



ARTGO HOLDINGS LIMITED

雅高控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3313

ANNUAL REPORT 2023



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. WU Jing (*Chairman and Acting Chief Executive Officer*)

Mr. GU Weiwen (*Vice Chairman*)

Mr. ZHANG Jian

Mr. WAN Jian

Non-executive Director

Mr. GU Zengcai

Independent Non-executive Directors

Ms. LUNG Yuet Kwan

Mr. HUI Yat On

Mr. ZHAI Feiquan

AUTHORISED REPRESENTATIVES

Ms. WU Jing

Mr. GU Weiwen

AUDIT COMMITTEE

Ms. LUNG Yuet Kwan (*Chairman*)

Mr. HUI Yat On

Mr. ZHAI Feiquan

REMUNERATION COMMITTEE

Mr. HUI Yat On (*Chairman*)

Ms. WU Jing

Ms. LUNG Yuet Kwan

NOMINATION COMMITTEE

Ms. WU Jing (*Chairman*)

Mr. HUI Yat On

Mr. ZHAI Feiquan

INVESTMENT COMMITTEE

Ms. WU Jing (*Chairman*)

Mr. GU Weiwen

Mr. HUI Yat On

COMPANY SECRETARY

Mr. ZHAO Zhipeng

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 728 Yan'an West Road

Changning District

Shanghai, PRC

New Material Industrial Park

Teng Tian Town

Yongfeng County

Ji'an City

Jiangxi Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1302, 13/F

Golden Centre

188 Des Voeux Road Central

Hong Kong

AUDITORS

Elite Partners CPA Limited

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
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PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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 2023 (the "Year").

The Year of 2023 was continuing to be a very tough and challenging year although a short-term rapid economic rebound in China in early 2023 has been fizzled out after nearly three years of Covid-19 pandemic restrictions. The uncertainty about China's economy was rising and it appeared that a lack of confidence in China's economic growth has been continually spreading. The much-anticipated solid growth in the post-coronavirus recovery did not materialize in 2023. The outlook is set for more weakness amid geopolitical tensions with the United States and slowing global demand (particularly in China). The Group believes the demand in marble stone products and calcium carbonate products would fall further in first half year of 2024 amid the weak economic momentum in China and slowing global economy which would likely put further pressure on external demand.

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

Since the Group was continually experiencing a challenging time with its marble business in the Year, our Group has strived to achieve an overall revenue of approximately RMB77.5 million (representing a decrease by approximately 13.0% as compared with approximately RMB89.1 million in 2022). The Group, on the other hand, has actively sought debt restructuring/refinancing opportunities with lower costs and/or longer terms (if available) from non-bank lenders/local partners in China. To improve the Group's overall liquidity and debt level, the Group has also managed to raise funds of aggregate net proceeds of approximately RMB123.1 million by issuing new shares under a share subscription and a rights issues during the Year.

Looking forward, the Group expects that China's economic recovery will still be constrained by the weakening domestic demand, a structural property slump, deepening global manufacturing downturn and worsening geopolitical tensions. There is no sign of an imminent policy response to shore up the domestic recovery from China's government. The Group may face challenges for the business growth in forthcoming years. The Group will maintain a high degree of vigilance against unpredictable international developments and any sensitive external factors that may adversely affect the Group's business. The Group will continue to consolidate the production and operations and adjust its business plan to cope with its ever-changing business environments. The Group will also seek out opportunities to monetise non-core assets (particularly the disposal of its Warehouse Logistic Business) where appropriate in order to generate immediate liquidity and to further 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, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General

The Year of 2023 continued to be a very tough and challenging year despite a short-term rapid economic rebound in China in early 2023, which has been fizzled out after nearly three years of Covid-19 pandemic restrictions. The uncertainty about China's economy was rising and it appeared that a lack of confidence in China's economic growth has been continually spreading. The much-anticipated solid growth in the post-coronavirus recovery did not materialize in 2023. To cope with the challenging environment, the Group continued to take a low-margin strategy to boost its sales and to improve its inventory turnover rate, and has been continuing its tightening credit policy to customers and enforcing its collection efforts on long-aged account, and at the same time, slowing its capital expenditure, capital commitment, mining excavation, as well as payment in advance until the operating environment became more clear and stable.

Marble and Mining and Calcium Carbonate Business

The Group's marble stone products business is part of the supply chain of the real estate construction sector, which, to a large extent, has not fully recovered from the pandemic (and so as the overall business of the Group). During the Year, property developers in China were still facing severe liquidity problems. As such, instead of developing new projects, most property developers were focusing on clearing up their inventory by discounted sales, seeking new refinancing opportunities and negotiating with existing creditors for debt restructuring. Under such circumstances, the management of the Group has been operating its business very cautiously during the Year. The Group's revenue from marble stone products amounted to approximately RMB11.3 million during the Year, representing 67.2% decrease as compared to approximately RMB34.4 million in the previous year. The decrease was mainly due to the very weak market demand from the real estate construction sector even though the Group has been taking a low-margin strategy.

Apart from the marble business, our marble downstream calcium carbonate business also faced a relatively better market situation and had to adopt a mild low-margin strategy so as to maintain its market share. Having said that, the calcium carbonate business contributed an aggregate of approximately RMB65.3 million to the Group's revenue as compared to RMB53.1 million in the previous year, representing an increase of approximately RMB12.2 million (or 23.0%).

Rejections Of Mining License Renewal Application

Lichuan Lotus Construction Material Co., Limited ("Lotus Materials"), a PRC subsidiary 80% owned (by the Group), received a notification dated 19 March 2024 from the Natural Resources and Planning Bureau of Lichuan City ("Lichuan Natural Resources Bureau") in Hubei Province that Lichuan Natural Resources Bureau has decided to reject the application for the renewal of mining license of Lichuan Mine. Therefore, Lotus Material has to write off the mining right of Lichuan Mine, resulting in a loss of RMB165.5 million in the financial year ended 31 December 2023. The management of Lotus Material is seeking legal opinion and is trying to liaise with Lichuan Natural Resources Bureau to revoke their decision (if possible). Further announcement(s) will be made if there is any progress.

Jiangxi Jueshi (Ji'an) Mining Co., Limited ("Ji'an Mining"), a PRC subsidiary wholly-owned by the Group, received a notification dated 18 March 2024 from the Natural Resources Bureau of Yongfeng County ("Yongfeng Natural Resources Bureau") in Jiangxi Province that Yongfeng Natural Resources Bureau has decided to reject the application for the renewal of mining license of Zhangxi Mine. Therefore, Ji'an Mining has to write off the mining right of Zhangxi Mine, resulting in a loss of RMB116.6 million in the financial year ended 31 December 2023. The management of Ji'an Mining is seeking legal opinion and is trying to liaise with Yongfeng Natural Resources Bureau to revoke their decision (if possible). Further announcement(s) will be made if there is any progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Commodities Trading Business

Apart from the impact of the COVID-19 pandemic, the deterioration of the China-US relationship following the trade war between these two giant economies has added tremendous uncertainties and risks to the business world. With such business climate since 2020, the Group decided to continue withholding any further commodities trading transactions until it is manageable to conduct such activities. As such, the Group does not record any revenue from this business segment in 2023 (2022: nil).

