Dejiang Mine in 2020 (2019: None).

YONGFENG MINE

Our Yongfeng Mine is located in the Yongfeng County of Jiangxi Province, China and is connected by a 72-kilometer county road to the Yongfeng exit of a newly constructed expressway, which connects us to China's national transportation system. The table below summarises key information related to our current mining permit for the Yongfeng Mine.

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

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

The following table summarises the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2020 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

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

RESERVES	**Millions of cubic metres**
Proved	23.0
Probable	21.0
Total	44.0

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2020 were arrived after taking into account the estimated resources and reserves of the Yongfeng Mine as of 30 September 2013 minus the amount of extraction in the course of the Group normal and routine mining activities carried out during the period from 1 October 2013 to 31 December 2020 and had been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has had over 25 years of experience in mining production (including exploration and extraction process). For details of the biographical information of Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the "Prospectus").

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2020 (as disclosed in this annual report) were based on the resources and reserves under the JORC Code, i.e. there was no change in the reporting standard used in arriving at these estimates on the respective dates. The methods used to estimate mineral resources and the parameters used for the estimated resources and reserves of the Company as of 30 September 2013 and 31 December 2020 were identical.

The Group took exploration, development and production activities with a volume of 233.3 cubic meters for Yongfeng Mine in 2020 (2019: Nil). The capital expenditure incurred in 2020 was amount to RMB90.7 million (2019: Nil).

ZHANGXI MINE

Located at Yongfeng County of Jiangxi Province, China, about 50 km from the expressway from Fuzhou via Yongfeng to Ji'an, Zhangxi Mine enjoys an access to Changning (Nanchang — Ningdu) expressway which has already been open to traffic, thus making it possible for the Group to get connected to China's national transportation system. The table below summarises key information related to our current mining permit for the Zhangxi Mine.

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

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

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

The table below summarises the marble resources of the existing site of Zhangxi Mine estimated as of 31 December 2020 according to Chinese Standards.

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

The Group did not have exploration, development and production activities for Zhangxi Mine in 2020 (2019: None).

LICHUAN MINE

The Lichuan Mine is located at Shaxi County, Lichuan, Hubei Province, the PRC. The table below summarises key information related to the current mining permit for the Lichuan Mine.

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

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

The table below summarizes the marble resources of Lichuan Mine estimated as of 31 December 2020 according to Chinese Standards.

RESOURCES	Millions of cubic metres
Indicated	3.88
Inferred	0.67
Total	4.55

The Group did not have exploration, development and production activities for Lichuan Mine in 2020 (2019: None).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

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

Name	Age	Management Position
Ms. WU Jing	35	Executive Director, Chairman and Acting Chief Executive Officer
Mr. GU Weiwen	51	Executive Director and Vice Chairman
Mr. ZHANG Jian	46	Executive Director
Mr. WAN Jian	44	Executive Director
Mr. GU Zengcai	58	Non-Executive Director
Ms. LUNG Yuet Kwan	55	Independent non-Executive Director
Mr. HUI Yat On	61	Independent non-Executive Director
Mr. ZHAI Feiquan	41	Independent non-Executive Director

EXECUTIVE DIRECTORS

Ms. WU Jing (伍晶), aged 35, has been appointed as the executive Director on 9 March 2016 and is currently Chairman of the Board and Acting Chief Executive Officer of the Company. Ms. Wu is also responsible for promotion and marketing affairs of the Company. Ms. Wu has 7 years' experience in corporate brand management. In 2010, Ms. Wu founded a management consulting firm, which provided consultancy services in relation to brand promotion, sales and public relations to the local and overseas organizations and corporations since February 2010, including but not limited to Information Services Department of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong Tourism Board, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, DTZ Holdings PLC, Sinopec (Hong Kong) Limited, Suning Commerce Group Co., Ltd., Powerchina Resources Ltd.. In June 2008, Ms. Wu obtained her bachelor's degree in biological technology from Wuhan University. She then obtained her master of science degree in environmental engineering from the Hong Kong University of Science and Technology and her master degree in industrial engineering and logistics management from the University of Hong Kong in November 2009 and November 2010, respectively. In 2015, she was awarded the "Ten Outstanding New Hong Kong Young Persons (十大傑出新香港青年)". She is currently the standing director of Jiangsu Women Association* (江蘇聯會婦女會) and the director of Jiangsu Youth Association* (江蘇青年總會). As of the date of this annual report, save as disclosed above, Ms. Wu did not hold directorship in any listed public companies in the past three years.

Mr. GU Weiwen (顧偉文), aged 51, has been appointed as the executive Director and Chief Executive Officer on 9 March 2016, and re-designated as Vice Chairman of the Company on 1 December 2016. Mr. Gu has nearly 28 years' experience in trading, investment and financing. Prior to joining the Group, Mr. Gu served as the wholesale executive of Shanghai Textiles Ltd.* (上海紡織品總公司) from July 1990 to July 1992. From August 1992 to September 1994, Mr. Gu served as the manager of the apparel department of Orient Shopping Center Ltd.* (上海東方商厦有限公司). From October 1994 to October 2000, Mr. Gu served as the general manger of Shanghai Huifeng Textile Group Ltd.* (上海惠豐毛紡織集團有限公司). From January 2001 to October 2011, Mr. Gu served as the general manager of Chengdu Runheng Investment Ltd.* (成都潤衡投資有限公司). From October 2011 to February 2016, Mr. Gu served as assistant to the chairman of China Dredging Environment Protection Holdings Limited (stock code: 871), a company listed on the Stock Exchange. Mr. Gu obtained the diploma from Commerce College of the Shanghai University (上海大學商學院) (now known as School of Economics, the Shanghai University) majoring in trading economics in July 1990. In 1991, Mr. Gu obtained the qualification as economic analyst as confirmed by the appraisal committee after the discussion by the vocation reform office of Shanghai Textiles Ltd.* (上海紡織品公司). In 1993, Mr. Gu obtained the qualification as an assistant economic analyst as confirmed by the appraisal committee for junior occupational positions of Shanghai Huifeng Textile Group Ltd.* (上海東方商厦有限公司). As of the date of this annual report, save as disclosed above, Mr. Gu did not hold directorship in any listed public companies in the past three years.

Mr. ZHANG Jian (張健), aged 46, has been appointed as the executive Director on 9 March 2016 and is currently the deputy general manager of the Company and the general manager of the marble production and processing department and international sales department of the Company, where he is responsible for mine production management, marble processing and production and operations management and international sales management of the Group. Mr. Zhang joined the Group in October 2012 and has nearly 16 years' experiences in stone exploitation, stone processing, quality control and international trade of stone. Prior to joining the Group, Mr. Zhang served at unit 32525 of the People's Liberation Army of the People's Republic of China in Xiamen (廈門中國人民解放軍32525部隊) from December 1993 to December 1997. From March 2003 to March 2006, he served as a procurement officer of Best Cheer Stone Group Ltd.* (高時石材集團有限公司). From March 2006 to October 2012, he served as the procurement manager of Xiamen Zhonglianfa Import and Export Co., Ltd.* (廈門中聯發進出口有限公司). As of the date of this annual report, save as disclosed above, Mr. Zhang did not hold directorship in any listed public companies in the past three years.

Mr. WAN Jian (萬堅), aged 44, has been appointed as the executive Director on 15 January 2021. Mr. Wan has extensive experience in the construction industry particularly in the construction material field. He was also familiar with stone products processing and their related application on construction projects. Mr. Wan does not hold any other position with the Company and/or other members of the Company and its subsidiaries. Save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

NON-EXECUTIVE DIRECTOR

Mr. GU Zengcai (顧增才), aged 58, has been appointed as non-executive Director of the Company on 8 June 2016. Mr. Gu graduated in the profession of industrial accounting school from Jiangsu Radio and TV University (江蘇廣播電視大學) in 1986. Mr. Gu worked as the director of audit department and vice manager of finance department in Zhuhai Port Co., Ltd. (珠海港股有限公司) (formerly known as Zhuhai Fuhua Group Co., Ltd. (珠海富華集團股份有限公司)) (a company listed as A share with stock code 000507) from October 1993 to August 1994. From September 1994 to April 2002, Mr. Gu worked in China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行) (formerly known as Zhuhai Commercial Bank) (the "CR Bank") and served as the deputy director of Zhuhai Huayin City Credit Cooperatives (珠海華銀城市信用社), the branch president of CR Bank, and the manager of the capital department, finance department and credit department in the headquarter of the CR Bank. Mr. Gu was also appointed as the executive director of the Zhuhai Holdings Investment Group Limited (a company listed on The Stock Exchange with stock code 00908) (formerly known as Jiuzhou Development Company Limited) from October 2003 to August 2012 and the deputy chairman of the board of directors in the same company from August 2006 to August 2012. Mr. Gu obtained the certificate of the accountant and auditor in the year of 1992 and the certificate of Chinese Public Accountant in 1993. Save as disclosed above, Mr. Gu did not hold any directorship in the past 3 years in any other listed companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LUNG Yuet Kwan (龍月群), aged 55, has been appointed as independent non-executive Director of the Company on 1 June 2017. Ms. Lung has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Ms. Lung joined as executive vice president of the finance department of Ground International Development Limited (formerly known as "China Motion Telecom International Limited", a company listed on the Stock Exchange with stock code 0989) since December 2005 and acted as the chief financial officer, company secretary and the authorised representative of Ground International Development Limited for the period from November 2013 to February 2016. Ms. Lung holds a bachelor degree in business from Monash University, Australia. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Save as disclosed above, Ms. Lung did not hold any directorship in the past 3 years in any listed companies.

Mr. HUI Yat On (許一安), aged 61, has been appointed as independent non-executive Director of the Company on 8 June 2016, and is chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master's degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants in December 1986. He is also a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui has previously served as the executive director and senior executive of several Hong Kong listed companies. He was appointed on 11 January 2021, as an independent non-executive director of Enterprise Development Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 1808. Save as disclosed above, Mr. Hui did not hold any directorship in the past 3 years in any other listed companies. Mr. Hui has nearly three decades of experiences in the field of corporate finance and financial services.

Mr. ZHAI Feiquan (翟飛全), aged 41, has been appointed as independent non-executive Director of the Company on 20 July 2020. Mr. Zhai holds a bachelor's degree in marketing from Guangxi University. Mr. Zhai has nearly 20 years' experience in stone products sales and export as well as mines operations and processing of marble stone. He has rich experience in marketing and brandsbuilding of a variety of marble stones. Mr. Zhai does not hold any other position with the Company and/or other members of the Company and its subsidiaries. Save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. NIE Zhiqiang (聶志強), aged 53, is currently the vice president of Jueshi Mining in charge of production, responsible for mining plans confirmation, product quality control and product transportation of our Group. Mr. Nie joined our Group on 18 June 2012, and has over 25 years of experience in mining production. Prior to joining our Group, Mr. Nie was responsible for the mining production and management of various companies. He worked in Shanxi Sida Construction Materials Co., Ltd from June 1991 to October 1997, serving as general staff, supervisor of quality control, head of production and person-in-charge of mining operation, respectively, responsible for the quality control and assurance of granite mines and production management, including a detailed analysis of the granite exploration and extraction process. He worked in Shanxi Huajun Stone Enterprise Co., Ltd. from November 1997 to November 2000, serving as production manager and mining head, responsible for the production, exploration and extraction management of a mine and a mine processing plant, including marbles and stones. From March 2001 to August 2004, Mr. Nie was the mine and factory manager of Shanxi Evergreen Stone Co., Ltd., responsible for mineral resource management and formulation and execution of granite mining production plans. From March 2005 to June 2009, he was the assistant manager and the mine manager of the mineral resource department of Universal Marble & Granite (Dongguan) Co., Ltd., responsible for mining and management, including the daily management of the marble mining and resources department, evaluating mine acquisition targets by assessing the nature and quality of marble and granite in mines, formulating marble mine exploration plans and proposals to facilitate mining production, organizing and coordinating mining exploration and extraction activities, and organizing training for mining personnel on the technical, safety and environmental protection aspects of marble mines. From February 2010 to June 2012, he served as the vice general manager of Hubei Era Mining Co., Ltd., responsible for overseeing marble mining affairs and the operation of a marble mine processing plant, which covered the marble exploration and extraction process.

Mr. ZHANG Jiyan (張繼燕), aged 49, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has almost 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板材廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fuji an Quanzhou Huayi Stone Materials Limited* (福建省泉州市華益石材有限公司) and Zhangzhou Riquan Inspection Centre* (漳州日泉檢品中心), a subsidiary of Xiamen Riquan Trading Company* (廈門日泉貿易公司). During which, Mr. Zhang obtained experience in coordinating and guiding exploration and mining, which has enabled him to communicate and work effectively with the senior managers at the mines. He had also been involved in the development of a series of professional guidelines including raw material quality standards and slab quality standards, whereby the quality of the raw materials from mines, which are required at the processing stage, is strictly under control to ensure the best cutting quality from such raw materials for the purpose of an optimal production-sales relationship and a maximized use of stone resources. Mr. Zhang joined the Company in August 2011 when he was involved in the total management, operations and product quality control at the then newly acquired Yongfeng Mine. Subsequently, he acted as a key executive in charge of production and sales coordination and quality control, during which, he equipped with his professional competence in manufacturing processes and technologies and in both the national and the international quality control standards, closely supervised, guided and, on a continuing basis, improved the exploration, extraction and production process of contractors from the perspective of marketability, customer satisfaction and technical application. Mr. Zhang has administered stringent control over the quality of raw materials, semi-finished goods and final products of the Company having regard to market demand and product positioning. At the same time, Mr. Zhang formulates strategies and optimal improvement plans in line with market demand and in doing so, he has produced good results from the coordination efforts in production and sales.

Mr. QIU Yuyuan (邱宇元), aged 43, is currently in charge of the Group's financial planning, financial budget and management issues. Mr. Qiu joined the Group in September 2011, and has more than 10 years of experience in financial management. Prior to joining the Group, Mr. Qiu worked in Xiamen Overseas Chinese Electronic Co., Ltd., Xiamen Tsann Kuen Corporation Limited, and Lenovo Mobile Communication Technology Limited from August 2000 to February 2005, from March 2005 to March 2006, and from March 2006 to April 2010, respectively, and was in charge of relative financial auditing, business process reengineering, credit management and financial analysis in those companies. Mr. Qiu obtained the qualification of National Intermediate Accountant in 2004.

Mr. JIANG Shikui (蔣世奎), aged 40, is currently the Chief Operation Officer of the Company. Mr. Jiang joined the Group in 2016 and he has over 10 years of experience in stone industry, including the field of mining processing, production management, quality control, technology development, market development and marketing management.

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules"), the changes in details of the Directors' information subsequent to the date of the interim report of the Company for the six months ended 30 June 2020 are set out below:

Name	Details of Changes
Mr. Hui Yat On	Appointed on 11 January 2021, as an independent non-executive director of Enterprise Development Holdings Limited (Stock Code: 1808), the shares of which are listed on the Main Board of the Stock Exchange

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020, except for the following deviation.

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

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

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

NON-COMPLIANCE WITH LISTING RULES

As disclosed in the Company's announcement dated 21 April 2020, following the resignation of a former independent non-Executive Director, Ms. Zhang Xiaohan ("Ms. Zhang") with effect from 21 April 2020, the Company fails to meet the requirements of (i) having at least three independent non-executive Directors under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and (ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

On 20 July 2020, Mr. Zhai Feiquan ("Mr. Zhai") was appointed as an independent non-executive Director, a member of each of the audit committee (the "Audit Committee") and the nomination committee (the "Nomination Committee") of the Board with effect from the even date which was within the three-month period from the date of Ms. Zhang's resignation as required under Rules 3.11 and 3.23 of the Listing Rules.