Warehouse Logistics Business

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

In the fourth quarter of 2022, due to the economic uncertainties, the potential buyer decided not to continue the negotiation. In 2023, the Group's revenue from warehouse logistics segment amounted to approximately RMB0.91 million, representing 40.9% decrease, as compared to approximately RMB1.54 million in 2022. The Group remains committed in relation to the original disposal plan and will continue to seek other potential buyers. Further announcement(s) will be made if there is any progress.

FINANCIAL REVIEW

Revenue

In 2023, the Group recorded an operating revenue of approximately RMB77.5 million (2022: approximately RMB89.1 million), representing a decrease of approximately RMB11.6 million (or 13.0%) compared to that of 2022. The sales of marble stone products contributed 14.6% or approximately RMB11.3 million (2022: 38.7% or approximately RMB34.4 million) to the Group's total revenue. And the sales of calcium carbonate products contributed 84.2% or approximately RMB65.3 million (2022: 59.6% or approximately RMB53.1 million) to the Group's total revenue.

Sales by Product Categories

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

	2023		2022	
	Approximate percentage RMB'000	(%)	Approximate percentage RMB'000	(%)
Marble stone products	11,320	14.6	34,441	38.7
Calcium carbonate products	65,304	84.2	53,092	59.6
Revenue from segment of marble products	76,624	98.8	87,533	98.3
Warehouse logistics	908	1.2	1,536	1.7
Commodity trading	–	–	–	–
Total	77,532	100.0	89,069	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

For the year ended 31 December 2023, the Group's total cost of sales amounted to approximately RMB67.5 million (2022: RMB76.3 million), including the cost relating to marble stone products of approximately RMB10.4 million and the cost relating to calcium carbonate products of approximately RMB56.7 million which represented approximately 15.3%, and 84.1% of the total cost of sale respectively. The proportion of the costs of marble stone products and calcium carbonate products was in line with the proportion of their respective revenue contributions (to a large extent).

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2023, the Group realised a gross profit amounted to approximately RMB10.1 million (2022: RMB12.8 million). The overall gross profit margin in 2023 was approximately 13.0%, while the overall gross profit margin in 2022 was approximately 14.4%. The Group has been taking a low-margin strategy since 2022 to cope with the very weak market conditions due to Covid-19 pandemic and economic downturn in China, particularly the real estate construction sector. Such low-margin strategy is expected to be maintained in the foreseeable future until the market conditions improve.

OTHER INCOME AND GAINS

Other income and gains, mainly comprised of gains on disposed of non-operating subsidiaries/associate, government grants and refund of value-added tax, were approximately RMB5.2 million (2022: RMB10.4 million). Compared with 2022, other income and gains decreased by approximately RMB5.2 million mainly due to decrease in gains on disposal of non-operating subsidiaries/associate and government grants of approximately by RMB4.2 million and RMB1.1 million respectively.

OTHER EXPENSES

Other expenses, mainly comprised of provision of obsolete inventories/inventory scrap loss, loss on disposal of property, plant and equipment, depreciation of investment properties and penalty, were approximately RMB17.4 million (2022: RMB19.5 million). Compared with 2022, other expenses decreased by approximately RMB2.1 million mainly due to the fact that there was an inventory scrap loss of approximately RMB12.3 million and a loss on disposal of property, plant and equipment in the amount of approximately RMB3.4 million in 2023 while there was a provision of obsolete inventories of approximately RMB19.1 million in 2022.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses and advertising costs, were approximately RMB1.9 million, representing approximately 2.5% of the Group's total revenue while the selling and distribution expenses of approximately RMB2.4 million in 2022 accounted for approximately 2.7% of the Group's total revenue. The selling and distribution expenses decreased slightly by approximately RMB0.5 million because of relatively less sale and marketing activities in 2023.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly consisted of equity-settled share option expenses, salaries of administrative staff, consultancy fees and depreciation expense, were approximately RMB49.8 million (2022: RMB55.1 million). Administrative expenses decreased by approximately RMB5.3 million, mainly due to the decrease of equity-settled share option expenses by approximately RMB5.5 million in the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPAIRMENT LOSS

The aggregate impairment losses on (i) trade receivables, (ii) prepayments, other receivables and other assets, (iii) investment properties, and (iv) mining rights were decreased by approximately RMB37.7 million in total as compared to that of 2022. The decrease of such impairment losses was mainly because of the impairment loss of mining rights of RMBnil (2022: RMB65.2 million), and the impairment losses of trade receivables of approximately RMB18.2 million (2022: RMB1.4 million), prepayments, deposits and other receivables of approximately RMB9.2 million (2022: nil), and investment properties of approximately RMB1.2 million (2022: nil) in 2023.

FINANCE COSTS

Finance costs, mainly included interests on other borrowings, interests on bank loans, interests on lease liabilities and related interests of rehabilitation, were approximately RMB20.6 million (2022: approximately RMB24.3 million). Finance costs decreased by approximately RMB3.7 million as compared to that of 2022, which was mainly attributable to (i) the reduce of the Group's interest-bearing debt level; and (ii) the Group's actively seeking debt restructuring refinancing opportunities with lower costs from non-bank lenders/local partners in PRC.

INCOME TAX EXPENSE

Income tax expense increased by approximately RMB4.1 million from a tax credit of approximately RMB1.0 million for the year ended 31 December 2022 to a tax expenses of approximately RMB3.1 million for the year ended 31 December 2023. The increase was mainly due to (i) an underprovision of tax expenses of approximately RMB1.8 million for prior years recognized in 2023, while there was an over-provision of approximately RMB1.6 million for prior years recognized in 2022, and (ii) an increase in deferred tax provision of approximately RMB0.7 million.

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss attributable to owners of the Company during the Year amounted to approximately RMB396.1 million, which increased by RMB247.9 million as compared to the net loss of approximately RMB148.2 million for the year ended 31 December 2022. The increase in net loss was mainly due to (i) the decrease in revenue and other income and gains by approximately RMB11.6 million and RMB5.2 million respectively, and (ii) the written-off of mining rights of approximately RMB282.1 million (2022: nil), offsetting by (i) the decreases in administrative expenses and financial costs by approximately RMB5.3 million and RMB3.7 million respectively, and (ii) the decreases of aggregate impairment losses on the mining rights and other classes of assets by approximately RMB37.7 million.

INVENTORIES

The Group's inventories decreased by approximately 57.0%, from approximately RMB43.7 million as at 31 December 2022 to approximately RMB18.8 million as at 31 December 2023. The decrease was mainly due to (i) the Group has substantially reduced its purchases from suppliers from RMB52.9 million in 2022 to RMB36.1 million in 2023, and (ii) the clearing sales activities of long-aged/low quality inventory of marble stone products during the second half of the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE RECEIVABLES

The Group's trade receivables decreased from approximately RMB29.0 million as at 31 December 2022 to approximately RMB24.9 million as at 31 December 2023. The decrease was primarily due to the decrease in the Group's sale by approximately RMB11.6 million and the increase in impairment loss on trade receivables by approximately RMB16.8 million, offsetting by the fact that approximately 65.3% of the Group's sale were recorded in the second half of the Year.

TRADE PAYABLES

The Group's trade payables decreased from approximately RMB23.1 million as at 31 December 2022 to approximately RMB21.1 million as at 31 December 2023. The decrease was primarily due to the netting effect of (i) the Group has slowed down its settlements to suppliers and (ii) the Group has substantially reduced its purchases from suppliers from RMB52.9 million in 2022 to RMB36.1 million in 2023.

NET CURRENT ASSETS

Net current assets of the Group increased from approximately RMB17.9 million as at 31 December 2022 by 439% to approximately RMB96.5 million as at 31 December 2023, which was primarily due to the fund raising activities of Share Subscription and Rights Issue (both of which in aggregate contributed a net proceeds of RMB123.1 million) during the Year.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.6 as at 31 December 2023 (31 December 2022: 1.1).

BORROWINGS

The Group generally finances its operations with internally generated cash flows, other borrowings and banking credit facilities. As at 31 December 2023, the Group had total bank loans and other borrowings of RMB337.8 million (31 December 2022: RMB344.2 million).

GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 31 December 2023, the gearing ratio was 27.6% (2022: 29.1%).

CAPITAL STRUCTURE

1. Increase In Authorised Share Capital

Pursuant to an ordinary resolution passed by the Company's shareholders in a general meeting on 14 September 2023, the total amount of authorised share capital of the Company was increased from HK\$100,000,000 divided into 500,000,000 shares of HK\$0.20 each to HK\$300,000,000 divided into 1,500,000,000 shares of HK\$0.20 each. Particulars of this event was set out in the Company's circular dated 25 August 2023 and the Company's announcements dated 28 July 2023, 4 August 2023 and 14 September 2023 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Subscription of New Shares

Pursuant to a share subscription agreement dated 5 May 2023 entered between the Company and a subscriber, the Company issued and allotted 46,000,000 new shares to the subscriber at a subscription price of HK\$0.28 per share in cash (the “Share Subscription”). The net proceeds from the Share Subscription was approximately HK\$12.83 million (equivalent to approximately RMB11.6 million). Particulars of this event was set out in the Company’s announcements dated 5 May 2023 and 13 June 2023 respectively.

3. Rights Issues

During the Year, the Company conducted a rights issue exercise by issuing 617,249,750 rights shares at the subscription price of HK\$0.20 per rights share on the basis of two rights shares for every one existing share of the Company held by the qualifying shareholders of the Company on the record date (the “Rights Issue”). The Rights Issue exercise was completed on 6 November 2023 with all rights shares being fully subscribed. The net proceeds from the Rights Issue was approximately HK\$121.15 million (equivalent to approximately RMB111.51 million). Particulars of this event was set out in the Company’s prospectus dated 28 September 2023, Company’s circular dated 25 August 2023 and the Company’s announcements dated 28 July 2023, 4 August 2023, 14 September 2023 and 3 November 2023 respectively.

USE OF PROCEEDS FROM THE SHARE SUBSCRIPTION AND THE RIGHTS ISSUE

The use of the net proceeds from the Share Subscription and the Rights Issue are as follows:

Subscription of 46,000,000 new shares issued on 13 June 2023

As disclosed in the Company’s announcements dated 5 May 2023 and 13 June 2023 respectively, it was expected that the net proceeds from the Share Subscription would be utilised for the repayment of part of the Group’s current debt, where to the extent that any part of the net proceeds is not applied for such purpose, such proceeds are intended to be applied for general working capital of the Group and/or any investment opportunities in related business as identified by the Group from time to time.

The followings are the utilizations of the net proceeds from the Share Subscription from its completion on 13 June 2023 up to 31 December 2023:

	HK\$'million
Net proceeds	12.83
Repayment of current debt	10.00
General working capital	2.83
Total of fund utilized	12.83
Remaining balance as at 31 December 2023	–

MANAGEMENT DISCUSSION AND ANALYSIS

Issue of 617,249,750 rights shares under the Rights Issue on 6 November 2023

As disclosed in the Company's circular and prospectus dated 25 August 2023 and 28 September 2023 respectively, the Company intended to apply the net proceeds as follows: as to (i) approximately HK\$110.00 million for repayment of loans and other payables of the Group; and (ii) approximately HK\$11.15 million as general working capital of the Group, in which approximately HK\$4.10million for salaries expenses, approximately HK\$4.10million for purchase of raw materials, approximately HK\$2.05 million for professional fees and HK\$0.90 million for daily operation expenses.

The followings are the utilizations of the net proceeds from the Rights Issue from its completion on 6 November 2023 up to 31 December 2023:

Intended use	Planned use	Utilization up to	Balance up to
	of proceeds	31 December	31 December
	HK\$ million	2023	2023
		HK\$ million	HK\$ million
Repayment of loans and other payables	110.00	10.00	100.00
General working capital:			
– Salaries expenses	4.10	3.34	0.76
– Purchase of raw materials	4.10	–	4.10
– Professional fees	2.05	0.41	1.64
– Daily operation expenses.	0.90	0.23	0.67
Total	121.15	13.98	107.17

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 2023, the Group's expenditure for purchase of property, plant and equipment aggregated to approximately RMB5.8 million (2022: approximately RMB45.8 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, the total number of full-time employees of the Group was 201 (31 December 2022: 209). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB21.5 million for 2023 (2022: approximately RMB25.2 million). Meanwhile, taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

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

The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2023, the contributions of approximately RMB2.1 million (2022: approximately RMB2.2 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 2023, the Group had buildings of approximately RMB21.3 million (2022: RMB23.5 million) pledged as security for obtaining certain bank and other loans granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no capital commitments for acquisition of property, plant and equipment, which were contracted but not provided for (2022: nil). As at 31 December 2023, the Group had no material contingent liabilities.

IMPORTANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Adoption of 2024 Share Schemes

The Company held an extraordinary general meeting on 19 January 2024 (the "EGM"). Pursuant to ordinary resolutions approved by the Company's shareholders in the EGM, the Company adopted (i) a new share option scheme (the "2024 Share Option Scheme") and (ii) a share award scheme (the "2024 Share Award Scheme"). The total number of shares which may be allotted and issued in respect of all options and awards that may be granted under the 2024 Share Option Scheme and 2024 Share Award Scheme was 92,587,462 shares. Particulars of this event was set out in the Company's circular dated 22 December 2023 and the Company's announcements dated 27 November 2023, 15 December 2023 and 19 January 2024 respectively. Summaries of the principal terms of the 2024 Share Option Scheme and the 2024 Share Award Scheme are provided in the section headed "Share Schemes" in the Report of the Directors in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Subscription of New Shares

Pursuant to a share subscription agreement dated 26 January 2024 entered between the Company and a subscriber, the Company issued and allotted 61,720,000 new shares to the subscriber at a subscription price of HK\$0.20 per share in cash on 6 February 2024. The net proceeds from the share subscription was approximately HK\$12.24 million (equivalent to approximately RMB11.13 million). Particular of this event was set out in the Company's announcements dated 26 January 2024 and 6 February 2024 respectively.