Upon the appointment of Mr. Zhai became effective on 20 July 2020 as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee, the Company has re-complied with (i) the requirements of the above Listing Rules and (ii) met the terms of reference and procedures of the Company's Nomination Committee regarding having a minimum of three members.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

As at 31 December 2020, the Board comprised seven members, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors. An additional executive Director was appointed subsequent to the reporting date.

Executive Directors:

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

Non-executive Director:

Mr. Gu Zengcai

Independent non-executive Directors:

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

Note: Mr. Wan Jian appointed as executive Director on 15 January 2021

Mr. Zhai Feiquan appointed as independent non-executive Director and member of both the Audit Committee and the Nomination Committee on 20 July 2020

Ms. Zhang Xiaohan resigned as independent non-executive Director and member of both the Audit Committee and the Nomination Committee on 21 April 2020

The Board members have no financial, business, family or other material/relevant relationships with each other to ensure strong independence exists across the Board. All directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The biographical information of the Directors is set out on pages 21 to 25 of this annual report.

Independent non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules 3.10(1) and (2), and 3.10A relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. As set out in the Company's announcement dated 21 April 2020 and 20 July 2020, Ms. Zhang Xiaohan tendered her resignation as an independent non-executive Director and hence ceased to be a member of both the Audit Committee and the Nomination Committee and Mr. Zhai Feiquan appointed as independent non-executive Director and member of both the Audit Committee and the Nomination Committee of even date.

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

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction has been supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

Relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The Directors have participated in the following trainings during the year ended 31 December 2020:

	Types of training
Executive Directors	
Ms. Wu Jing	B, C
Mr. Gu Weiwen	C
Mr. Zhang Jian	C
Mr. Wan Jian (appointed on 15 January 2021)	N/A
Non-executive Director	
Mr. Gu Zengcai	C
Independent non-executive Director	
Ms. Lung Yuet Kwan	C
Mr. Zhai Feiquan (appointed on 20 July 2020)	B, C
Ms. Zhang Xiaohan (resigned on 21 April 2020)	N/A
Mr. Hui Yat On	C

A Attending in-house briefing

B Attending seminar(s) and training(s)

C Reading materials relating to Listing Rules and directors duties and responsibilities

BOARD DIVERSITY POLICY

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

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

During the year ended 31 December 2020 and as at the date of this annual report, the Board is characterized by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills knowledge and length of service.

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

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

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

NON-EXECUTIVE DIRECTOR

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

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

Audit Committee

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

During the year, the Audit Committee comprises three independent non-executive Directors, namely Ms. Lung Yuet Kwan, Mr. Zhai Feiquan and Mr. Hui Yat On. Ms. Lung Yuet Kwan has been appointed as the chairman of the Audit Committee since 1 June 2017. Following the resignation of Ms. Zhang Xiaohan as an independent non-executive Director and member of the Audit Committee on 21 April 2020, Mr. Zhai Feiquan was appointed as independent non-executive Director and a member of the Audit Committee on 20 July 2020.

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

During the year, the Audit Committee held two meetings, with members present in person or through telephonic conferencing, to assess the independence of the Company's auditors, review the internal control and risk management systems, the Group's financial results and report for the year ended 31 December 2019, the Group's interim financial results and report for the six months ended 30 June 2020 before submission to the Board for approval.

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2020 and the auditor's report thereon.

The Audit Committee also met the external auditors twice without the presence of the executive Directors and the management of the Company.

Remuneration Committee

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

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

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

During the year, the Remuneration Committee held two meetings, with members present in person or through telephonic conferencing, to determine the policy for remuneration of executive Directors, to assess performance of executive Directors, to review and make recommendation to the Board on the remuneration package of executive Directors and other related matters.

Nomination Committee

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

During the year, the Nomination Committee comprises one executive Director, Ms. Wu Jing, and two independent non-executive Directors, Mr. Zhai Feiquan and Mr. Hui Yat On. Ms. Wu Jing has been appointed as the chairman of the Nomination Committee. Following the resignation of Mr. Zhang Xiaohan as an independent non-executive Director and member of the Nomination Committee on 21 April 2020, Mr. Zhai Feiquan appointed as independent non-executive Director and a member of the Nomination Committee on 20 July 2020.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

During the year, the Nomination Committee held one meetings, with members present in person or through telephonic conferencing, to determine the policy for the nomination of Directors and the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the re-election of Directors at the Annual General Meeting.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Investment Committee

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

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

During the year, the Investment Committee held one meeting, with members present in person or through telephonic conferencing, to review and assess the operation and financial performance of certain projects acquired by the Group and determine and recommend the future business strategy of such projects to the Board.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting
Executive Directors						
Ms. WU Jing	6/6	N/A	2/2	1/1	1/1	1/1
Mr. GU Weiwen	5/6	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Jian	5/6	N/A	N/A	N/A	N/A	1/1
Mr. WAN Jian (note 1)	–	–	–	–	–	–
Non-executive Director						
Mr. GU Zengcai	3/6	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Ms. LUNG Yuet Kwan	6/6	3/3	2/2	N/A	N/A	1/1
Mr. HUI Yat On	6/6	3/3	2/2	1/1	1/1	1/1
Mr. ZHAI Feiquan (note 2)	1/1	1/1	N/A	N/A	N/A	N/A
Ms. ZHANG Xiaohan (note 3)	0/2	0/1	N/A	N/A	N/A	N/A

Notes:

1. Mr. Wan Jian appointed as executive Director on 15 January 2021.

2. Mr. Zhai Feiquan appointed as independent non-executive Director on 20 July 2020.

3. Ms. Zhang Xiaohan resigned as independent non-executive Director on 21 April 2020.

Apart from the four regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2020.

Corporate Governance Functions

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 74.

AUDITORS' REMUNERATION

Ernst & Young are appointed as the external auditors of the Company.

During the year ended 31 December 2020, the total fees paid/payable in respect of audit services provided by Ernst & Young were RMB3,200,000. There was no non-audit service fee incurred for the year ended 31 December 2020.

INTERNAL CONTROL

During the year ended 31 December 2020, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

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

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

For the year ended 31 December 2020, Mr. Zhao undertook the relevant professional trainings as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	Units 03–04, 20/F Shanghai Shimao Tower 55 Weifang West Road Pudong New Area Shanghai, PRC (For the attention of the Board of Directors)
Fax:	+ 86 021 68870050
Email:	ir@artgo.cn

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Stock Exchange and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

All of the recommendations from the Group's internal audit department will be properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year ended 31 December 2020.

1. ABOUT THIS REPORT

Group Overview

ArtGo Holdings Limited (the "Company", together with its subsidiaries referred to as the "Group") is listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange", Stock code: 03313). Our business is diversified which involves mining, processing and sale of marble stones as well as commodity trading. Our products range from marble slabs, standard cut to size marble, antique series, water jet, border series and marble related crafts, to bathroom and tailor-made household products and calcium carbonate products. In the meantime, the Group has endeavoured to operate its business in a sustainable manner.

Reporting Scope

This report is prepared by the Company in accordance with the "Environmental, Social and Governance Reporting Guide" as set forth under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange, and has complied with the "Comply or Explain" provisions as contained in the "Environmental, Social and Governance Reporting Guide".

Opinions and Feedback

The Report serves as an important tool to communicate to all stakeholders the Company's efforts to promote sustainability developments, and to demonstrate its ongoing commitment to enhancing its economic, social and environmental performance.

As part of our sustainability development initiative, the Group welcomes the feedback and opinions from the stakeholders pertaining to improvement and performance of our environmental, social and governance aspects. Please submit your opinions to the e-mail address at ir@artgo.cn.

2. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Missions and Objectives

We attach great importance to our responsibility to society, while taking into account business development and its impact on the environment and society. The Company holds the following five core philosophies: safety first, customer oriented, management centered, care based, and environment protection prioritized. The following are our missions and objectives in terms of environment, community, employment, and operations:

Maintain Highest Ethical Standards

We aim to maintain the highest ethical standards in the conduct of our business. We are committed to maintaining the highest standards of corporate governance.

Focus on Health and Safety

Health and safety issues are always our top priority

Minimise Environmental Impact

We undertake to minimise the impact of our activities on the environment

Contribute to Communities

We are willing to make contributions to the communities in which we operate

Respect Our Staff

We treat each employee with fairness, listen to them with respect, and provide them with a comfortable work environment

Encourage Partners to Set High Standards

We encourage our contractors to embrace high standards similar to ours

Culture and Education

We promote the development and appreciation of arts and culture to improve our quality of life and encourage innovation and creative thinking.

Stakeholder Engagement and Materiality Assessment

We regularly interact with a wide range of our stakeholders to gain valuable feedback and address their concerns with regards to our ESG efforts, performance and future strategies. This process enables us to make informed decisions and better assess our potential impacts. The Group have applied the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendation of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the guidelines of Global Reporting Initiative ("GRI").

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification — Relevant ESG areas were identified through reviewing ESG disclosures of industry peers and communication with major stakeholders.

Step 2: Pritoritisation — The ESG issues were analysed and ranked in accordance with their level of materiality.

Step 3: Validation — Based on management's internal discussion, and recommendations of ESG Reporting Guide and the Guideline of GRI, a finalized list of material ESG issues and their KPI for disclosure was confirmed.

CSR governance structure, execution and monitoring

CSR governance structure

Our CSR structures consists of the Board, the management and executive department. The Board oversee ESG matters as a whole and authorize the management to perform duties relevant to CSR matters. Through collecting CSR-related data regularly, the management can assess, monitor and report material ESG issues to the Board. The executive department is responsible for promoting and implementing ESG policies on operation level.

Policy execution

We are dedicated to integrating the spirit of community contribution into our core businesses, and provide expertise, human resources, and educational and cultural development for philanthropic projects. For the sustainability impacting the ecological environment and natural resources, ArtGo will seek to maximise greening benefits during its production activities to the extent that will not cause any ecological deterioration, and minimise consumption of natural resources. To fulfil the environmental commitments, the Group will enhance its product and technology performances, optimise production techniques, improve its management standards, and enhance the employee responsibility and awareness of environmental protection.

Monitoring

The Group also follows a sustainable development strategy by providing the employees with safe and healthy working environment as well as talent training and development, promoting and implementing supply chain management policies, and comprehensive mechanisms and measures for environmental protection, and community involvement and participation. The management assists in maintaining the Group's risk management and internal control systems, and the Board monitor the effectiveness and appropriateness of the system on a on-going basis to properly monitor environmental, social and governance performance and address related sustainability risks.

3. ENVIRONMENTAL PROTECTION

In promoting the long-term environmental sustainability, the Group has taken various environmental protection initiatives to minimise carbon emissions. During our business operation and management, practical regulations are introduced to utilise resources efficiently and reduce waste. Our stone mining business and the production of calcium carbonate products business, which may generate different emissions and waste, and hence cause environmental impacts, as a result of which, we have implemented various policies and procedures to ensure our business operations proceed in compliance with specific regulations. As our other businesses, including logistics and other trading businesses, have less environmental impacts, we focus more on efficient consumption of energy and resources over the course of business operations.

3.1. Emissions

3.1.1. Environmental Policy

The Group's Environmental Policy focuses more specifically on emission reduction, carbon footprint reduction, promote waste reduction at source, green purchasing enhancement, and encourage stakeholder involvements. It will endeavour to:

- Ensure compliance with all local environmental and related legislation
- Encourage staff at all levels, business partners and other stakeholders to perform their environmental obligations
- Request all new employees to attend EHS on-board training to ensure that they understand our commitment to environmental protection
- Identify environmental impacts associated with our operations, and set targets to continually improve our environmental performance
- Improve energy efficiencies by adopting best practicable designs and technologies
- Regularly measure and report our emission of GHG such as CO, NOx and SO
- Record all emission data, analyse it in detail, and incorporate it in the KPI of employees at all levels
- Actively encourage our stakeholders to reduce their carbon footprint
- Actively promote classification of waste, treatment of harmful and harmless wastes, provision of recycle bins and other environmental protection measures
- Minimise waste generation whenever practical in daily operations through recycling and waste reduction at source
- Embrace green purchasing practices and adopt best practicable technologies to conserve natural resources
- Supervise the production safety and high quality products of our suppliers, and encourage them to use recycled materials and develop environment-friendly packaging while continuing to meet customers' expectations
- Provide good indoor environmental quality to ensure that all the work environments are healthy
- Provide indoor and outdoor greening and plants
- Provide regular environmental training to employees and continue to raise their awareness on the issues

- Invest in and construct environmental facilities to treat waste water, waste gas, and solid waste in compliance with the requirements set by the environmental authorities of local governments

- Establish internal control mechanisms, and safety practice commissioners and superintendents are appointed to implement various safety operation procedures in accordance with the Group's regulations

3.1.2. Compliant emissions

The Group is in strict compliance with the relevant national environmental laws and regulations (including the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Environmental Impact Assessment), laws related to pollutant emissions (including the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution), and other national and local policies.

3.1.3. Emissions

The Group is committed to ensuring that all key environmental impacts are identified and managed in a responsible manner. We closely monitor the emission during production and strengthen environment management to achieve control over main pollution sources. We also use our best endeavours to reduce the emission of waste. Emission targets are independently set for each project. Currently, our main pollutants include waste water and dust during production and exhaust gas, air, waste water and solid waste generated from other daily operations.

3.1.4. Emission reduction and effectiveness

With respect to sewage management during production:

A water recycle system has been applied during the production process so that the sewage produced during marble stone cutting and calcium carbonate production will be deposited and compressed by the recycle system to filter out wasted materials in the water. The wasted materials then be compressed into solid form, the water will be deposited, purified and reused, thereby protecting the environment, avoiding dusts and reducing local water pollution.

With respect to dust prevention for efficient reduction of local air pollution:

All mines and production facilities are required to spray water, and set up separative enclosures and shielding cases during the production process so that dust from stone cutting and calcium carbonate production can be eliminated to reduce environmental pollution.

With respect to exhaust gas management:

Exhaust gas of the Group is produced mainly by office vehicles and light transportation vehicles. The Group adopts strict approval system for office vehicles, and has formulated a set of rules for light transportation vehicles, such as detailed record of mileage and fuel consumption spending, regular calculation and pooled analyses of discharge for constant improvement. The Group also indirectly reduced emission of exhaust gas by reducing unnecessary business trips and travels and reasonably arranging vehicles. For example, increase the use rate of office vehicles and reasonably control the cost of vehicle use, as well as arrange travel together for the same trip on the same day. However, certain emission is difficult to avoid. Therefore, we strive to manage and control relevant risks. There is equipment on our production sites that generates electricity by using burning fuels such as generators and heavy-duty equipment including loaders, excavators, forklifts, and other heavy-duty vehicles, which in turn generates greenhouse gases. The Group has developed policies to manage smoke emission produced by machines. For example, burning waste in open air is forbidden and all machines must use low sulfur diesel.

With respect to water pollution control:

We encounter water pollution issues either directly or indirectly in our operations. Therefore, certain preventive measures are necessary. For example: U trenches are added in and out of mining sites to prevent waste water from leaking and to dredge waste water; waste water treatment facilities are also added in the mining and production sites and are regularly maintained, and are checked and approved by the local government environmental department on a regular basis. In addition, we regularly arrange for waste water from mining sites such as sanitary wastewater to be collected.

Treatment of solid waste:

Certain construction waste and domestic refuse are inevitable during production and daily operation. To minimize their environmental impact, the Group has long advocated and promoted waste classification and recycling. Timber, paper, metal and plastic should be separated for recycling. We also provide garbage classification bins for various projects for employees to use, and instruct employees on relevant arrangements and specifications in their on-board training. In addition, the construction waste and domestic refuse are disposed at sites designated by local government to minimize the impacts to the public. There is no significant amount of hazardous waste produced by the Group during the production process.

Emission of greenhouse gas:

The Group also attaches importance to emission of greenhouse gas and endeavors to reduce consumption of power, fuel, etc.. However, the related electricity consumption has also increased due to the operation of calcium carbonate production this year.

3.1.5. Emission Data

Major data on emission of ArtGo Group for the financial years of 2020 and 2019 is set out below:

	Unit	2020	2019
Emission of gas pollutants:			
Nitrogen oxides (NOx)	kg	**17.67**	34.42
Sulphur oxides (SOx)	kg	**0.34**	0.59
Particulate matter (PM)	kg	**1.30**	2.53
Greenhouse gas emission:			
Scope 1 emission(1)	tonne	**63.04**	140.59
Scope 2 emission(2)	tonne	**4,771.87**	3,240.26
Total emission (Scope 1 and 2)	tonne	**4,834.91**	3,380.85
Non-hazardous waste:			
Solid waste	tonne	**30,000**	24,000
Waste water	tonne	**39,315**	20,761

(1) Scope 1: Direct emissions from sources that are owned or controlled by the Group, such as emissions from pipelines, factories, air-conditioning facilitates and vehicles.

(2) Scope 2: Indirect emissions from the consumption of purchased electricity and steam by the Group as a result of its operation, while the sources of emissions are owned or controlled by other companies.

3.1.6. Recognition of waste reduction and energy conservation

Constantly striving to utilise various resources to minimise emissions in a reasonable and efficient manner, ArtGo was awarded both the Wastewi$e Certificate and the Energywi$e Certificate under the Hong Kong Green Organisation Certification Scheme in the past years. This scheme aims to encourage industrial and business entities/enterprises to implement measures to minimise waste and conserve energy when operating their business, producing products, and rendering services, as well as to recognise the contributions made by these institutions/enterprises. It has also received the Energywi$e Certificate for the year and was in the course of applying the Wastewi$e Certificate.

3.2. Use of Resources

In 2020, the Group mainly consumed energy and resources such as power, gasoline, water, and paper. During the production process, including processing design, equipment procurement, facilities and buildings, and on-site management, we take into due consideration consumption of water, power, raw materials, and other natural resources so that consumption of non-renewable resources can be minimised.

3.2.1.Resource conservation

We implement resource conservation policies that are applicable to all activities engaged by the Group involving energy and resource procurement and consumption, which aims to utilise energy and resources in a reasonable and efficient manner, lowering costs, and enhancing our environmental performance;

During the business operation, the Group is committed to implementing the initiatives of environmental sustainability:

- deploy energy-efficient production equipment and sensor-controlled lighting systems
- reduce energy consumption during production
- use recyclable and degradable packaging materials for products
- promote the paperless office
- recycle and reuse rejected raw materials and defected products, if they are recyclable
- use recycled water; and
- raise the environmental awareness among our customers and business partners

3.2.2.Measures for resource conservation and effectiveness

Energy management:

Persisting in the philosophy of environmental protection and energy conservation, ArtGo is committed to reducing energy consumption during our office and mining operations, as well as maintaining a full-scale supervision and control of energy consumption. By doing so, ArtGo will enhance the overall efficient performance, thereby fulfilling our environmental and social responsibility and safeguarding the sustainable development of the Group in the long term.

In 2020, with the expanded operations of our marble slabs processing the calcium carbonate productions, the energy consumption level increased significantly as the processing and productions involved a number of processing stages requiring considerable amounts of energy. On the other hand, energy consumption in mining business decreased due to the reduction in mining activities during the year. In the meantime, we further arranged routes for transportation vehicles in a scientific and systematic manner, which reduced transportation distances and frequencies to minimise oil consumption on top of successful completion of transportation work. In the office, we proactively promoted and evangelised the concept of green office by replacing ordinary lighting tubes with energy-efficient lights, as well as trying to communicate and circulating documents in an electronic form. Where printing documents is required, we managed to conserve paper by double-sided printing. Where heating and air-conditioning were required during the winter and summer seasons, a temperature range was set to minimise energy consumption besides comfortable office conditions.

Water resource management:

Water consumption level increased due to processing and production requirements of our marble slabs processing and the calcium carbonate. In spite of this, ArtGo encourages reasonable utilisation of resources and waste reduction during its operation. Therefore, throughout the entire business and production process, we have been actively implementing measures for conserving water and power, including water-saving faucets and other energy-efficient installations and amenities that are deployed to the office and related facilities, and encouraging our employees to develop the habit of water and power conservation during their daily life. At lavatories, hand-washing sinks, and power switches are posted with signs to remind conservation. At the employee cafeteria, all bowls and chopsticks are collected for centralised cleaning, the water used for which will be reused to wash and clean vehicles or the ground. These initiatives helped us reduce the water consumption intensity during 2020.

3.2.3. Data of resource consumption

Set forth below is major data regarding resource consumption by ArtGo Group for the financial year ended 2020 and 2019:

	Unit	**2020**	2019
Total water consumption	tonne	**51,691**	23,078
Total power consumption	kWh	**8,061,140**	3,831,309
Total fuel consumption	litre	**23,282**	52,336
Total paper consumption	piece	**101,100**	107,800

3.3. Environmental and natural resources

In 2020, subsidiaries of ArtGo Group which had ongoing construction projects were required to continue to conduct the construction project environmental impact assessment in strict compliance with the Law of the People's Republic of China on Environmental Impact Assessment, and strengthen the supervision over environmental assessment of new renovation and expansion projects, as well as their inspection and acceptance procedures over the course of project design, construction and operation, so that all engineering projects were successfully approved for construction.

To minimise the impact caused by the recommencement of production activities on the environment and resources, the mines will strictly implemented the "Environmental Protection Policies on Mining" by formulating monthly exploitation quantity policies, using the wire saws, reducing blast volumes, and optimising the mining equipment. In addition, overnight operation activities are prohibited, and sewage treatment tanks are built to ensure the sewage meets the emission standard. Furthermore, noise control is in place to minimise the impact on the residential and living conditions of villagers.

To prevent production activities from damaging vegetation around the mines, we try our best endeavour to avoid causing damages to plants grown on the requisitioned land, and proactively engage in environmental and greening restoration and plantation. Besides continuing to increase the green plantation efforts, we formulate policies regarding land and mine refill following the exploitation of mineral resources so as to reduce geological impacts. As for damages to plants, the Group implements afforestation measures on a timely basis following exploitation so that greening conditions and the habitats of animals are restored.

Compliance with all applicable environmental protection laws is one of the basic principles specified in ArtGo's Environment Policy Statement. Since 2013, we have not had any environmental protection accidents that led to penalty or any environmental protection case that was subject to litigation.

The values structure of the Company guides us to fulfill our mission and achieve our goal, and caring for the environment is one of our key values. This structure requires that we manage the long and short-term impacts that our businesses have on the environment in a responsible manner. As our businesses cover the entire supply chain, the potential environment issues we need to manage vary depending on the type, specifics of the project, and the nature of the business. Therefore, we focus on assessment of individual projects and business activities to effectively manage the potential impacts on the environment.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1. Employment

ArtGo attaches importance to humanity and insists on integrating the people-oriented concept into the production and management system of the Group. We strive to create a healthy, comfortable, safe and harmonious working environment for our employees, prohibit discrimination in terms of race, religion, disability, gender, education, etc., resolutely oppose the use of child labour and forced labour.

4.1.1.Employment system

Most of the employees of the Group are located in China. The Group strictly abides by the requirements of the Labour Law and the Labour Contract Law of China without violating the relevant laws and regulations:

- The recruitment and dismissal process is strictly in accordance with the labour regulations of the state and local governments

- There is no discrimination policy on gender, age, ethnicity, race, religion, physical condition, etc. in aspects including recruitment, employment, training, selection, remuneration and promotion

- Wages and related welfare benefits are paid on time with no default of employee salaries

- Statutory holidays and paid leaves are carried out in accordance with national regulations

- based on the principle of equal opportunity and non-discrimination, the employment, remuneration and promotion of employees will not be influenced by factors such as their ethnicity, gender, political affiliation

We strictly comply with the Company Law, Labour Law, Labour Contract Law, Trade Union Law and other laws and regulations of the PRC as well as the relevant provisions of female employees benefits before and after maternity. The details are as follows:

- Paid antenatal examination and maternity leave shall be provided during pregnancy
- Workload shall be reduced during the later stage of pregnancy
- Childbirth allowance shall be provided during maternity leave and income of female employees who are pregnant shall not be lower than that during the normal working time
- Fifteen days of advance maternity leave shall be provided if the physically condition requires
- One hour of breastfeeding leave shall be provided each day after the maternity leave and before the baby becomes one year old

4.1.2.Caring for Staff

In order to improve employees' sense of belonging and let them feel the warmth of being with the family, we organise various activities for employees each year, including feasts and blessing activities on traditional holidays, monthly birthday parties for employees and Chinese New Year parties. These activities have effectively motivated employees and help them strike a balance between work and life.

4.1.3.Composition of Employees

As at 31 December 2020, the Group employed a total of 194 full-time employees, 12 of whom were from Hong Kong, and 182 were from Mainland China. As at the end of the Reporting Period, the breakdown of employees by gender, employment category and age group is as follows:

	2020		2019	
	Number	**Percentage**	Number	Percentage
Total employees	**194**	**100%**	205	100%
By gender:				
Male	**149**	**77%**	154	75%
Female	**45**	**23%**	51	25%
By employment category:				
Senior management	**13**	**7%**	14	7%
Middle management	**17**	**9%**	17	8%
Ordinary employee	**164**	**84%**	174	85%
By age group:				
Under 30	**13**	**6%**	30	15%
31–40	**54**	**22%**	56	27%
41–50	**96**	**49%**	92	45%
Over 51	**31**	**23%**	27	13%

As at the end of the Reporting Period, turnover rates of employees by gender, age group and geographic location are as follows:

	2020	2019
By gender:		
Male	**20.0%**	4.1%
Female	**6.5%**	2.3%
By age group:		
Under 30	**2.1%**	1.7%
31–40	**4.0%**	2.2%
41–50	**1.3%**	2.0%
Over 51	**1.3%**	0.5%
By geographic location:		
Hong Kong	**1.0%**	0.5%
Mainland China	**33.6%**	5.9%

4.2. Occupational Health and Safety

By sticking to the development principle of "human-oriented and safety-first", we conduct production safety throughout its production and operation activities, while establishing and operating a sound occupational health and safety management system within the Group. We purchase safety liability insurance and employment injury insurance for all employees; and provide safety precaution education and training. In addition, we specifically add the position of safety specialist in our personnel structure; develop exploitation and production systems for safety precaution; arrange for annual safety training and education (prior to and during employment); provide regular safety education; and additionally employ safety personnel to monitor the safety of construction during the construction by front-line employees to ensure the safe and up-to-standard production and operation process so as to provide a healthy and safe working environment for all the staff of the Group.

- Provide safety construction system and safety facilities in plants
- Provide information, instruction, training and supervision on safety, health and environment
- Put various safety warning signs at the sites and organised regular team meetings to investigate potential site risks
- Designate Safety Specialists to supervise employees to conduct various safety procedures in accordance with the requirements of the Group
- Conduct trainings on operational skills and safety production in various processes
- Ensure safety in handling materials including use, handling, storage and transportation
- Develop an inspection system for machinery and sites before employees' on/off duty

- Formulate emergency plans to cope with emergent environment issues, power and water failure, etc.

- Provide employees with the necessary labour protective products

The Group has always adopted the employment way of "selection-employment-cultivation-promotion-retaining". Training such as operational skills training and safety production training are organized for new employees, while "internal and external trainings", "projects and topics exercise", "job rotation" and other modes are designed for existing employees, so as to help them to transit from elementary, intermediate to senior management personnel, and enable them to keep improving their quality and capabilities, thus achieving post promotion to provide multi-platforms of development opportunities for the career planning of staff.

- Conduct safety training every year (before employment and during work)

- Conduct trainings on operational skills and safety production in various processes

4.3. Safety Development and Training

Employees and talented personnel are the basis for corporate development. The Group continued to improve its occupational training system in order to provide equal opportunities for its staff. The training system enhances the quality of its staff and their career development. The Group has established a well-rounded curriculum system and a training regulatory system and has also actively promoted the building up of teacher resources internally and externally in order to effectively support the development of its management and technical team and improve its human resources. Every year, the Group will formulate education and training programs for employees based on the annual operational strategy and human resources development needs.

Due to COVID-19, the trainings provided to our employees were unavoidably reduced. During the reporting period, the Group has provided its employees 816 overall course hours to a total of 252 participants emphasising on work place related trainings. The courses involved include Legal Training on Listed Companies, fire knowledge special training, on-board training, safety and health instructions, and environmental protection awareness training. The Group also introduced various measures on COVID-19 e.g. medical works, social distancing sanitization of work place, to minimise the risk of COVID-19 spreading in the work place.

The average number of hours of training received by employees by gender and employment category is as follows:

	Average number of hours of training received by employees (hour)	
	2020	2019
By gender:		
Male	**3.25**	7.73
Female	**3.13**	6.80
By employment category:		
Senior management	**2.63**	6.62
Middle management	**2.58**	6.29
Ordinary employee	**3.56**	8.00

4.4. Labor Standards

The Group was in strict compliance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and other laws and regulations relating to employees. We also purchased social insurance, including basic endowment insurance, unemployment insurance, maternity insurance, occupational injury insurance and basic medical insurance, for our employees in accordance with the Regulations of the People's Republic of China on Occupational Injury Insurance, the Regulations of the People's Republic of China on Unemployment Insurance, and the Provisional Measures for Maternity Insurance for Enterprise's Employees.

We are committed to employment equality, and providing a fair, democratic, competitive and merit-based selection and employment mechanism for staffs, and signs labor contracts according to the law to define rights and obligations. The Group sets up clear requirements on the "prohibition of child labor employment", "forced labor employment" and "termination of labor contracts". Any employment discrimination behavior in any form is prohibited and there are no cases of child labor employment, forced labor employment, etc.

Labor system: The labor system of the Group is established in accordance with the Labour Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, which conforms to the requirements of laws and regulations. The Group also provides guidance for its staff according to relevant laws and regulations all the time.

- Right to organise and collective bargaining
- Freedom of employment selection and prohibition of forced labour
- Equal employment and equal pay for male and female workers
- Prohibition of child labour
- Reasonable working condition (including wages, labour hour, rest, vacation, and occupational safety and health)

During the Year, we did not receive any complaints about violation of the laws and regulations relating to remuneration, dismissal, recruitment, promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, etc.

5. OPERATION PRACTICES

5.1. Supply Chain Management

The Group guides suppliers to fulfill their social responsibilities through the assessment of supply chain responsibility to promote our social responsibility concepts and policies to the entire supply chain, so as to effectively prevent any material negative impact from the supply chain on labor practices, the environment and society.