RESOURCES AND RESERVES

Dejiang Mine

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

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

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

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

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

The following table summarizes the marble resources of our Dejiang Mine, estimated as of 31 December 2023 under Chinese Standards.

RESOURCES	Millions of cubic meters
Indicated	1.3
Inferred	0.8
Total	2.1

The Group did not have exploration, development and production activities for Dejiang Mine in 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Yongfeng Mine

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

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

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

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

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2023 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

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

RESOURCES	Millions of cubic meters
Proved	23.0
Probable	21.0
Total	44.0

MANAGEMENT DISCUSSION AND ANALYSIS

The estimated resources and reserves of the Yongfeng Mine as of 31 December 2023 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 2023.

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2023 (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 2023 were identical.

The Group took exploration, development and production activities with a volume of approximately 473.4 cubic metres for Yongfeng Mine in 2023 (2022: approximately 3,412.0 cubic metres).

DIRECTORS AND SENIOR MANAGEMENT

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	38	Executive Director, Chairman and Acting Chief Executive Officer
Mr. GU Weiwen	54	Executive Director and Vice Chairman
Mr. ZHANG Jian	49	Executive Director
Mr. WAN Jian	47	Executive Director
Mr. GU Zengcai	61	Non-Executive Director
Ms. LUNG Yuet Kwan	58	Independent non-Executive Director
Mr. HUI Yat On	64	Independent non-Executive Director
Mr. ZHAI Feiquan	44	Independent non-Executive Director

EXECUTIVE DIRECTORS

Ms. WU Jing (伍晶), aged 38, has been appointed as the executive Director on 9 March 2016 and is currently Chairman of the Board and Acting Chief Executive Officer of the Company. Ms. Wu is also responsible for promotion and marketing affairs of the Company. Ms. Wu has more than 10 years' experience in corporate brand management. In 2010, Ms. Wu founded a management consulting firm, which provided consultancy services in relation to brand promotion, sales and public relations to the local and overseas organizations and corporations since February 2010, including but not limited to Information Services Department of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong Tourism Board, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, DTZ Holdings PLC, Sinopec (Hong Kong) Limited, Suning Commerce Group Co., Ltd., Powerchina Resources Ltd.. In June 2008, Ms. Wu obtained her bachelor degree in biological technology from Wuhan University. She then obtained her master of science degree in environmental engineering from the Hong Kong University of Science and Technology and her master degree in industrial engineering and logistics management from the University of Hong Kong in November 2009 and November 2010, respectively. In 2015, she was awarded the "Ten Outstanding New Hong Kong Young Persons (十大傑出新香港青年)". She is currently the standing director of Jiangsu Women Association* (江蘇聯會婦女會) and the director of Jiangsu Youth Association* (江蘇青年總會). As of the date of this annual report, save as disclosed above, Ms. Wu did not hold directorship in any listed public companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. GU Weiwen (顧偉文), aged 54, has been appointed as the executive Director and Chief Executive Officer on 9 March 2016, and re-designated as Vice Chairman of the Company on 1 December 2016. Mr. Gu has more than 30 years' experience in trading, investment and financing. Prior to joining the Group, Mr. Gu served as the wholesale executive of Shanghai Textiles Ltd.* (上海紡織品總公司) from July 1990 to July 1992. From August 1992 to September 1994, Mr. Gu served as the manager of the apparel department of Orient Shopping Center Ltd.* (上海東方商廈有限公司). From October 1994 to October 2000, Mr. Gu served as the general manager of Shanghai Huifeng Textile Group Ltd.* (上海惠豐毛紡織集團有限公司). From January 2001 to October 2011, Mr. Gu served as the general manager of Chengdu Runheng Investment Ltd.* (成都潤衡投資有限公司). From October 2011 to February 2016, Mr. Gu served as assistant to the chairman of China Dredging Environment Protection Holdings Limited (stock code: 871), a company listed on the Stock Exchange. Mr. Gu obtained the diploma from Commerce College of the Shanghai University (上海大學商學院) (now known as School of Economics, the Shanghai University) majoring in trading economics in July 1990. In 1991, Mr. Gu obtained the qualification as economic analyst as confirmed by the appraisal committee after the discussion by the vocation reform office of Shanghai Textiles Ltd.* (上海紡織品公司). In 1993, Mr. Gu obtained the qualification as an assistant economic analyst as confirmed by the appraisal committee for junior occupational positions of Shanghai Huifeng Textile Group Ltd.* (上海東方商廈有限公司). As of the date of this annual report, save as disclosed above, Mr. Gu did not hold directorship in any listed public companies in the past three years.

Mr. ZHANG Jian (張健), aged 49, has been appointed as the executive Director on 9 March 2016 and is currently the deputy general manager of the Company and the general manager of the marble production and processing department and international sales department of the Company, where he is responsible for mine production management, marble processing and production and operations management and international sales management of the Group. Mr. Zhang joined the Group in October 2012 and has more than 16 years' experiences in stone exploitation, stone processing, quality control and international trade of stone. Prior to joining the Group, Mr. Zhang served at unit 32525 of the People's Liberation Army of the People's Republic of China in Xiamen (廈門中國人民解放軍32525部隊) from December 1993 to December 1997. From March 2003 to March 2006, he served as a procurement officer of Best Cheer Stone Group Ltd.* (高時石材集團有限公司). From March 2006 to October 2012, he served as the procurement manager of Xiamen Zhonglianfa Import and Export Co., Ltd.* (廈門中聯發進出口有限公司). As of the date of this annual report, save as disclosed above, Mr. Zhang did not hold directorship in any listed public companies in the past three years.

Mr. WAN Jian (萬堅), aged 47, 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.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. GU Zengcai (顧增才), aged 61, 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. (珠海港股份有限公司) (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 58, 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 64, has been appointed as independent non-executive Director of the Company on 8 June 2016, and is chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants in December 1986. He is also a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui has previously served as the executive director and senior executive of several Hong Kong listed companies. He was appointed as an independent non-executive director of Enterprise Development Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 1808, in the period of 11 January 2021–20 September 2021. He was appointed on 10 June 2021, as an independent non-executive director of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange with stock code 2312. Save as disclosed above, Mr. Hui did not hold any directorship in the past 3 years in any other listed companies. Mr. Hui has more than three decades of experiences in the field of corporate finance and financial services.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHAI Feiquan (翟飛全), aged 44, has been appointed as independent non-executive Director of the Company on 20 July 2020. Mr. Zhai holds a bachelor's degree in marketing from Guangxi University. Mr. Zhai has more than 20 years' experience in stone products sales and export as well as mines operations and processing of marble stone. He has rich experience in marketing and brandsbuilding of a variety of marble stones. Mr. Zhai does not hold any other position with the Company and/or other members of the Company and its subsidiaries. Save as disclosed above, he does not hold any other major appointment and has not held any position or directorship in any other listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. ZHANG Jiyao (張繼燕), aged 52, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has more than 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板材廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fujian 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 46, 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 43, 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.