The Group will conduct a dynamic assessment of the supplier's social responsibility performance during the survey, tender and performance phases, and integrate sustainable concepts into daily supply chain management:

- Enterprise Qualification
- Environmental impacts of production and use processes
- Labour relations
- Employee occupational safety and health protection
- Health and safety impact assessment
- Ecological impacts of raw material sources

As a company with ethical responsibility, the Group's selection is beyond price. A number of criteria will be considered in each purchase. The Company integrates social responsibility indicators into the project business by designing supplier evaluation plans, screening suppliers, purchasing products needed and monitoring the construction process, committed to achieving green, safe, harmonious and win-win supply chain management system.

5.2. Product Responsibility

We establish our quality management system based on ISO9001 series quality system standards, and develop management responsibility for production inspection, so as to ensure that our quality goal is reached. We adopt the policy of tying quality to performance, performance to responsibility, and accountability to remuneration. Product management process must start from the very beginning, monitor the procedure, and inspect the result. We continue to improve technology R&D, reform and innovate, and continue to listen to the opinions and suggestions of our users.

The Group marble stones are natural and harmless to human bodies, and ancillary materials used pass the quality safety inspection. Every year we will submit our stone samples of the Group for assessing the level of heavy metals and product radiation, which have passed national inspection with respect to health and therefore dispel the misunderstanding of people that marble stones have radiations and exerting almost no impact on health. Normally, our products are not returned due to quality and safety issues. Our products are occasionally returned, only because the overall display effect of the products differ from the design of the project designer.

The Group actively promotes the sustainable development of the industry chain, encourages our partners to jointly perform our social responsibilities, and provides quality products and services for the society. On the other hand, we stress great importance of integrity and corporate transparency, and strive to build a stable and long-standing customer relationship by laying a solid foundation for trust and mutual benefits. We safeguard and respect the privacy and options of our customers, and the importance of customer privacy is utmostly respected. As a result, we further elaborate our "Privacy Policy and Commitments" as follow:

To provide thorough safeguards for customer privacy and data, as well as to prevent the leakage of customer information, our Privacy Policy and Commitments include:

- We respect customer privacy and options
- We ensure that privacy and security is deeply rooted in all of our actions
- Unless required by our customers, we will not push any marketing messages to the customers, and our customers may at any time change their option
- We will never reveal or sell customer information
- We are committed to safeguarding the security of customer information, including collaboration with reliable partnerships
- We are committed to remaining open and transparent about how we use customer information
- We will not use customer information without notifying the relevant customers
- We respect customer rights, and continue our efforts to meet customer demands in addition to satisfying our legal and operation obligations

5.3. Anti-corruption

The Group has been committed to creating a corporate atmosphere of integrity by deeply implementing the eight requirements for integrity and self-discipline of the cadres and employees of the Group. The Group requires cadres of all levels to act with integrity and self-discipline by eliminating extravagance and waste from various aspects including material procurement, production, marketing and management. To ensure that employees clearly understand and comply with the relevant provisions on "anti-corruption" (including but not limited to prevention of bribery, extortion and fraud), maintain high ethical standards, and commit themselves to "having the integrity and self-discipline to resolutely prevent personal corruption", it is expressly defined that "the atmosphere of integrity can not be trampled and destroyed by anyone". With our determination to punish corruption and maintain corporate integrity, those involved in violation of laws and regulations will be handed over to judicial authorities.

Regarding to anti-corruption, we are determined to adopt a zero-tolerance attitude and will not allow the employees, suppliers, customers, and all partners of the Group to commit any corruption, extortion, fraud, money laundering and other misconduct.

The Group carries out employee satisfaction surveys at least once a year and has set up a chairman's mailbox to collect employee feedback and enable them to report misconduct. In addition, in order to promote the Company's sustainable and healthy development, we have complied the Integrity and Self-discipline Management Regulations to help employees rectify misconduct, encourage and motivate them to follow regulations and rules, and warn them to correct mistakes and regulate behaviors.

6. COMMUNITY INVESTMENT

While striving for its own growth, the Group does not forget the public welfare undertakings and return to the society. The Group has supported various initiatives to meet the needs of the underprivileged groups and improve their quality of life so as to alleviate poverty, facilitate pluralistic unity and promote community harmony. By encouraging employees to participate in various volunteer, public welfare, sports and cultural activities, we promote the further implementation of volunteer activities with care for others, care for the society and care for the nature. The Group insists on enhancing the core competitiveness through technological innovation, and actively practices social responsibility to provide scientific and accurate science knowledge to the whole society. We support training and skills development initiatives that enhance knowledge in energy and environment to help our communities make informed choices based on a holistic understanding of the energy sector. We support initiatives that contribute to the development and appreciation of arts and culture to improve our quality of life and encourage innovation and creative thinking.

THE STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Indicators	Particulars	Report Content Index
A. Environmental		
Aspect A1: Emissions		
General Disclosure		3.1.1.–3.1.2.
A1.1	The types of emissions and respective emissions data.	3.1.5.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1.5.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1.5.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1.5.
A1.5	Description of measures to mitigate emissions and results achieved.	3.1.4.
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.1.4.
Aspect A2: Use of Resources		
General Disclosure		3.2.1.
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.2.3.
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2.3.
A2.3	Description of energy use efficiency initiatives and results achieved.	3.2.2.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2.2.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	This key performance indicator is not considered significant given the business nature of the Group.

Indicators	Particulars	Report Content Index
Aspect A3: The Environment and Natural Resources		
General Disclosure		3.3.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3.
B. Social		
Aspect B1: Employment		
General Disclosure		4.1.1.
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1.3.
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1.3.
Aspect B2: Health and Safety		
General Disclosure		4.2.
B2.1	Number and rate of work-related fatalities.	4.2.
B2.2	Lost days due to work injury.	4.2.
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2.
Aspect B3: Development and Training		
General Disclosure		4.3.
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3.
B3.2	The average training hours completed per employee by gender and employee category.	4.3.
Aspect B4: Labour Standards		
General Disclosure		4.4.
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.4.
B4.2	Description of steps taken to eliminate such practices when discovered.	4.4.
Aspect B5: Supply Chain Management		
General Disclosure		5.1.
B5.1	Number o f suppliers by geographical region.	5.1.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1.

Indicators	Particulars	Report Content Index
Aspect B6: Product Responsibility		
General Disclosure		5.2.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2.
B6.2	Number of products and service related complaints received and how they are dealt with.	5.2.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2.
B6.4	Description of quality assurance process and recall procedures.	5.2.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2.
Aspect B7: Anti-corruption		
General Disclosure		5.3.
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.3.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.3.
Aspect B8: Community Investment		
General Disclosure		6
B8.1	Focus areas of contribution	6
B8.2	Resources contributed to the focus area	6

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

REORGANIZATION OF THE GROUP

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

Principal Risks and Uncertainties

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

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

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

Environmental protection

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

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

Compliance with laws and regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee 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.

As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2020.

Key relationships with its stakeholders

1. *Workplace Quality*

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

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

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

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

2. *Relationships with other stakeholders*

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

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements of this annual report.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2020 (2019: Nil).

DIVIDEND POLICY

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

(a) the Group's financial results;

(b) the general financial condition of the Group;

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

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

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

(f) the general market conditions; and

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

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

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2020 are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report, respectively.

As at 31 December 2020, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB1,199.3 million (2019: RMB1,916.1 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest and five largest customers were approximately 17.9% and 45.0% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 20.8% and 51.9% of the Group's total purchases respectively during the year.

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

BANK AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2020 are set out in note 27 to the consolidated financial statements of this annual report.

DONATIONS

The Group did not make any charitable and other donations during the year (2019: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital are set out in note 31 to the consolidated financial statements of this annual report. Details and movements of the share options of the Company are set out in note 32 to the consolidated financial statements of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, as extracted from the audited financial statements, is set out on page 162 of this annual report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors
Ms. WU Jing (伍晶)
Mr. GU Weiwen (顧偉文)
Mr. ZHANG Jian (張健)
Mr. WAN Jian (萬堅) (appointed on 15 January 2021)

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

Independent Non-executive Directors
Ms. LUNG Yuet Kwan (龍月群)
Mr. HUI Yat On (許一安)
Mr. ZHAI Feiquan (翟飛全) (appointed on 20 July 2020)
Ms. ZHANG Xiaohan (張曉涵) (resigned on 21 April 2020)

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

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

Pursuant to article 83(3) of the Articles, Mr. WAN Jian and Mr. ZHAI Feiquan, who were appointed as Directors during the period after the 2020 annual general meeting held by the Company on 17 July 2020, will hold office until the forthcoming AGM and be subject to re-election at such meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Share Option Scheme

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

(a) *Purpose of the Share Option Scheme*

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

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

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

(b) *Participants of the Share Option Scheme*

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

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

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

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

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

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

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

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

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

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

As at 31 December 2020, there was no outstanding options under the Share Option Scheme.

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

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

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

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

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

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

(iii) the nominal value of a Share.

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

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

Name	Date of grant	Number of Options Balance as at 1 January 2020	Exercised during the year	Expired during the year	Balance as at 31 December 2020	Exercise price per share HK$	Exercisable period
Directors:							
Ms. Wu Jing	4 January 2018	22,000,000	–	22,000,000	–	0.854	4 January 2018 to 3 January 2020
Mr. Gu Weiwen	4 January 2018	22,000,000	–	22,000,000	–	0.854	4 January 2018 to 3 January 2020
Mr. Zhang Jian	30 October 2018	22,000,000	–	22,000,000	–	0.399	30 October 2018 to 29 October 2020
Mr. Gu Zengcai	30 October 2018	1,800,000	–	1,800,000	–	0.399	30 October 2018 to 29 October 2020
Ms. Lung Yuet Kwan	30 October 2018	1,800,000	–	1,800,000	–	0.399	30 October 2018 to 29 October 2020
Ms. Zhang Xiaohan	30 October 2018	1,400,000	–	1,400,000	–	0.399	30 October 2018 to 29 October 2020
Mr. Hui Yat On	30 October 2018	1,800,000	–	1,800,000	–	0.399	30 October 2018 to 29 October 2020
		72,800,000	–	72,800,000	–		
Other employees:							
In aggregate	4 January 2018	45,333,400	–	45,333,400	–	0.854	4 January 2018 to 3 January 2020
In aggregate	30 October 2018	30,500,000	–	30,500,000	–	0.399	30 October 2018 to 29 October 2020
		75,833,400	–	75,833,400	–		
Other grantees:							
In aggregate	30 October 2018	111,750,000	–	111,750,000	–	0.399	30 October 2018 to 29 October 2020
Total		260,383,400	–	260,383,400	–		

On 4 January 2018, the Company granted share options entitling subscription of a total 133,333,400 Shares pursuant to the Share Option Scheme and the closing price of the Shares immediately before the date on which the aforesaid share options were granted was HK$0.80.

On 30 October 2018, the Company granted share options entitling subscription of a total 229,300,000 Shares pursuant to the Share Option Scheme and the closing price of the Shares immediately before the date on which the aforesaid share options were granted was HK$0.399.

DISCLOSURE OF INTERESTS

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Wu Jing	Beneficial Owner	97,000 (L)	–

Note:

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

Save as disclosed above, as at 31 December 2020, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); or to be recorded in the register required to be kept under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 of the Listing Rules.

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

As at 31 December 2020, the interests or short positions of the substantial Shareholders in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of substantial Shareholders as required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Tong Sui Lun Franco	Beneficial Owner	203,870,000(L)	5.06%

Note:

1. The letter "(L)" denotes long position in the Shares.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

For the year ended 31 December 2020, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any substantial part of the business of the Group.

CONNECTED TRANSACTIONS

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the year ended 31 December 2020.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2020 is contained in note 37 to the consolidated financial statements of this annual report. The related party transactions disclosed in note 37 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76(1), 14A.90 and 14A.95 of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

AUDITORS

Ernst & Young has acted as auditors of the Company and has audited the Company's financial statements for the year ended 31 December 2020. The Company has not changed its external auditors since its listing on 30 December 2013 and up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of Ernst & Young as the auditors of the Company.

On behalf of the Board

Wu Jing
Chairman and Executive Director

Hong Kong, 31 March 2021

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 ArtGo Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ArtGo Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 161, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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 matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets	
In accordance with IFRSs, the Group evaluates annually its non-current assets to determine whether there are any indications of impairment. If any indications exist, a formal estimate of the recoverable amount is performed. Management also performs an annual impairment test on the recoverability of goodwill as required by IAS 36. The Group has material investments in non-current assets related to its mining, warehousing and logistics operations, including property, plant and equipment, right-of-use assets, mining rights, investments in associates, investment properties, goodwill and payments in advance. Management performed the impairment assessment on these non-current assets or the related cash-generating units ("CGUs"). The assessment of impairment involved significant estimation uncertainty, subjective assumptions and application of significant judgement, in relation to recoverable reserves, commodity prices, the discount rate, budgeted gross margin and production volumes. The Group's disclosures about impairment assessment for the CGUs and non-current assets are included in notes 2.4, 3, 12, 13, 14, 15,16,17 and 18 to the financial statements.	Our audit procedures to assess the impairment of non-current assets included the following: • We evaluated the assessment of impairment indicators of these non-current assets prepared by management; • We tested the impairment models selected for each CGU and class of assets by obtaining an understanding of the model methodology and comparing that to our understanding of the CGUs and assets; • We compared key market-derived estimates, including commodity prices and the growth rate of the gross domestic product, against external data; • We compared key operational estimates in the models to source data and publicly available information where it existed; • We involved our internal valuation specialists to assist us in evaluating the impairment assessment models and discount rate; • We verified total reserves that are stated in the impairment assessment models are within the respective amounts of reserve statements prepared by appropriate competent persons; and • We also assessed the related disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
The Group is exposed to credit risks on trade receivables. As at 31 December 2020, the Group's gross balance of trade receivables amounted to RMB114,673,000, which was material to the Group's consolidated financial statements. Assessing expected credit losses ("ECLs") for trade receivables is a judgemental area which involved significant management's judgement and estimation on credit risk according to historical and forward-looking information. The Group's disclosures about the impairment assessment for trade receivables are included in notes 2.4, 3, 20 and 39 to the financial statements.	Our audit procedures included the following: • We assessed and tested the design and operating effectiveness of the controls over the credit approval process and impairment assessments, including the quality of underlying data and systems; • We checked the correctness of the ageing analysis of trade receivables by customer; • We selected samples of trade receivables and assessed management's assumptions used in the calculation of the ECLs allowance by checking the overdue balances, the customers' historical payment patterns and bank receipts for the payments received subsequent to the year end. We also checked evidence for the latest arrangement in collecting the outstanding amounts and credit status of these significant debtors by reviewing correspondence with the debtors and by performing company search; • We assessed the appropriateness of the ECLs methodology, by examined the key data inputs on a sampling basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECLs; and • We assessed the adequacy of the disclosures regarding the ECLs allowance for trade receivables and the Group's exposure to credit risk in the consolidated financial statements.

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. The Company's Annual Report is expected to be made available to us after the date of this auditor's report.

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.