DIRECTORS AND SENIOR MANAGEMENT

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules"), the changes in details of the Directors' information subsequent to the date of the annual report of the Company for the twelve months ended 31 December 2023 are set out below:

Name	Details of Changes
Nil	Nil

CORPORATE GOVERNANCE REPORT

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 2023 (the “Year”), except for the following deviation.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at 31 December 2023, the Board comprised eight members, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:

Ms. Wu Jing (*Chairman, Acting Chief Executive Officer, Chairman of the Nomination Committee and member of the Remuneration Committee*)

Mr. Gu Weiwen (*Vice Chairman*)

Mr. Zhang Jian

Mr. Wan Jian

Non-executive Director:

Mr. Gu Zengcai

Independent non-executive Directors:

Ms. Lung Yuet Kwan (*Chairman of the Audit Committee and member of the Remuneration Committee*)

Mr. Hui Yat On (*Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*)

Mr. Zhai Feiquan (*member of the Audit Committee and the Nomination Committee*)

The Board members have no financial, business, family or other material/relevant relationships with each other to ensure strong independence exists across the Board. All directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The biographical information of the Directors is set out on pages 16 to 19 of this annual report.

Independent non-executive Directors

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

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

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

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

The Board's composition as at the date of this report under diversified perspectives is summarised as follows:

Education background (highest level)	Postgraduate degree 2 Directors; Bachelor 3 Directors; Other 3 Directors
Designation	4 executive Directors, 3 INEDs, 1 NED
Gender	6 male Directors vs 2 female Directors
Age group (years old)	1 (between 31 and 40); 3 (between 41 and 50); 2 (between 51 and 60); 2 (between 61 and 70)
Directorship with the Company (years of service)	2 Directors (Less than 5 years), 6 Directors (5 to 10 years)

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.

CORPORATE GOVERNANCE REPORT

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

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

NON-EXECUTIVE DIRECTOR

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

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

Audit Committee

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

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

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

CORPORATE GOVERNANCE REPORT

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 2023 and the auditor's report thereon.

Remuneration Committee

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

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

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

Nomination Committee

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

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

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

CORPORATE GOVERNANCE REPORT

Investment Committee

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2023 is set out in the table below:

	Attendance/Number of Meetings					Annual General Meeting	Extraordinary General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee		
Executive Directors							
Ms. WU Jing	5/5	N/A	2/2	2/2	1/1	1/1	0/1
Mr. GU Weiwen	3/5	N/A	N/A	N/A	1/1	1/1	1/1
Mr. ZHANG Jian	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Mr. WAN Jian	3/5	N/A	N/A	N/A	N/A	0/1	1/1
Non-executive Director							
Mr. GU Zengcai	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors							
Ms. LUNG Yuet Kwan	4/5	2/2	2/2	N/A	N/A	1/1	1/1
Mr. HUI Yat On	5/5	2/2	2/2	2/2	1/1	1/1	1/1
Mr. ZHAI Feiquan	3/5	2/2	N/A	2/2	N/A	1/1	1/1

Corporate Governance Functions

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

CORPORATE GOVERNANCE REPORT

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 2023.

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 48 to 52.

AUDITORS' REMUNERATION

Elite Partners CPA Limited ("Elite Partners") was engaged as the external auditors of the Company for the annual audit of the year ended 31 December 2023.

During the Year, the total fees paid/payable in respect of audit services provided by Elite Partners were RMB1,260,000, and the total non-audit service fees incurred for the Year were RMB105,000.

INTERNAL CONTROL

The Group has engaged an external professional to carry out the internal audit functions of the Group. The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walk-throughs and tests of operating effectiveness.

The internal audit plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems for agreed review scope is conducted under rotation basis annually and the review results are subsequently reported to the Board via the Audit Committee.

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.

CORPORATE GOVERNANCE REPORT

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

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

SHAREHOLDERS’ RIGHTS

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

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

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “Eligible Shareholder(s)”) shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting (“EGM”) to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.
- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, for the attention of the company secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company’s branch share registrar. If the Requisition is found to be proper and in order, the joint company secretaries will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board and Contact Details

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

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

Address: Room E, 6/F
No. 728 Yan'an West Road
Changning District
Shanghai, PRC
(For the attention of the Board of Directors)

Fax: + 86 021 68870050

Email: ir@artgo.cn

CONSTITUTIONAL DOCUMENTS

Pursuant a special resolution passed by the Company's shareholders in a general meeting held on 19 June 2023, the Company had amended and restated its memorandum and articles of association adopted on 9 December 2013 ("2013 M&A") in order to (i) bring the 2013 M&A in line with the latest legal and regulatory requirements, including the core standards set out in Appendix 3 to the Listing Rules which took effect on 1 January 2022, as well as the Companies Act and applicable laws of the Cayman Islands; (ii) allow general meetings of the Company to be held as a hybrid meeting or electronic meeting where shareholders of the Company may attend by electronic means in addition to as a physical meeting where shareholders attend in person; and (iii) adopt certain house-keeping amendments, including making consequential amendments for clarity, consistency with the other provisions and to better align the wording with those of the Listing Rules, the Companies Act and the applicable laws of the Cayman Islands. An up to date version of the Company's amended and restated Memorandum and Articles of Association is also available on the websites of the Stock Exchange and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

CORPORATE GOVERNANCE REPORT

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.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the “Year”).

REORGANIZATION OF THE GROUP

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

Principal Risks and Uncertainties

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

- 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.
- 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.

REPORT OF THE DIRECTORS

Environmental protection

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

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

Compliance with laws and regulations

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

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

Key relationships with its stakeholders

1. Workplace Quality

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

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

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

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

REPORT OF THE DIRECTORS

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, 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 2023 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 2023 (2022: 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.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2023 are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report, respectively.

As at 31 December 2023, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB597.1 million (2022: RMB991.7 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales attributable to the Group's largest and five largest customers were approximately 20.8% and 60.1% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 23.7% and 81.3% 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 2023 are set out in note 24 to the consolidated financial statements of this annual report.

DONATIONS

The Group made a donation of HK\$500,000 to Basic Law Institute Limited during the Year (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

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

REPORT OF THE DIRECTORS

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 2019, 2020, 2021, 2022 and 2023, as extracted from the audited financial statements, is set out on page 128 of this annual report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Ms. WU Jing (伍晶)

Mr. GU Weiwen (顧偉文)

Mr. ZHANG Jian (張健)

Mr. WAN Jian (萬堅)

Non-executive Director

Mr. GU Zengcai (顧增才)

Independent Non-executive Directors

Ms. LUNG Yuet Kwan (龍月群)

Mr. HUI Yat On (許一安)

Mr. ZHAI Feiquan (翟飛全)

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

Pursuant to article 84 of the Articles, Mr. Zhang Jian, Mr. Gu Zengcai, Ms. Lung Yuet Kwan and Mr. Hui Yat On will retire by rotation as Director at the forthcoming AGM. All the above retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

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

REPORT OF THE DIRECTORS

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 2013 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 SCHEMES

A. 2013 Share Option Scheme

The Company adopted a share option scheme (the "2013 Share Option Scheme") on 9 December 2013 (and expired on 8 December 2023). The following is a summary of the principal terms of the 2013 Share Option Scheme:

(a) *Purpose of the 2013 Share Option Scheme*

The 2013 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 2013 Share Option Scheme provided 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.