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

In preparing the consolidated financial statements, the directors 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

From the matters communicated with 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 Ho Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CONTINUING OPERATIONS			
REVENUE	4, 5	**70,630**	273,723
Cost of sales		**(60,243)**	(222,284)
Gross profit		**10,387**	51,439
Other income and gains	5	**20,835**	10,905
Selling and distribution expenses		**(2,940)**	(4,265)
Administrative expenses		**(54,677)**	(58,017)
Impairment loss on trade receivables	20	**(21,199)**	(6,725)
Impairment loss on prepayments, other receivables and other assets	21	**(1,257)**	(2,327)
Impairment loss on goodwill	16	**(2,096)**	–
Impairment loss on investment properties	13	**(36,667)**	–
Impairment loss on property, plant and equipment	12	**(12,099)**	–
Impairment loss on right-of-use assets	14	**(1,214)**	–
Other expenses		**(12,267)**	(8,070)
Finance costs	6	**(55,891)**	(45,315)
Share of losses of associates	17	**(41,044)**	(12,907)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(210,129)**	(75,282)
Income tax expense	9	**(3,391)**	(11,370)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(213,520)**	(86,652)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	23	**(16,876)**	(4,087)
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(230,396)**	(90,739)
Attributable to:			
Owners of the parent		**(230,236)**	(90,164)
Non-controlling interests		**(160)**	(575)
		(230,396)	(90,739)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
— Basic and diluted	11		
— For loss for the year		**RMB(0.065)**	RMB(0.031)
— For loss from continuing operations		**RMB(0.061)**	RMB(0.030)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**411,926**	338,670
Investment properties	13	**247,478**	290,975
Right-of-use assets	14	**284,844**	272,557
Intangible assets	15	**662,550**	657,612
Goodwill	16	**–**	2,096
Investments in associates	17	**322,095**	363,139
Payments in advance	18	**22,621**	78,962
Prepayments, other receivables and other assets	21	**4,641**	4,850
Deferred tax assets	30	**6,694**	4,848
Restricted deposits	22	**146**	3,721
Total non-current assets		**1,962,995**	2,017,430
CURRENT ASSETS			
Inventories	19	**57,193**	29,164
Trade receivables	20	**60,641**	172,929
Prepayments, other receivables and other assets	21	**69,918**	82,901
Cash and bank balances	22	**19,761**	84,765
		207,513	369,759
Assets of a disposal group classified as held for sale	23	**80,221**	104,321
Total current assets		**287,734**	474,080
CURRENT LIABILITIES			
Trade payables	24	**35,074**	57,670
Contract liabilities	25	**6,116**	4,223
Other payables and accruals	26	**90,617**	79,380
Tax payables		**23,042**	23,297
Lease liabilities	14	**5,150**	3,110
Interest-bearing bank and other borrowings	27	**33,867**	211,575
		193,866	379,255
Liabilities directly associated with the assets classified as held for sale	23	**4,315**	11,539
Total current liabilities		**198,181**	390,794
NET CURRENT ASSETS		**89,553**	83,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,052,548**	2,100,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	350,873	266,247
Deferred tax liabilities	30	8,081	2,895
Deferred income	28	4,640	4,850
Lease liabilities	14	23,149	3,436
Provision for rehabilitation	29	17,157	16,140
Total non-current liabilities		403,900	293,568
Net assets		1,648,648	1,807,148
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	34,274	26,392
Reserves	33	1,521,035	1,687,257
		1,555,309	1,713,649
Non-controlling interests		93,339	93,499
Total equity		1,648,648	1,807,148

Wu Jing
Director

Gu Weiwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

		Attributable to owners of the parent										
	Notes	Issued capital RMB'000 (note 31)	Share premium account RMB'000 (note 33(a))	Statutory surplus reserve RMB'000 (note 33(b))	Safety fund surplus reserve RMB'000 (note 33(c))	Share option reserve RMB'000 (note 33(e))	Difference arising from acquisition of non-controlling interests RMB'000	Contributed surplus RMB'000 (note 33(d))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		22,768	1,701,431	27,108	840	36,219	(19,048)	26,636	(265,618)	1,530,336	97,727	1,628,063
Total comprehensive loss for the year		–	–	–	–	–	–	–	(90,164)	(90,164)	(575)	(90,739)
Transfer to reserves		–	–	(889)	–	–	–	–	889	–	–	–
Equity-settled share option arrangements	32	523	20,381	–	–	–	–	–	–	20,904	–	20,904
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(6,666)	–	–	6,666	–	–	–
Transfer of share option reserve upon the exercise of share options		–	3,983	–	–	(3,983)	–	–	–	–	–	–
Issue of new shares for acquisition of subsidiaries		3,101	249,472	–	–	–	–	–	–	252,573	–	252,573
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(3,653)	(3,653)
At 31 December 2019 and 1 January 2020		**26,392**	**1,975,267***	**26,219***	**840***	**25,570***	**(19,048)***	**26,636***	**(348,227)***	**1,713,649**	**93,499**	**1,807,148**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(230,236)**	**(230,236)**	**(160)**	**(230,396)**
Issue of new shares	31	**7,882**	**64,014**	**–**	**–**	**–**	**–**	**–**	**–**	**71,896**	**–**	**71,896**
Transfer to reserves		**–**	**–**	**421**	**2**	**–**	**–**	**–**	**(423)**	**–**	**–**	**–**
Transfer of share option reserve upon the forfeiture or expiry of share options	32	**–**	**–**	**–**	**–**	**(25,570)**	**–**	**–**	**25,570**	**–**	**–**	**–**
At 31 December 2020		**34,274**	**2,039,281***	**26,640***	**842***	**-***	**(19,048)***	**26,636***	**(553,316)***	**1,555,309**	**93,339**	**1,648,648**

* These reserve accounts comprise the consolidated reserves of RMB1,521,035,000 (2019: RMB1,687,257,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(210,129)**	(75,282)
From a discontinued operation	23	**–**	(4,385)
Adjustments for:			
Depreciation of items of property, plant and equipment	12	**17,581**	11,642
Depreciation of investment properties	13	**6,830**	5,592
Depreciation of right-of-use assets	14	**12,466**	12,100
Amortisation of intangible assets	15	**215**	211
Impairment loss on goodwill	16	**2,096**	–
Share of losses of associates	17	**41,044**	12,907
Impairment loss on trade receivables	20	**21,199**	6,725
Impairment loss on prepayments, other receivables and other assets	21	**1,257**	2,327
Impairment loss on property, plant and equipment	12	**12,099**	–
Impairment loss on investment properties	13	**36,667**	–
Impairment loss on right-of-use assets	14	**1,214**	–
Deferred income released to profit or loss	28	**(210)**	(210)
Finance costs	6	**55,891**	45,315
Unrealised foreign exchange losses, net		**2**	1,882
Loss on disposal of subsidiaries	7	**–**	2
Loss on disposal of items of property, plant and equipment, net	7	**–**	78
Gain on disposal of right-of-use assets	5	**–**	(837)
Bank interest income	5	**(542)**	(395)
		(2,320)	17,672
Decrease in trade receivables		**91,089**	113,162
Decrease/(increase) in inventories		**(28,029)**	18,348
Increase in prepayments, other receivables and other assets		**(24,658)**	(53,281)
Decrease in trade payables		**(22,596)**	(21,106)
Increase in other payables and accruals		**1,503**	9,054
Increase/(decrease) in contract liabilities		**1,893**	(748)
Cash from operations		**16,882**	83,101
Income tax paid		**(306)**	(13,208)
Interest paid		**(47,039)**	(37,591)
Interest received		**542**	395
Net cash flows from/(used in) operating activities		**(29,921)**	32,697

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(50,877)**	(126,736)
Proceeds from disposal of items of property, plant and equipment		**6,181**	17,063
Proceeds from disposal of right-of-use assets		**–**	25,840
Purchase of mining rights	15	**(5,153)**	(18,600)
Acquisition of subsidiaries		**–**	(11,227)
Proceeds from disposal of subsidiaries	21	**36,593**	(739)
Decrease in restricted deposits		**3,575**	2,309
Net cash flows used in investing activities		**(9,681)**	(112,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31	**71,896**	20,904
Repayment of a loan granted by a director		**–**	(1,550)
Principal portion of lease payments		**(4,214)**	(1,911)
Proceeds from bank and other borrowings		**125,577**	108,879
Repayment of bank and other borrowings		**(218,659)**	(60,435)
Net cash flows from/(used in) financing activities		**(25,400)**	65,887
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(65,002)**	(13,506)
Cash and cash equivalents at beginning of the year		**84,765**	100,176
Effect of foreign exchange rate changes, net		**(2)**	(1,882)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,761**	84,788
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position			
— cash and bank balances	22	**19,761**	84,765
Cash and bank balances attributable to a discontinued operation	23	**–**	23
Cash and cash equivalents as stated in the statement of cash flows		**19,761**	84,788

1. CORPORATE AND GROUP INFORMATION

ArtGo Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at Unit 1302, 13/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong.

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

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

Information about subsidiaries

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
ArtGo Investment Limited 雅高投資有限公司 ("ArtGo Investment")	BVI 26 September 2011	US$1	100	Investment holding
Indirectly held:				
ArtGo (HK) Investment Group Limited 雅高(香港)投資集團有限公司 ("ArtGo HK")	Hong Kong 3 October 2011	HK$100	100	Investment holding
ArtGo Stone (Jiangxi) Co., Ltd. 雅高石材(江西)有限公司[1] ("ArtGo Stone")	PRC/Mainland China 17 September 2013	US$18,000,000	100	Processing and sale of marble stones; and technical service of stone processing
ArtGo (Shanghai) Industrial Co., Ltd. 雅高(上海)實業有限公司[1] ("ArtGo Shanghai")	PRC/Mainland China 26 April 2016	HK$40,000,000	100	Retail and wholesale of decorating materials and chemical products
ArtGo (Xuyi) Co., Ltd. 雅高(盱眙)實業有限公司[1] ("ArtGo Xuyi")	PRC/Mainland China 1 July 2016	US$159,990,000	100	Cargo handling, wholesale, logistics and mineral processing

1. CORPORATE AND GROUP INFORMATION — *continued*

Information about subsidiaries — *continued*

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
ArtGo Junqi (Shanghai) Co., Ltd. 雅高珺奇(上海)實業有限公司(1) ("ArtGo Junqi")	PRC/Mainland China 22 November 2011	RMB100,000,000	100	Retail and wholesale of decorating materials and chemical products
Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. 江西省玨石(永豐)礦業有限公司(2) ("Jueshi Mining")	PRC/Mainland China 28 December 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
Jiangxi Jueshi (Ji'an) Mining Co., Ltd. 江西省玨石(吉安)礦業有限公司(2) ("Ji'an Mining")	PRC/Mainland China 21 January 2010	RMB140,000,000	100	Mining investment, mining planting projects and sale of decorating materials
Shanghai Yunyi Enterprise Management Co., Ltd. 上海韻義企業管理有限公司(2) ("Shanghai Yunyi")	PRC/Mainland China 10 October 2012	RMB80,000,000	100	Enterprise management and investment consulting
Guizhou County Dejiang SanXin Stone Co., Ltd. 貴州德江三鑫石材有限公司(2) ("SanXin Stone")	PRC/Mainland China 11 April 2014	RMB20,000,000	80	Mining exploration, processing and sale of marble stones
Shiny Goal Holdings Limited ("Shiny Goal") (3)	BVI 6 December 2016	US$10,000	100	Investment holding
Jiangsu Taifeng Logistics Co., Ltd. 江蘇泰豐物流有限公司(2)/(3) ("Jiangsu Taifeng")	PRC/Mainland China 3 June 2011	RMB66,000,000	100	Cargo handling, warehousing, logistics, and sale of mineral products
Lichuan Lotus Construction Material Co., Ltd. 利川市荷花建材有限公司(2) ("Lotus Materials")	PRC/Mainland China 20 December 2012	RMB12,000,000	80	Mining exploration, processing and sale of marble stones
Jiangxi Keyue Technology Co., Ltd. 江西科越科技有限公司(1) ("Jiangxi Keyue")	PRC/Mainland China 19 September 2007	RMB50,000,000	100	Production and sale of calcium carbonate

1. CORPORATE AND GROUP INFORMATION — *continued*

Information about subsidiaries — *continued*

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Shanghai Huanle Enterprise Management Co., Ltd. 上海奐樂企業管理有限公司[(1)] ("Shanghai Huanle")	PRC/Mainland China 30 April 2019	RMB10,000,000	100	Business management consulting

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

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

(3) The Company received a Letter of Intent (the "LOI") from an independent individual (the "Purchaser") in respect of a proposed acquisition of Shiny Goal and its subsidiaries (the "Disposal Group") in 23 December 2019. Refer to note 23 to the financial statements for further details of the proposed disposal.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION — *continued*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and update definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions related to COVID-19.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs — *continued*

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The Group had certain interest-bearing bank borrowings denominated in RMB based on the China Loan Prime Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs — *continued*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs — *continued*

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Business combinations and goodwill

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Business combinations and goodwill — *continued*

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

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

Fair value measurement

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

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

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

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

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *— continued*

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Property, plant and equipment and depreciation

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

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

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

	Useful lives	Principal annual rates
Buildings	20 years	5%
Plant and machinery	5–20 years	5%–19%
Office equipment	3–10 years	10%–32%
Motor vehicles	5–10 years	10%–19%

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investment properties

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

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

Non-current assets and the disposal group held for sale

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

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

Intangible assets (other than goodwill)

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

Mining rights

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

Software

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases — *continued*

Group as a lessee — continued

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

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

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

Group as a lessor

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investments and other financial assets — *continued*

Initial recognition and measurement — continued

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

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

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

Subsequent measurement

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Derecognition of financial assets — *continued*

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.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial liabilities — *continued*

Subsequent measurement

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

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

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

Derecognition of financial liabilities

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

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

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 realise the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Provisions

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Income tax — *continued*

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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 with 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 products is transferred to the customer, generally on delivery of the goods.

(b) Provision of warehousing and logistics services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Revenue recognition — *continued*

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

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

Share-based payments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Share-based payments — *continued*

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

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

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

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

Other employee benefits

Pension schemes

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

Termination benefits

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

Housing fund

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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.

Judgements

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

Determining the useful life of mining rights

The Group has mining rights which represent the rights for the mining of marble reserves at the Yongfeng, Zhangxi, Dejiang, Lichuan and Shangri-La mines which are located in Jiangxi, Guizhou, Hubei and Yunnan Provinces, the PRC. The existing mining permits have expired or will expire in June 2030, July 2018, January 2019, August 2023 and March 2021 and those which have expired are currently in process of being renewed. The Group applies the judgement in evaluating whether or not to renew the mining permits, considering all relevant factors that create an economic incentive for it to renew. As the mining permits have very short remaining periods (0 to 29 years), there will be a significant negative effect on production if renewal of rights is not readily available.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification as a disposal group held for sale

The Group determines whether assets or a disposal group qualify as held for sale, and has developed criteria in making that judgement. Non-current assets and the disposal group are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. The Group applies judgement in evaluating whether an asset or disposal group meets the criteria of immediate sale in its present condition and the sales transaction is highly probable which is highly dependent on the transaction process and expectation of negotiations with prospective buyers.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND 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:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was nil (2019: RMB2,096,000). Further details are given in note 16 to the financial statements.

PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realise.

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 customer type and rating).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Estimation uncertainty — *continued*

Mineral reserves

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which were discounted at a rate of 6.13% as at 31 December 2020 (2019: 6.13%) to reflect the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. Further details are given in note 29 to the financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. Further details are given in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Estimation uncertainty — *continued*

Impairment of non-current 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. Non-financial assets with definite lives 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 to sell and its value in use. The calculation of the fair value less costs to sell 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. Further details are given in notes 12, 13, 14 and 23 to the financial statements.

Leases — Estimating the IBR

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an 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).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2019: two) reportable continuing operating segments as below:

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

(b) the commodity trading segment conducts the trading business of commodities.