REPORT OF THE DIRECTORS

(b) Participants of the 2013 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 2013 Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the 2013 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 2013 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 2013 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 2013 Share Option Scheme on 9 December 2013, the 10% limit on the grant of share options under the 2013 Share Option Scheme was refreshed 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 2013 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 2013 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 2013 Share Option Scheme (details are set out in the Company's announcement dated 14 January 2021). All of the granted 336, 069, 772 options were exercised during the year in 2021.

As at the annual general meeting of the Company held on 30 June 2021, the 10% limit on the grant of share options under the 2013 Share Option Scheme was further refreshed to 436,876,750 shares (the "2021 Scheme Mandate").

On 29 April 2022, 420,730,000 options had been granted under the 2021 Scheme Mandate of the 2013 Share Option Scheme (details are set out in the Company's announcements dated 29 April 2022 and 3 May 2022). All of the granted 420,730,000 options were exercised during the year in 2022.

REPORT OF THE DIRECTORS

As at the annual general meeting of the Company held on 30 June 2022, the 10% limit on the grant of share options under the 2013 Share Option Scheme was further refreshed to 463,084,750 shares (the “2022 Scheme Mandate”).

On 16 September 2022, 463,000,000 options had been granted under the 2022 Scheme Mandate of the 2013 Share Option Scheme (details are set out in the Company’s announcements dated 16 September 2022 and 20 September 2022). All of the granted 463,000,000 options were exercised during the year in 2022.

No options were granted and/or exercised under the 2013 Share Option Scheme during the year ended 31 December 2023. And as at 31 December 2023, there was no outstanding options under the 2013 Share Option Scheme which expired on 8 December 2023.

(d) *The maximum entitlement of each eligible participant under the 2013 Share Option Scheme*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 2013 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 2013 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 the 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 2013 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 2013 Share Option Scheme*

The Share Option Scheme had been in force for a period of 10 years commencing on its adoption date (i.e. 9 December 2013) and expired on 8 December 2023.

REPORT OF THE DIRECTORS

B. 2024 Share Option Scheme

The Company adopted a new share option scheme (the “2024 Share Option Scheme”) pursuant to an ordinary resolution approved by the Company’s shareholders in a general meeting on 19 January 2024. The following is a summary of the principal terms of the 2024 Share Option Scheme:

(a) *Purposes of the 2024 Share Option Scheme:*

The purposes of the 2024 Share Option Scheme are:

- (i) to recognise and acknowledge the contribution of the participants and to motivate participants to contribute to, and promote the interests of, the Company by granting options to them as incentives or rewards for their contribution to the growth and development of the Group;
- (ii) to attract, retain and motivate high-calibre participants to promote the sustainable development of the Group in line with the performance goals of the Group;
- (iii) to develop, maintain and strengthen long-term relationships that the participants may have with the Group for the benefit of the Group; and
- (iv) to align the interest of selected participants with those of the shareholders of the Company to promote the long-term performance (whether in financial, business and operational aspects) of the Group.

(b) *Participants of the 2024 Share Option Scheme:*

The Board may, at its discretion, offer to grant share options to subscribe for such number of new shares of the Company as the Board may determine at an exercise price determined in accordance with paragraph (e) below to Employee Participant(s) which means Director(s) and employee(s) of the Company or any of its subsidiaries (including persons who are granted share options and/or awards as an inducement to enter into employment contracts with the Company or any of its subsidiaries).

(c) *Maximum number of Shares available for subscription under the 2024 Share Option Scheme*

Subject to refreshment of the Scheme Mandate Limit, the maximum number of Shares which may be allotted and issued in respect of all options to be granted under the 2024 Share Option Scheme, and all share options and all share awards to be granted under any other schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date (i.e. 19 January 2024), unless the Company has obtained separate approval by shareholders of the Company in a general meeting.

As at the date of this Annual Report, there is no option granted under the 2024 Option Scheme Mandate since its Adoption Date.

REPORT OF THE DIRECTORS

(d) *Maximum entitlement of each eligible participant under the 2024 Share Option Scheme*

The total number of shares issued and which may fall to be issued upon exercise of the share options and the share options and share awards granted under the 2024 Share Option Scheme or any other share option scheme(s) or share award scheme(s) of the Company (including both exercised or outstanding share options and share awards but excluding any share options and share awards lapsed in accordance with the terms of the scheme) to each participant in any 12-month period up to and including the date of such grant shall not exceed 1% (not exceed 0.1% in case of Independent Non-executive Directors) of the total number of the Company's shares in issue.

(e) *Timing for exercising option*

Share options granted under the 2024 Share Option Scheme may be exercised during a period to be determined and notified by the Directors to the grantee thereof, save that such period shall not be more than ten (10) years from the offer date.

(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 the Company by way of consideration for the grant.

(g) *The basis of determining the exercise price of option*

The exercise price in respect of any share option granted under the 2024 Share Option Scheme shall, subject to any adjustments, be at the discretion of the Directors, provided that it must be at least the highest of:

- (i) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date, which must be a business day;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the offer date; and
- (iii) the nominal value of the Shares on the offer date.

provided that in the event of fractional prices, the exercise price per share shall be rounded upwards to the nearest whole cent.

(h) *Vesting period of the 2024 Share Option Scheme*

Grantees of share options are required to hold their granted share option for not less than twelve (12) months from the offer date before it can be exercised.

(i) *Duration of the 2024 Share Option Scheme*

The 2024 Share Option Scheme will remain in force for a period of 10 years commencing on its Adoption Date (i.e. 19 January 2024).

REPORT OF THE DIRECTORS

C. 2024 Share Award Scheme

The Company adopted a share award scheme (the “2024 Share Award Scheme”) pursuant to an ordinary resolution approved by the Company’s shareholders in a general meeting on 19 January 2024. The following is a summary of the principal terms of the 2024 Share Award Scheme:

(a) *Purposes of the 2024 Share Award Scheme:*

The purposes of the 2024 Share Award Scheme are:

- (i) to recognise and acknowledge the contribution of the participants and to motivate participants to contribute to, and promote the interests of, the Company by granting Awards to them as incentives or rewards for their contribution to the growth and development of the Group;
- (ii) to attract, retain and motivate high-calibre participants to promote the sustainable development of the Group in line with the performance goals of the Group;
- (iii) to develop, maintain and strengthen long-term relationships that the participants may have with the Group for the benefit of the Group; and
- (iv) to align the interest of selected participants with those of the shareholders of the Company to promote the long-term performance (whether in financial, business and operational aspects) of the Group.

(b) *Participants of the 2024 Share Award Scheme:*

The Board may, at its discretion, grant share award of such number of new shares of the Company as the Board may determine to Employee Participant(s) which means Director(s) and employee(s) of the Company or any of its subsidiaries (including persons who are granted share options and/or awards as an inducement to enter into employment contracts with the Company or any of its subsidiaries).