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

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

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

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

4. OPERATING SEGMENT INFORMATION — *continued*

Year ended 31 December 2020

	Marble products RMB'000	Commodity trading RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	70,630	–	70,630
Segment results	(104,631)	–	(104,631)
Reconciliation:			
Interest income			542
Foreign exchange loss, net			(2)
Finance costs (other than interest on lease liabilities)			(54,139)
Corporate and other unallocated expenses			(51,899)
Loss before tax from continuing operations			(210,129)
Segment assets	1,649,738	1,126	1,650,864
Reconciliation:			
Deferred tax assets			6,694
Cash and cash equivalents			19,761
Restricted deposits			146
Corporate and other unallocated assets			493,043
Assets related to a discontinued operation			80,221
Total assets			2,250,729
Segment liabilities	566,643	–	566,643
Reconciliation:			
Tax payable			23,042
Deferred tax liabilities			8,081
Liabilities related to a discontinued operation			4,315
Total liabilities			602,081
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the statement of profit or loss, net	74,532	–	74,532
Share of losses of associates	41,044	–	41,044
Investments in associates	322,095	–	322,095
Depreciation and amortisation	37,092	–	37,092
Capital expenditure*	114,270	–	114,270

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

4. OPERATING SEGMENT INFORMATION — *continued*

Year ended 31 December 2019

	Marble products RMB'000	Commodity trading RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	90,865	182,858	273,723
Segment results	23,720	(928)	22,792
Reconciliation:			
Interest income			395
Foreign exchange loss, net			(689)
Finance costs (other than interest on lease liabilities)			(44,944)
Corporate and other unallocated expenses			(52,836)
Loss before tax from continuing operations			(75,282)
Segment assets	1,783,781	59,919	1,843,700
Reconciliation:			
Deferred tax assets			4,848
Cash and cash equivalents			84,765
Restricted deposits			3,721
Corporate and other unallocated assets			450,155
Assets related to a discontinued operation			104,321
Total assets			2,491,510
Segment liabilities	636,194	10,437	646,631
Reconciliation:			
Tax payable			23,297
Deferred tax liabilities			2,895
Liabilities related to a discontinued operation			11,539
Total liabilities			684,362
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the statement of profit or loss, net	7,348	1,704	9,052
Share of losses of associates	12,907	–	12,907
Investments in associates	363,139	–	363,139
Depreciation and amortisation	25,697	–	25,697
Capital expenditure*	171,024	10,963	181,987

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

4. OPERATING SEGMENT INFORMATION — *continued*

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2020 and 2019 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities.

The Group's principal non-current assets were located in Mainland China.

Information about major customers

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

	2020	2019
	RMB'000	RMB'000
Customer A	**13,189**	–
Customer B	**7,812**	–
Customer C	**–**	52,791
Customer D	**–**	36,498
Customer E	**–**	34,557
Customer F	**–**	30,723

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	**70,630**	273,723

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments	2020 RMB'000	2019 RMB'000
Types of goods or services		
Sale of marble products	**70,630**	90,865
Sale of commodities	**–**	182,858
Total revenue from contracts with customers	**70,630**	273,723

Geographical markets

All of the Group's external revenue is derived from customers based in Mainland China for the years ended 31 December 2020 and 2019.

Timing of revenue recognition	2020 RMB'000	2019 RMB'000
Goods transferred at a point in time	**70,630**	273,723

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

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of marble products	**4,223**	5,925

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

Revenue from contracts with customers — *continued*

(ii) Performance obligations

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

Sale of marble products

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

At 31 December 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2020 RMB'000	2019 RMB'000
Rental income (note 7)	**6,725**	7,662
Refund of value-added tax	**2,371**	879
Gain on disposal of right-of-use assets	**–**	837
Bank interest income (note 7)	**542**	395
Deferred income released to profit or loss (note 28)	**210**	210
Government grants*	**10,987**	585
Miscellaneous	**–**	337
Total other income and gains	**20,835**	10,905

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank loans	**20,060**	17,890
Interest on other borrowings	**33,047**	25,981
Unwinding of a discount for rehabilitation (note 29)	**1,017**	997
Interest on lease liabilities (note 14)	**1,752**	371
Others	**15**	76
	55,891	45,315

7. LOSS BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**60,243**	222,284
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		**16,965**	13,502
Welfare and other benefits		**576**	242
Pension scheme contributions			
— Defined contribution fund		**1,182**	1,328
Post-employment benefits		**730**	–
Housing fund		**305**	424
Total employee benefit expense		**19,758**	15,496
Depreciation of items of property, plant and equipment	12	**17,581**	9,203
Depreciation of investment properties	13	**6,830**	5,592
Depreciation of right-of-use assets	14	**12,466**	10,691
Amortisation of intangible assets	15	**215**	211
Depreciation and amortisation expenses		**37,092**	25,697
Impairment losses recognised on:			
Trade receivables	20	**21,199**	6,725
Investment properties	13	**36,667**	–
Goodwill	16	**2,096**	–
Prepayments, other receivables and other assets	21	**1,257**	2,327
Property, plant and equipment	12	**12,099**	–
Right-of-use assets	14	**1,214**	–
Total impairment losses recognised		**74,532**	9,052
Loss on disposal of subsidiaries		**–**	2
Loss on disposal of items of property, plant and equipment, net		**–**	78
Lease payments not included in the measurement of lease liabilities		**3,393**	2,697
Auditor's remuneration		**3,200**	3,300
Foreign exchange loss, net		**2**	689
Rental income from an operating lease of investment properties	5	**(6,725)**	(7,662)
Bank interest income	5	**(542)**	(395)

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE"), 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:

	2020	2019
	RMB'000	RMB'000
Fees	**555**	582
Other emoluments:		
Salaries, allowances and benefits in kind	**1,327**	1,054
Pension scheme contributions	**61**	100
	1,388	1,154
	1,943	1,736

(a) Independent non-executive directors

The fees and equity-settled share option expense paid to independent non-executive directors during the year were as follows:

	Fees	**Equity-settled share option expense**	**Total**
	RMB'000	RMB'000	RMB'000
2020			
Mr. Hui Yat On	**160**	**–**	**160**
Ms. Lung Yuet Kwan	**178**	**–**	**178**
Ms. Zhang Xiaohan[1]	**36**	**–**	**36**
Mr. Zhai Feiquan[2]	**48**	**–**	**48**
	422	**–**	**422**
2019			
Mr. Hui Yat On	161	–	161
Ms. Lung Yuet Kwan	179	–	179
Ms. Zhang Xiaohan	107	–	107
	447	–	447

(1) Ms. Zhang Xiaohan resigned as the Company's independent non-executive director on 21 April 2020.

(2) Mr. Zhai Feiquan was appointed as the Company's independent non-executive director on 20 July 2020.

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

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

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2020					
Executive directors:					
Ms. Wu Jing	**–**	**1,067**	**16**	**–**	**1,083**
Mr. Gu Weiwen	**–**	**144**	**36**	**–**	**180**
Mr. Zhang Jian	**–**	**116**	**9**	**–**	**125**
	–	**1,327**	**61**	**–**	**1,388**
Non-executive director:					
Mr. Gu Zengcai	**133**	**–**	**–**	**–**	**133**
	133	**1,327**	**61**	**–**	**1,521**
2019					
Executive directors:					
Ms. Wu Jing	–	537	16	–	553
Mr. Gu Weiwen	–	144	60	–	204
Mr. Leung Ka Kit[3]	–	251	13	–	264
Mr. Zhang Jian	–	122	11	–	133
	–	1,054	100	–	1,154
Non-executive director:					
Mr. Gu Zengcai	134	–	–	–	134
	134	1,054	100	–	1,288

(3) Mr. Leung Ka Kit resigned as the Company's executive director on 10 October 2019.

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: nil).

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

(c) Five highest paid employees

The five highest paid employees during the year included one director (2019: one director), details of whose remuneration are set out in note 8 (b) above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	2,018	1,981
Equity-settled share option expense	–	–
Pension scheme contributions	48	135
	2,066	2,116

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

	Number of employees	
	2020	2019
Nil to HK$1,000,000	4	4

9. INCOME TAX

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

Jiangxi Keyue has been entitled to a preferential PRC CIT rate of 15% as it is accredited as a "High and New Technology Enterprise" from 13 August 2018 to 13 August 2021. Except for Jiangxi Keyue, pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable for PRC CIT at a rate of 25% on the assessable profits generated during the year.

The major components of income tax expense were as follows:

	2020 RMB'000	2019 RMB'000
Current — Mainland China		
Charge for the year	51	6,877
Deferred (note 30)	3,340	4,493
Total tax charge for the year from continuing operations	3,391	11,370
Total tax credit for the year from a discontinued operation (note 23)	(5,415)	(298)
	(2,024)	11,072

9. INCOME TAX — *continued*

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

	2020 **RMB'000**	2019 RMB'000
Loss before tax from continuing operations	**(210,129)**	(75,282)
Loss before tax from a discontinued operation (note 23)	**(22,291)**	(4,385)
	(232,420)	(79,667)
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25%	**(29,697)**	(15,295)
— Mainland China subsidiaries, at 15%	**(3,299)**	166
— Hong Kong subsidiary, at 16.5%	**(15,120)**	(3,233)
Non-deductible expenses	**9,148**	8,483
Tax effect of additional tax deduction	**(314)**	(253)
Tax losses and timing difference not recognised	**37,258**	21,204
Tax charge at the Group's effective rate	**(2,024)**	11,072
Tax charge from continuing operations at the effective rate	**3,391**	11,370
Tax credit from a discontinued operation at the effective rate (note 23)	**(5,415)**	(298)

10. DIVIDENDS

At a meeting of the board of directors held on 31 March 2021, the directors resolved not to declare any dividend to shareholders for the year ended 31 December 2020 (2019: nil).

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

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,526,761,044 (2019: 2,899,487,229) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the loss per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
Cost:							
At 1 January 2020	55,365	54,302	10,561	13,251	13,236	249,082	395,797
Additions	1,474	4,721	9	1,603	–	101,310	109,117
Transfer	97,896	96,745	–	–	–	(194,641)	–
Disposal	–	–	–	–	–	(6,181)	(6,181)
At 31 December 2020	154,735	155,768	10,570	14,854	13,236	149,570	498,733
Accumulated depreciation and impairment:							
At 1 January 2020	11,366	29,374	9,044	6,723	620	–	57,127
Provided for the year from continuing operations (note 7)	6,675	8,637	580	1,689	–	–	17,581
Impairment from continuing operations (notes 7, 16)	9,109	2,655	10	325	–	–	12,099
At 31 December 2020	27,150	40,666	9,634	8,737	620	–	86,807
Net carrying amount:							
At 1 January 2020	43,999	24,928	1,517	6,528	12,616	249,082	338,670
At 31 December 2020	127,585	115,102	936	6,117	12,616	149,570	411,926

12. PROPERTY, PLANT AND EQUIPMENT — *continued*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
Cost:							
At 1 January 2019	27,596	80,293	10,409	13,034	13,236	140,369	284,937
Additions	3,519	994	142	77	–	127,113	131,845
Acquisition of a subsidiary	38,362	10,553	59	916	–	252	50,142
Assets included in a discontinued operation (note 23)	(12,826)	(27,348)	–	(150)	–	(1,889)	(42,213)
Disposal of subsidiaries	(1,286)	(9,435)	(49)	(68)	–	–	(10,838)
Disposals	–	(755)	–	(558)	–	(16,763)	(18,076)
At 31 December 2019	55,365	54,302	10,561	13,251	13,236	249,082	395,797
Accumulated depreciation and impairment:							
At 1 January 2019	8,585	27,162	7,785	5,680	620	–	49,832
Provided for the year from continuing operations (note 7)	2,832	3,659	1,262	1,450	–	–	9,203
Provided for the year from a discontinued operation	323	2,075	27	14	–	–	2,439
Disposal of subsidiaries	(374)	(2,942)	(30)	(66)	–	–	(3,412)
Disposals	–	(580)	–	(355)	–	–	(935)
At 31 December 2019	11,366	29,374	9,044	6,723	620	–	57,127
Net carrying amount:							
At 1 January 2019	19,011	53,131	2,624	7,354	12,616	140,369	235,105
At 31 December 2019	43,999	24,928	1,517	6,528	12,616	249,082	338,670

As at 31 December 2020, the Group's property, plant and equipment with a carrying amount of RMB29,329,000 (2019: RMB35,575,000) were pledged as security for certain other borrowings granted to the Group (note 27(a)).

13. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**290,975**	90,267
Additions from acquisitions	**–**	206,300
Depreciation provided for the year (note 7)	**(6,830)**	(5,592)
Impairment (note 7)	**(36,667)**	–
Carrying amount at 31 December	**247,478**	290,975

The Group's investment properties consist of eight (2019: eight) properties in Shanghai, of which six investment properties are leased to third parties under operating leases, and the remaining two are held for capital appreciation.

As at 31 December 2020, the total fair value of the investment properties was estimated to be approximately RMB257,790,000 (2019: RMB300,423,000). The valuation was performed by Dongtai Real Estate Land Appraisal Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

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

	Valuation technique	Significant unobservable input	Range	
			2020	2019
Commercial properties	Market comparison method	Estimated price per square metre	**RMB119,630 to RMB155,850**	RMB141,629 to RMB188,750

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

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

An impairment loss of RMB36,667,000 (2019: nil) was recognised during the year ended 31 December 2020 to write down the carrying amount of Group's investment properties.

As at 31 December 2020, the Group's investment properties with a total carrying amount of RMB112,531,000 (2019: RMB204,775,000) were pledged to secure certain other borrowings granted to the Group (note 27(a)).

14. LEASES

The Group as a lessee

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

(a) *Right-of-use assets*

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

	Leasehold land RMB'000	Office premises RMB'000	Factory RMB'000	Parcels of land RMB'000	Total RMB'000
As at 1 January 2019	358,956	1,973	–	9,169	370,098
Acquisition of subsidiaries	4,766	–	–	–	4,766
New leases	–	6,484	–	–	6,484
Assets included in a discontinued operation (note 23)	(61,403)	–	–	–	(61,403)
Disposal	(35,288)	–	–	–	(35,288)
Depreciation charge from a discontinued operation	(1,409)	–	–	–	(1,409)
Depreciation charge from continuing operations (note 7)	(6,999)	(2,743)	–	(949)	(10,691)
As at 31 December 2019 and 1 January 2020	258,623	5,714	–	8,220	272,557
Additions					
New leases	**–**	**3,426**	**22,541**	**–**	**25,967**
Depreciation charge from continuing operations (note 7)	**(6,834)**	**(3,133)**	**(1,502)**	**(997)**	**(12,466)**
Impairment from continuing operations (notes 7,16)	**(1,214)**	**–**	**–**	**–**	**(1,214)**
As at 31 December 2020	**250,575**	**6,007**	**21,039**	**7,223**	**284,844**

As at 31 December 2020, the Group's right-of-use assets with a carrying amount of RMB253,422,000 (2019: RMB259,858,000) were pledged as security for certain bank and other borrowings granted to the Group (note 27(a)). The land use rights are held under medium lease terms.