(c) *Maximum number of Shares available for subscription under the 2024 Share Award Scheme*

Subject to refreshment of the Scheme Mandate Limit, the maximum number of new Shares which may be allotted and issued in respect of all Awards to be granted under the Share Award Scheme and all share options and share awards to be granted under any other schemes shall not in aggregate exceed 10% of the number of issued shares of the Company as at the Adoption Date (i.e. 19 January 2024), unless the Company has obtained separate approval by shareholders of the Company in a general meeting.

(d) *Maximum entitlement of each eligible participant under the 2024 Share Award Scheme*

The maximum number of new shares which may be allotted and issued in respect of all share awards to be granted under the 2024 Share Award Scheme and all share options and share awards to be granted to each participant in any 12-month period up to and including the date of such grant shall not exceed 1% (not exceed 0.1% in case of Directors) of the total number of the Company’s shares in issue.

REPORT OF THE DIRECTORS

(e) *Vesting period of the 2024 Share Award Scheme*

Not less than twelve (12) months vesting period from the grant date are required before the Grantee is entitled to the awarded shares and obtained the awarded share from the trustee to be engaged by the Company.

(f) *Duration of the 2024 Share Award Scheme*

The 2024 Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date (i.e. 19 January 2024).

Further information in relation to all share schemes of the Company pursuant to the Listing Rules 17.07 and 17.09 as are follows:

- The number of share options exercised with exercise prices and the closing prices of the Company's shares immediately before the dates on which the share options were exercised during the Year are summarized as follows:

Name	Date of Grant	Number of Options Exercised	Exercise Price per Share (HK\$)	Weighted Average Closing price of the Shares immediately before the exercise date (HK\$)
Directors	N/A	0	N/A	N/A
Other Employees	N/A	0	N/A	N/A

- The number of share options available for grant under the scheme mandate in relation to the 2013 Share Option Scheme at the beginning and the end of the Year are summarized as follows:

Date	Description of option actions	Number of share options available for granted (Notes 1 and 2)
As at 1 January 2023	Remaining balance of 2022 Scheme Mandate in relation to the 2013 Share Option Scheme	4,237
8 December 2023	Lapse of 2022 Scheme Mandate upon the expiry of the 2013 Share Option Scheme	(4,237)
As at 31 December 2023	Remaining balance of the number of share options available for grant	0

Notes:

- The above remaining balance of share options available for grant brought forward from the end of financial year of 2022 had been adjusted based on the Share Consolidated effective on 28 October 2022.
- There is no specific service provider sublimit of the number of options available under the 2013 Share Option Scheme.

REPORT OF THE DIRECTORS

3. The total number of share options granted under all share schemes of the Company versus the weighted average number of the Company's shares in issue during the financial years of 2023 and 2022 are as follows:

	2023	2022 (Note 1) (Restated)
Total number of share options granted	0	44,186,500
Weighted average number of the Company's shares in issue during the year	384,383,287	238,057,935
Percentage of total number of share option granted against the weighted average number of the Company's shares in issue during the year	0%	18.56%

Note:

- (1) The above total number share option granted and the weighted average number of the Company's shares in issue during the year of 2022 had been restated based on the Share Consolidated effective on 28 October 2022 and the Rights Issue on 6 November 2023.

4. The total number of the shares which is available for being further issued under each share scheme of the Company versus the number of Company's shares in issue as at the dates of the Annual Reports of 2023 and 2022 are as follows:

Names of Share Schemes	2023		2022
	2024 Share Option Schemes	2024 Share Award Schemes	(Note 1) 2013 Share Option Scheme
Dates of the Annual Reports	28 March 2024	28 March 2024	31 March 2023
Total number of the shares which is available for being further issued under each share scheme as at the dates of the Annual Reports	92,587,462	92,587,462	4,237
Total number of the Company's shares in issue as at the dates of the Annual Reports	987,594,625	987,594,625	262,624,875
Percentage of the total number of the shares which is available for being further issued under each share scheme against total number of the Company's shares in issue as at the dates of the Annual Reports	9.38%	9.38%	0.0016%

Note:

- (1) The total number of the shares which is available for being further issued under the 2013 Share Option Scheme and the total number of the Company's shares in issue as at the dates of the Annual Report of 2022 had been adjusted based on the Share Consolidated effective on 28 October 2022.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS

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

As at 31 December 2023, 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:

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	6,556,850 (L)	0.71%

Note:

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

Save as disclosed above, as at 31 December 2023, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2023, the interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of substantial Shareholders as required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Casado Co. Limited	Beneficial Owner	273,000,647 (L)	29.49%
Ma Boyun	Interest in Controlled Corporation (Note 2)	273,000,647 (L)	29.49%
Xu Xiaodong	Beneficial Owner	138,000,000 (L)	14.90%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. These 273,000,647 shares were held by Casado Co. Limited, which was wholly owned by Ma Boyun. Accordingly, Ma Boyun was deemed to be interested in these 273,000,647 shares of the Company by virtue of the SFO.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2023 were audited by Elite Partners CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Wu Jing

Chairman and Executive Director

Hong Kong, 28 March 2024

INDEPENDENT AUDITOR'S REPORT



To the shareholders of ArtGo Holdings Limited

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ArtGo Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 53 to 127, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section to our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the “Code”) issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. 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.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How the matter was addressed in our audit

Impairment assessment of non-current assets

As at 31 December 2023, the Group had property, plant and equipment, right-of-use assets and intangible assets of approximately RMB421,070,000, RMB271,357,000 and RMB314,519,000 respectively. The management considered those assets were related to cash-generating-units for the production and sales of Marble products segment ("Marble CGU").

For the purpose of impairment assessment, the management determined the recoverable amounts of Marble CGU based on value in use, which is the present value of the future cash flows expected to be derived from the Marble CGU.

We had identified impairment assessment of Marble CGU as a key audit matter because significant management judgement was required to determine the key assumptions including estimated recoverable reserves, commodity prices, operating margins and discount rate, etc. and the amounts involved were significant.

Our procedures in relation to management's impairment assessment of Marble CGU included:

- We assessed the appropriateness of management's identification of the cash-generated-units and allocation of non-current assets based on Group's accounting policy and our understanding of the Group's business;
- We evaluated the assessment of impairment indicators of Marble CGU prepared by management;
- We obtained and reviewed cash flow forecasts of Marble CGU prepared by the management and approved by the directors of the Company;
- We discussed with management and the independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology, basis and assumptions used were reasonable;
- We checked, on a sample basis, the accuracy and reliance of the input data used;
- We evaluated the competence, capabilities and objectivity of the independent external valuer taking into account its experience and qualifications; and
- We also assessed the adequacy of the disclosures regarding the impairment assessment in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance.