14. LEASES — *continued*

The Group as a lessee — *continued*

(b) Lease liabilities

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

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**6,546**	1,973
New leases	**25,967**	6,484
Accretion of interest recognised during the year (note 6)	**1,752**	371
Payments	**(5,966)**	(2,282)
Carrying amount at 31 December	**28,299**	6,546
Analysed into:		
Current portion	**5,150**	3,110
Non-current portion	**23,149**	3,436

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities (note 6)	**1,752**	371
Depreciation charge of right-of-use assets (note 7)	**12,466**	10,691
Impairment of right-of-use assets (note 7)	**1,214**	–
Expense relating to short-term leases with remaining lease terms ended on or before 31 December 2020 (included in cost of sales) (note 7)	**101**	502
Expense relating to leases of low-value assets (included in administrative expenses) (note 7)	**3,292**	2,195
Total amount recognised in profit or loss	**18,825**	13,759

14. LEASES — *continued*

The Group as a lessor

The Group leases its investment properties (note 13) consisting of properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB6,725,000 (2019: RMB7,662,000), details of which are included in note 5 to the financial statements.

As at 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	RMB'000	RMB'000
Within one year	**8,146**	8,146
After one year but within two years	**8,516**	8,146
After two years but within three years	**8,516**	8,516
After three years	**24,680**	33,196
	49,858	58,004

15. INTANGIBLE ASSETS

	Mining rights	Software	Total
	RMB'000	RMB'000	RMB'000
31 December 2020			
Cost			
At 1 January 2020	**662,459**	**2,006**	**664,465**
Additions	**5,153**	**–**	**5,153**
At 31 December 2020	**667,612**	**2,006**	**669,618**
Accumulated amortisation and impairment:			
At 1 January 2020	**5,727**	**1,126**	**6,853**
Amortisation provided during the year (note 7)	**5**	**210**	**215**
At 31 December 2020	**5,732**	**1,336**	**7,068**
Net carrying amount:			
At 1 January 2020	**656,732**	**880**	**657,612**
At 31 December 2020	**661,880**	**670**	**662,550**
31 December 2019			
Cost:			
At 1 January 2019 and 31 December 2019	662,459	2,006	664,465
Accumulated amortisation and impairment:			
At 1 January 2019	5,727	915	6,642
Amortisation provided during the year (note 7)	–	211	211
At 31 December 2019	5,727	1,126	6,853
Net carrying amount:			
At 1 January 2019	656,732	1,091	657,823
At 31 December 2019	656,732	880	657,612

(a) As at 31 December 2020, the Group's mining rights of Zhangxi Mine and Lichuan Mine with a carrying amount of RMB282,093,000 (2019: RMB282,093,000) were pledged as security for certain bank and other loans granted to the Group (note 27(a)).

(b) Impairment

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

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). No impairment loss was recognised for the year ended 31 December 2020 (2019: nil).

16. GOODWILL

	RMB'000
Cost at 1 January 2019	–
Business combination	2,096
Cost and net carrying amount at 31 December 2019	2,096
Impairment (note 7)	(2,096)
Carrying amount as at 31 December 2020	–

Goodwill, which arose from the acquisition of Jiangxi Keyue by the Group, represented the excess of the cost of the business combination over the Company's interest in the fair value of Jiangxi Keyue's identifiable assets and liabilities as at the date of the acquisition.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the property, plant and equipment and right-of-use assets of Jiangxi Keyue ("Jiangxi Keyue CGU") for impairment testing.

The recoverable amount of the Jiangxi Keyue CGU as at 31 December 2020 of RMB35,749,000 has been determined based on a VIU calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the expected gross margins in the future years, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit. The discount rate applied to the cash flow projection is 13%.

Growth rate — The growth rate used to extrapolate the cash flows beyond the five-year period is 9%, which is based on the estimated growth rate of the business unit, taking into account the industry growth rate, past experience and the medium or long term growth target.

The values assigned to the key assumption on discount rates are consistent with external information sources.

As the recoverable amount of the Jiangxi Keyue CGU is lower than its carrying amount of RMB51,158,000 as at 31 December 2020, an impairment loss of RMB15,409,000 was recognised during the year to write off the carrying amounts of goodwill and the Jiangxi Keyue CGU at 31 December 2020. The impairment provision as at 31 December 2020 results in impairment loss on goodwill, property, plant and equipment and right-of-use assets amounting to RMB2,096,000, RMB12,099,000 and RMB1,214,000 (note 7), respectively.

17. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	**322,095**	363,139

Particulars of the material associate of the Group, which was established and operates in Mainland China, are as follows:

Name	Percentage of ownership interest attributable to the Group	Principal activities
Shangri-La Stone Co., Ltd. ("Shangri-La Stone")	49	Mining exploration, processing and sale of marble stones

The Group's shareholding in Shangri-La Stone is held through a subsidiary of the Company.

Investments in associates are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Shangri-La Stone, reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	**3,341**	3,032
Non-current assets	**571,507**	571,016
Current liabilities	**(4,009)**	(2,999)
Net assets	**570,839**	571,049
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**279,711**	279,814
Carrying amount of the investment	**279,711**	279,814

	2020 RMB'000	2019 RMB'000
Revenue	**–**	–
Loss and total comprehensive loss for the year	**(210)**	(120)
Dividend received	**–**	–

As at 31 December 2020, the Group's investments in associates with a carrying amount of RMB279,711,000 (2019: RMB279,814,000) were pledged as security for certain bank loans granted to the Group (note 27(a)).

17. INVESTMENTS IN ASSOCIATES — *continued*

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

	2020 RMB'000	2019 RMB'000
Share of associates' losses and total comprehensive loss for the year	**(40,941)**	(12,848)
Aggregate carrying amount of the Group's investments in associates	**42,384**	83,325

18. PAYMENTS IN ADVANCE

	2020 RMB'000	2019 RMB'000
In respect of the purchase of:		
Property, plant and equipment	**22,621**	78,962

The balance as at 31 December 2020 mainly represented prepayments paid to independent third parties for the construction of processing plants and the green mine construction in the PRC.

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Finished goods	**36,849**	14,031
Work in progress	**20,256**	14,714
Materials and supplies	**88**	419
	57,193	29,164

20. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**114,673**	206,573
Impairment	**(54,032)**	(33,644)
	60,641	172,929

The Group's trading terms with its customers are mainly on credit, except for new and minor customers, where payment in advance is normally required. The credit period is generally one month to six months, extending up to nine months for major customers. 5% of the sales of marble slabs are withheld by customers as retention money with respective due dates usually falling not more than one year after the delivery of goods.

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

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

	2020 RMB'000	2019 RMB'000
Within 1 month	**4,863**	73,624
1 to 3 months	**1,977**	36,716
3 to 6 months	**1,936**	5,681
6 to 12 months	**16,715**	56,908
Over 1 year	**35,150**	–
	60,641	172,929

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

	2020 RMB'000	2019 RMB'000
At beginning of year	**33,644**	26,919
Write-off	**(811)**	–
Impairment losses (note 7)	**21,199**	6,725
At end of year	**54,032**	33,644

20. TRADE RECEIVABLES — *continued*

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

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

As at 31 December 2020

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	**1.32%**	**62.82%**	**100%**	
Gross carrying amount (RMB'000)	**44,513**	**44,962**	**25,198**	**114,673**
Expected credit losses (RMB'000)	**587**	**28,247**	**25,198**	**54,032**

As at 31 December 2019

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	2.15%	14.86%	100%	
Gross carrying amount (RMB'000)	118,571	66,840	21,162	206,573
Expected credit losses (RMB'000)	2,550	9,932	21,162	33,644

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2020 RMB'000	2019 RMB'000
Current portion:			
Prepayments in respect of:			
— Purchase of industrial goods		**14,606**	19,458
— Purchase of materials and supplies		**7,538**	1,106
— Warehouse rental		**187**	1,580
— Processing fee		**–**	2,296
— Service fee		**–**	1,839
Escrow funds	(a)	**36,381**	–
Receivables under an operating lease		**3,729**	12,296
Performance security		**3,000**	3,000
Deductible input value-added tax		**2,859**	3,035
Deposits		**1,451**	4,092
Consideration receivables for disposal of subsidiaries	(b)	**–**	36,593
Other receivables		**1,412**	814
		71,163	86,109
Impairment allowance	(c)	**(1,245)**	(3,208)
		69,918	82,901
Non-current portion:			
Prepayments in respect of			
— Cultivated land compensation	(d)	**4,641**	4,850
		4,641	4,850

Notes:

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

(b) The balance represents cash consideration receivable from the disposal of ArtGo (Jiangsu) Technique Industrial Co., Ltd. and Evoke Investment Limited in 2019, which was fully collected in 2020.

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

	2020 RMB'000	2019 RMB'000
At beginning of year	**3,208**	881
Write-off	**(3,220)**	–
Impairment losses (note 7)	**1,257**	2,327
At end of year	**1,245**	3,208

Where applicable, an impairment analysis is performed at each reporting date by considering ECLs, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2020 ranged from 0% to 31% (2019: 0% to 100%).

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

22. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash on hand and cash at banks	**19,907**	88,486
Less:		
Restricted deposits:		
— Declaration of a scientific research project	**–**	(3,506)
— Environmental rehabilitation deposits	**(100)**	(194)
— Others	**(46)**	(21)
	19,761	84,765

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

	2020 RMB'000	2019 RMB'000
RMB	**14,259**	85,173
HK$	**5,129**	3,257
US$	**519**	56
	19,907	88,486

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

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

23. DISCONTINUED OPERATION

The Disposal Group is mainly engaged in warehousing and logistics. Pursuant to the Company's investment committee resolution dated 12 December 2019, the Group has decided to dispose of the Disposal Group because it plans to focus the Group's resources on mining operations. Management has been in active discussions with the potential buyer for the plant sale and from the discussions held, management noted that the potential proceeds from the sale of the entire plant are likely to be higher than that arising from the sale of plant and equipment on a piecemeal basis. The Group remains committed in relation to the existing disposal plans on the Disposal Group. As such, The Disposal Group continued to be classified as assets held for sale as at 31 December 2020 and recorded at recoverable amount, being fair value less cost to sell.

Assets held for sale with a carrying amount of RMB92,782,000 were written down to the fair values less cost to sell of RMB75,906,000, resulting in impairment losses of RMB16,876,000 on held for sale for the year ended 31 December 2020.

The results of the Disposal Group for the year are presented below:

	2020 RMB'000	2019 RMB'000
Revenue	**3,261**	761
Cost of sales	**(305)**	(3,631)
Gross profit/(loss)	**2,956**	(2,870)
Other income and gains	**3**	6
Administrative expenses	**(340)**	(1,451)
Other expenses	**(18)**	(70)
Impairment of trade receivables	**(90)**	–
Impairment of prepayments, deposits and other receivables	**(20)**	–
Impairment of property, plant and equipment	**(10,801)**	–
Impairment of right-of-use assets	**(13,981)**	–
Loss before tax from a discontinued operation	**(22,291)**	(4,385)
Income tax credit (note 9)	**5,415**	298
Loss for the year from a discontinued operation	**(16,876)**	(4,087)

23. DISCONTINUED OPERATION — *continued*

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Assets		
Right-of-use assets	47,422	61,403
Property, plant and equipment	31,512	42,213
Prepayments, other receivables and other assets	681	505
Trade receivables	416	177
Restricted deposits	105	–
Cash and bank balances	85	23
Assets classified as held for sale	80,221	104,321
Liabilities		
Deferred tax liabilities	3,980	9,395
Other payables and accruals	201	1,863
Contract liabilities	88	235
Trade payables	46	46
Liabilities directly associated with the assets classified as held for sale	4,315	11,539
Net assets directly associated with the Disposal Group	75,906	92,782

The net cash flows incurred by the Disposal Group are as follows:

	2020 RMB'000	2019 RMB'000
Operating activities	267	(110)
Investing activities	(205)	–
Financing activities	–	–
Net cash inflow/(outflow)	62	(110)
Loss per share:		
— Basic and diluted from the discontinued operation	RMB(0.005)	RMB(0.001)

The calculation of basic loss per share from the discontinued operation is based on:

	2020	2019
Loss attributable to ordinary equity holders of the parent from the discontinued operation	RMB(16,876,000)	RMB(4,087,000)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (note 11)	3,526,761,044	2,899,487,229

24. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**35,074**	57,670

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

	2020 RMB'000	2019 RMB'000
Within 1 month	**1,365**	4,178
1 to 2 months	**983**	6,866
2 to 3 months	**15,307**	1,277
Over 3 months	**17,419**	45,349
	35,074	57,670

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

25. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Sales of goods	**6,116**	4,223

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

26. OTHER PAYABLES AND ACCRUALS

	Note	2020 RMB'000	2019 RMB'000
Current portion:			
Payables relating to:			
Taxes other than income tax		**31,528**	27,041
Professional fees		**10,737**	10,772
Payroll and welfare		**5,721**	6,281
Purchase of property, plant and equipment		**7,047**	5,148
Mineral resources compensation fees		**–**	4,480
Security deposit		**1,886**	1,886
Distributors' earnest money		**1,745**	1,745
Rental fees		**4,794**	808
Interest payables relating to:			
— Bank and other borrowings		**20,353**	12,518
— Purchase of mining rights	(a)	**3,707**	3,707
Others		**3,099**	4,994
		90,617	79,380

Note:

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

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2020 RMB'000	2019 RMB'000
Bank loans:			
Secured and guaranteed	(a)	–	167,276
Secured	(a)	13,990	14,240
Guaranteed	(b)	22,776	41,856
		36,766	223,372
Effective interest rate per annum (%)		4.81–12.00	5.66–12.00
Other borrowings:			
Secured and guaranteed	(a)	271,756	200,000
Unsecured	(c)	76,218	54,450
		347,974	254,450
Effective interest rate per annum (%)		5.00–24.00	5.00–27.00
Analysed into:			
Bank loans repayable:			
Within one year		30,726	23,240
In the second year		–	200,132
In the third to fifth years, inclusive		6,040	–
		36,766	223,372
Other borrowings repayable:			
Within one year		3,141	188,335
In the second year		288,574	58,665
In the third to fifth years, inclusive		56,259	7,450
		347,974	254,450
Total bank and other borrowings		384,740	477,822
Portion classified as current liabilities		(33,867)	(211,575)
Non-current portion		350,873	266,247

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

Notes:

(a) The Group's bank loans and other borrowings of approximately RMB282,096,000 as at 31 December 2020 (2019: RMB381,516,000) were secured by the Group's assets with net carrying values as follows:

	Notes	2020 RMB'000	2019 RMB'000
Secured by:			
Property, plant and equipment	12	**29,329**	35,575
Investment properties	13	**112,531**	204,775
Leasehold Land	14	**253,422**	259,858
Mining rights of Zhangxi Mine and Lichuan Mine	15	**282,093**	282,093
Investment in an associate	17	**279,711**	279,814
		957,086	1,062,115

The Group's bank loans of approximately RMB3,650,000 as at 31 December 2020 (2019: nil) were secured by the properties of the Group's management members, Ms. Chen Jianping and her spouse Mr. Chou Lu, Mr. Lv Changwen and his spouse Ms. Chou Xiaomei.

The Group's secured bank loans and other borrowings of approximately RMB271,756,000 as at 31 December 2020 (2019: RMB367,276,000) were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit.

(b) The Group's bank loans of approximately RMB1,047,000 as at 31 December 2020 (2019: RMB9,188,000) were guaranteed by independent third parties Xiamen Siming Technique Financial Guarantee Co., Ltd., with a guarantee fee of RMB20,000 per annum (2019: RMB80,000).

The Group's bank loans of approximately RMB18,729,000 as at 31 December 2020 (2019: RMB22,668,000) were guaranteed by a director, Mr. Gu Weiwen, and management members, Mr. Jiang Shikui and Ms. Chen Jianping. Bank loans of RMB3,000,000 (2019: RMB10,000,000) were guaranteed by Yongfeng Country Industrial Park Management Committee at nil consideration.

(c) The Group's other borrowings of approximately RMB76,218,000 as at 31 December 2020 (2019: RMB54,450,000) were borrowed from several independent third party individuals and companies and bore interest at fixed rates of 7.56% — 24% (2019: 5% — 27%) per annum.

28. DEFERRED INCOME

	RMB'000
Government grant	
At 1 January 2019	5,060
Released to profit or loss (note 5)	(210)
At 31 December 2019 and 1 January 2020	4,850
Released to profit or loss (note 5)	(210)
At 31 December 2020	4,640

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

29. PROVISION FOR REHABILITATION

	2020	2019
	RMB'000	RMB'000
At the beginning of year	**16,140**	15,143
Unwinding of a discount (note 6)	**1,017**	997
At the end of year	**17,157**	16,140

30. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits	Provision for rehabilitation	Depreciation over book value of fixed assets	Accrued expenses	Unrealised profits from inter-company transactions	Impairment of trade receivables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	–	1,254	476	7,070	797	2,765	493	12,855
Deferred tax assets arising from business combination	–	–	–	–	–	1,309	–	1,309
Disposal of subsidiaries	–	–	–	–	–	(85)	–	(85)
Deferred tax assets credited/(charged) to profit or loss during the year (note 9)	–	249	128	(5,192)	(133)	970	752	(3,226)
At 1 January 2020	–	1,503	604	1,878	664	4,959	1,245	10,853
Deferred tax assets credited/(charged) to profit or loss during the year (note 9)	–	(1,503)	(604)	419	839	(2,065)	(1,109)	(4,023)
At 31 December 2020	–	–	–	2,297	1,503	2,894	136	6,830

The Group has tax losses arising in Mainland China of RMB177,931,000 (2019: RMB152,662,000) that will expire in one to five years for offsetting against future taxable profits and deductible temporary differences arising in Mainland China of RMB71,066,000 (2019: RMB8,006,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

30. DEFERRED TAX — *continued*

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment arising from business combination RMB'000	Excess book value of mining rights over tax amortisation RMB'000	Total RMB'000
At 1 January 2019	493	11,874	2,863	15,230
Deferred tax liabilities arising from business combination	–	2,096	–	2,096
Deferred tax charged/(credited) to profit or loss during the year from continuing operations (note 9)	752	(73)	588	1,267
Deferred tax charged/(credited) to profit or loss during the year from a discontinued operation (note 9)	–	(298)	–	(298)
Liabilities directly associated with the assets classified as held for sale (note 23)	–	(9,395)	–	(9,395)
At 1 January 2020	1,245	4,204	3,451	8,900
Deferred tax charged/(credited) to profit or loss during the year from continuing operations (note 9)	(1,109)	(156)	582	(683)
At 31 December 2020	136	4,048	4,033	8,217

30. DEFERRED TAX — *continued*

Deferred tax liabilities — *continued*

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 reporting purposes:

	2020 RMB'000	2019 RMB'000
Gross deferred tax assets	**6,830**	10,853
Deferred tax liabilities	**(136)**	(6,005)
Net deferred tax assets	**6,694**	4,848
Gross deferred tax liabilities	**8,217**	8,900
Deferred tax assets	**(136)**	(6,005)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**8,081**	2,895

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

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 December 2020, there were no unremitted earnings associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised (31 December 2019: nil).

31. SHARE CAPITAL

Shares

	2020 HKD$'000	2019 HKD$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each (2019: 5,000,000,000 ordinary shares of HK$0.01 each)	**100,000**	50,000
Issued and fully paid:		
4,032,697,729 ordinary shares of HK$0.01 each (2019: 3,156,827,729 ordinary shares of HK$0.01 each)	**40,327**	31,568
Equivalent to approximately	**RMB34,274**	RMB26,392

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

Issued share capital:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
As at 1 January 2020	3,156,827,729	26,392
Issue of shares upon placing of shares (note (a))	875,870,000	7,882
As at 31 December 2020	4,032,697,729	34,274

Note:

(a) On 22 May 2020, 22 July 2020 and 2 September 2020, the Group issued an aggregate of 203,870,000, 450,000,000 and 222,000,000 new ordinary shares of the Company to supplement working capital and repay debts respectively. RMB7,882,000 was credited to the share capital account of the Company. Particulars of these events were set out in the Company's announcements dated 22 May 2020, 22 July 2020 and 2 September 2020, respectively.

32. SHARE OPTION SCHEME

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

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

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

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

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

On 4 January 2018 and 30 October 2018, the Company granted options to subscribe for 133,333,400 and 229,300,000 ordinary shares of HK$0.01 each under the Share Option Scheme to eligible directors, employees and other eligible participants, and the exercise period of the share options granted is determinable by the Directors with a period of two years and commence effectively from the date of offer of the share options without vesting period. The exercise prices of the share options granted were HK$0.854 and HK$0.399 per share respectively.

32. SHARE OPTION SCHEME — *continued*

The following share options were outstanding during the year:

	Notes	Weighted average exercise price HK$ per share	Number of options
As at 1 January 2020	(a)	0.555	260,383,400
Expired during the year	(b)	0.555	(260,383,400)
As at 31 December 2020			–

Notes:

(a) The share options outstanding as at 1 January 2020 represented share options granted by the Company on 4 January and 30 October 2018 under the Share Option Scheme for a total of 89,333,400 and 171,050,000 shares with a nominal value of HK$0.01 each at exercise prices of HK$0.854 and HK$0.399, respectively.

(b) 260,383,400 share options expired without being exercised in 2020 (2019: 44,000,000 share options expired without being exercised in 2019).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019:

Number of options	Exercise price per share HK$	Exercise period
89,333,400	0.854	From 4 January 2018 to 3 January 2020
171,050,000	0.399	From 30 October 2018 to 29 October 2020
260,383,400		

The Group had no share options exercisable as at 31 December 2020 (31 December 2019: 260,383,400). No share option expense was recognised during the year ended 31 December 2020 (2019: nil).

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 78 of the financial statements.

(a) Share premium

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

(b) Statutory surplus reserve

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

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

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

(c) Safety fund surplus reserve

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

(d) Contributed surplus

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

(e) Share option reserve

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

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest payables RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	**16,225**	**477,822**	**6,546**
Changes from financing cash flows	**(45,272)**	**(93,082)**	**(4,214)**
Non-cash changes:			
New leases	**–**	**–**	**25,967**
Interest paid classified as operating cash flow	**–**	**–**	**(1,752)**
Interest expenses	**53,107**	**–**	**1,752**
At 31 December 2020	**24,060**	**384,740**	**28,299**

	Interest payables RMB'000	Bank and other borrowings RMB'000	Amount due to a director RMB'000	Lease liabilities RMB'000
At 1 January 2019	9,694	407,638	1,550	1,973
Changes from financing cash flows	(37,591)	48,444	(1,550)	(1,911)
Non-cash changes:				
Increase arising from acquisition of subsidiaries	220	31,240	–	–
Disposal of subsidiaries	(416)	(9,500)	–	–
New leases	–	–	–	6,484
Interest paid classified as operating cash flow	–	–	–	(371)
Interest expenses	44,318	–	–	371
At 31 December 2019	16,225	477,822	–	6,546

35. CONTINGENT LIABILITIES

The Group has assessed and made necessary provision for any probable outflow of economic benefits in relation to contingent liabilities at the reporting date in accordance with its accounting policies.

36. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
— Plant and equipment	**3,320**	95,938

At the end of the reporting period, the Group did not have any significant commitments.

37. RELATED PARTY TRANSACTIONS

(a) As at 31 December 2020, the Group had obtained bank and other borrowings aggregated to RMB271,756,000 (2019: RMB367,276,000), which were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit with nil consideration.

As at 31 December 2020, bank loans of RMB18,729,000 (2019: RMB22,668,000) were guaranteed by the director, Mr. Gu Weiwen, and management members, Mr. Jiang Shikui and Ms. Chen Jianping with nil consideration.

At 31 December 2020, bank loans of RMB3,650,000 (2019: nil) were secured by properties of the Group's management members, Ms. Chen Jianping and her spouse Mr. Chou Lu, Mr. Lv Changwen and his spouse Ms. Chou Xiaomei.

At 31 December 2020, other loans of RMB57,628,000 (2019: nil) and RMB8,070,000 (2019: nil) were granted by the Group's management members Mr. Wu Xin and Ms. Chen Jianping with her spouse Mr. Chou Lu, respectively.

(b) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Basic salaries and other benefits	**5,466**	4,707
Equity-settled share option expense	**–**	–
Pension scheme contributions	**198**	333
Total compensation paid to key management personnel	**5,664**	5,040

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

38. 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:

2020

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	60,641
Financial assets included in prepayments, other receivables and other assets	47,587
Restricted deposits	146
Cash and cash equivalents	19,761
	128,135

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	35,074
Lease liabilities	28,299
Financial liabilities included in other payables and accruals	53,368
Interest-bearing bank and other loans	384,740
	501,481

38. FINANCIAL INSTRUMENTS BY CATEGORY — *continued*

2019

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	172,929
Financial assets included in prepayments, other receivables and other assets	53,587
Restricted deposits	3,721
Cash and cash equivalents	84,765
	315,002

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	57,670
Lease liabilities	6,546
Financial liabilities included in other payables and accruals	29,833
Interest-bearing bank and other loans	477,822
	571,871

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Credit risk

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

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

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

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

Credit risk — *continued*

Maximum exposure and year-end staging

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

As at 31 December 2020

	12-month ECLs	Life time ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	114,673	114,673
Financial assets included in prepayments, other receivables and other assets					
— Normal**	41,520	–	–	–	41,520
— Doubtful**	–	7,312	–	–	7,312
Restricted deposits					
— Not yet past due	146	–	–	–	146
Cash and cash equivalents					
— Not yet past due	19,761	–	–	–	19,761
	61,427	7,312	–	114,673	183,412

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

Credit risk — *continued*

Maximum exposure and year-end staging — continued

As at 31 December 2019

	12-month ECLs		Life time ECLs		
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	206,573	206,573
Financial assets included in prepayments, other receivables and other assets					
— Normal**	55,440	–	–	–	55,440
— Doubtful**	–	–	1,355	–	1,355
Restricted deposits					
— Not yet past due	3,721	–	–	–	3,721
Cash and cash equivalents					
— Not yet past due	84,765	–	–	–	84,765
	143,926	–	1,355	206,573	351,854

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 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".

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

Liquidity risk

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

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

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

	31 December 2020					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Over 4 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	28,417	52,598	387,898	–	468,913
Trade payables	32,726	2,348	–	–	–	35,074
Lease liabilities	–	2,498	4,412	15,882	13,358	36,150
Other payables and accruals	18,718	12,330	22,320	–	–	53,368
	51,444	45,593	79,330	403,780	13,358	593,505

	31 December 2019					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Over 4 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	51,871	397,614	71,703	–	521,188
Trade and bills payables	48,976	8,694	–	–	–	57,670
Lease liabilities	–	974	2,431	3,600	–	7,005
Other payables and accruals	21,941	5,148	2,744	–	–	29,833
	70,917	66,687	402,789	75,303	–	615,696

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

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank and other borrowings. The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 27.

Capital management

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

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

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

40. EVENTS AFTER THE REPORTING PERIOD

On 14 January 2021, the board of directors resolved to grant share options to certain employees (the "Grantees") to subscribe for a total of 336,069,772 ordinary shares of HK$0.01 each in the share capital of the Company subject to acceptance of the Grantees, under the share option scheme adopted by the Company on 9 December 2013 and the payment of HK$1.00 by each of the Grantees upon acceptances of the options. The exercise price of the options granted was HK$0.08 per share on 14 January 2021.

41. 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:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,242,525	1,997,086
CURRENT ASSETS		
Prepayments, other receivables and other assets	–	319
Cash at banks	2	692
Total current assets	2	1,011
CURRENT LIABILITIES		
Other borrowings	–	18,335
Other payables and accruals	8,996	8,594
Total current liabilities	8,996	26,929
NET CURRENT LIABILITIES	(8,994)	(25,918)
NON-CURRENT LIABILITIES		
Other borrowings	–	28,666
Total non-current liabilities	–	(28,666)
Net assets	1,233,531	1,942,502
EQUITY		
Issued capital	34,274	26,392
Reserves (note)	1,199,257	1,916,110
Total equity	1,233,531	1,942,502

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

Note:

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

	Notes	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019		1,477,555	223,876	36,219	(91,729)	1,645,921
Issue of new shares		–	–	–	–	–
Acquisition of subsidiaries		249,472	–	–	–	249,472
Equity-settled share option arrangements	32	20,381	–	–	–	20,381
Total comprehensive income for the year		–	–	–	336	336
Transfer of share option reserve upon the expiry of share options		–	–	(6,666)	6,666	–
Transfer of share option reserve upon the exercise of share options		3,983	–	(3,983)	–	–
At 31 December 2019 and 1 January 2020		1,751,391	223,876	25,570	(84,727)	1,916,110
Issue of new shares		64,014	–	–	–	64,014
Total comprehensive loss for the year		–	–	–	(780,867)	(780,867)
Transfer of share option reserve upon the expiry of share options		–	–	(25,570)	25,570	–
At 31 December 2020		1,815,405	223,876	–	(840,024)	1,199,257

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

A summary of the results, assets and liabilities of the Group for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 as extracted from the published audited financial statements and re-presented as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000 (Re-presented)	2017 RMB'000 (Re-presented)	2016 RMB'000 (Re-presented)
REVENUE					
From continuing operations	**70,630**	273,723	535,551	1,270,125	1,059,457
From discontinued operation	**3,291**	761	1,241	933	–
	73,921	274,484	536,792	1,271,058	1,059,457
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(210,129)**	(75,282)	(643,898)	16,399	9,649
Income tax expense	**(3,391)**	(11,370)	(1,295)	(8,710)	(10,195)
Profit/(Loss) for the year from continuing operations	**(213,520)**	(86,652)	(645,193)	7,689	(546)
Profit/(Loss) for the year from discontinued operation	**(16,876)**	(4,087)	(3,946)	120	–
PROFIT/(LOSS) FOR THE YEAR	**(230,396)**	(90,739)	(649,139)	7,809	(546)
ATTRIBUTABLE TO:					
Owners of the Company	**(230,236)**	(90,164)	(395,786)	8,450	(546)
Non-controlling interests	**(160)**	(575)	(253,353)	(641)	–
	(230,396)	(90,739)	(649,139)	7,809	(546)

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	**1,962,995**	2,017,430	1,824,798	2,171,240	1,701,978
Current assets	**287,734**	474,080	476,012	661,730	576,455
Non-current liabilities	**403,900**	293,568	216,327	259,096	26,032
Current liabilities	**198,181**	390,794	456,420	513,092	455,831
Total equity	**1,648,648**	1,807,148	1,628,063	2,060,782	1,796,570
Non-controlling interests	**93,339**	93,499	97,727	317,414	318,055
Equity attributable to owners of the Company	**1,555,309**	1,713,649	1,530,336	1,743,368	1,478,515

Notes: The results of the Group for the years ended 31 December 2016 to 2018 have been re-presented as a result of the reclassification of the Warehousing Logistics Business to discontinued operation in 2019.

The results of the Group for the year ended 31 December 2019 and 2020 and of the assets, liabilities and equity of the Group as at 31 December 2019 and 2020 are extracted from the audited financial statements set out on pages 75 to 77.