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

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

INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yip Kai Yin with Practising Certificate number P07854.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong, 28 March 2024

Level 23, YF Life Tower
33 Lockhart Road
Wan Chai, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4, 5	77,532	89,069
Cost of sales		(67,467)	(76,252)
Gross profit		10,065	12,817
Other income and gains	5	5,231	10,427
Selling and distribution expenses		(1,866)	(2,394)
Administrative expenses		(49,849)	(55,066)
Impairment losses on trade receivables		(18,175)	(1,415)
Impairment losses on prepayments, other receivables and other assets		(9,169)	–
Impairment loss on investment properties		(1,180)	–
Impairment loss on property, plant and equipment		(387)	–
Impairment loss on mining rights		–	(65,169)
Written-off of mining rights		(282,093)	–
Other expenses		(17,432)	(19,476)
Finance costs	6	(20,631)	(24,264)
Share of results of associates	16	(7,610)	(4,837)
LOSS BEFORE TAX	7	(393,096)	(149,377)
Income tax (expense)/credit	9	(3,124)	1,049
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(396,220)	(148,328)
Attributable to:			
Owners of the Company		(396,145)	(148,246)
Non-controlling interests		(75)	(82)
		(396,220)	(148,328)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
– Basic and diluted	11	RMB(1.03)	RMB(0.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	421,070	473,230
Investment properties	13	18,586	20,368
Right-of-use assets	14	271,357	279,491
Intangible assets	15	314,519	596,622
Investments in associates	16	39,152	89,141
Prepayments, deposits and other receivables	19	4,009	4,138
Deferred tax assets	27	156	1,102
Total non-current assets		1,068,849	1,464,092
CURRENT ASSETS			
Inventories	17	18,784	43,724
Trade receivables	18	24,946	28,999
Prepayments, deposits and other receivables	19	122,135	100,222
Restricted deposits	20	639	8,341
Cash and bank balances	20	100,956	15,762
Total current assets		267,460	197,048
CURRENT LIABILITIES			
Trade payables	21	21,133	23,081
Contract liabilities	22	5,920	5,674
Other payables and accruals	23	55,639	101,403
Tax payables		23,994	23,283
Lease liabilities	14	964	1,099
Interest-bearing bank and other borrowings	24	63,300	24,650
Total current liabilities		170,950	179,190
NET CURRENT ASSETS		96,510	17,858
TOTAL ASSETS LESS CURRENT LIABILITIES		1,165,359	1,481,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	274,510	319,574
Deferred tax liabilities	27	8,984	8,841
Deferred income	25	4,009	4,219
Lease liabilities	14	588	202
Provision for rehabilitation	26	20,608	19,368
Total non-current liabilities		308,699	352,204
NET ASSETS			
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	166,551	44,935
Reserves	30	597,056	991,669
		763,607	1,036,604
Non-controlling interests		93,053	93,142
TOTAL EQUITY		856,660	1,129,746

The consolidated financial statements on page 53 to 127 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Wu Jing
Director

Gu Weiwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

		Attributable to owners of the Company										
		Issued capital RMB'000 (note 28)	Share premium account RMB'000 (note 30(a))	Statutory surplus reserve RMB'000 (note 30(b))	Safety fund surplus reserve RMB'000 (note 30(c))	Share option reserve RMB'000 (note 30(e))	Difference arising from acquisition of non-controlling interests RMB'000	Contributed surplus RMB'000 (note 30(d))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Notes												
As at 31 December 2021 and 1 January 2022		37,063	2,069,206*	27,206*	846*	-*	(19,048)*	26,636*	(971,900)*	1,170,009	93,224	1,263,233
Loss and total comprehensive loss for the year		-	-	-	-	-	-	-	(148,246)	(148,246)	(82)	(148,328)
Issue of new shares		7,872	9,961	-	-	-	-	-	-	17,833	-	17,833
Establish safety funds		-	-	-	22	-	-	-	-	22	-	22
Equity-settled share option arrangements		-	-	-	-	5,512	-	-	-	5,512	-	5,512
Transfer of share option reserve upon the exercise of share options		-	5,512	-	-	(5,512)	-	-	-	-	-	-
Deregistered of a subsidiary		-	-	(8,526)	-	-	-	-	-	(8,526)	-	(8,526)
Transfer retain to reserve		-	-	996	-	-	-	-	(996)	-	-	-
As at 31 December 2022 and 1 January 2023		44,935	2,084,679*	19,676*	868*	-*	(19,048)*	26,636*	(1,121,142)*	1,036,604	93,142	1,129,746
Loss and total comprehensive loss for the year		-	-	-	-	-	-	-	(396,145)	(396,145)	(75)	(396,220)
Issue of new shares under rights issue		113,302	(1,796)	-	-	-	-	-	-	111,506	-	111,506
Issue of new shares		8,314	3,326	-	-	-	-	-	-	11,640	-	11,640
Establish safety funds		-	-	-	2	-	-	-	-	2	-	2
Disposal of subsidiaries		-	-	(1,066)	-	-	-	-	1,066	-	(14)	(14)
As at 31 December 2023		166,551	2,086,209*	18,610*	870*	-*	(19,048)*	26,636*	(1,516,221)*	763,607	93,053	856,660

* These reserve accounts comprise the consolidated reserves of RMB597,056,000 (2022: RMB991,669,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(393,096)	(149,377)
Adjustments for:			
Depreciation of property, plant and equipment	12	22,815	23,695
Depreciation of investment properties	13	602	955
Depreciation of right-of-use assets	14	9,880	10,448
Amortisation of intangible assets	15	10	249
Share of results of associates	16	7,610	4,837
Impairment losses on trade receivables	18	18,175	1,415
Impairment losses on prepayments, other receivables and other assets	19	9,169	–
Impairment loss on property, plant and equipment	12	387	–
Impairment loss on investment properties	13	1,180	–
Impairment loss on mining rights	15	–	65,169
Written-off of mining rights	15	282,093	–
Deferred income released to profit or loss	25	(210)	(210)
Finance costs	6	20,631	24,264
Equity-settled share-based payment expenses	7	–	5,512
Gain on disposal of subsidiaries	31	(1,065)	(4,750)
Loss on disposal of property, plant and equipment, net	7	3,427	–
Gain on disposal of associate	5	–	(481)
Bank interest income	5	(82)	(321)
		(18,474)	(18,595)
Increase in trade receivables		(14,122)	(3,990)
Decrease in inventories		24,940	12,565
Increase in prepayments, other receivables and other assets		(25,679)	(21,194)
(Decrease)/increase in trade payables		(1,948)	6,701
Increase/(decrease) in other payables and accruals		43,311	(26,577)
Increase in contract liabilities		246	3,103
Decrease in restricted deposits		7,702	7,116
Cash from/(used in) operations		15,976	(40,871)
Income tax (paid)/refund		(1,324)	3,376
Interest paid		(18,560)	(7,170)
Interest received		82	321
Net cash flows used in operating activities		(3,826)	(44,344)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,825)	(45,774)
Purchase of right-of-use assets		–	(72)
Proceeds from disposal of an associate		–	500
Net cash inflow/(outflow) arising from disposal of subsidiaries	31	77	(6,211)
Net cash flows used in investing activities		(5,748)	(51,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	123,146	17,833
(Repayment to)/advance from a director		(20,492)	9,139
Principal portion of lease payments		(1,566)	(1,348)
Proceeds from bank and other borrowings		17,214	261,553
Repayment of bank and other borrowings		(23,628)	(198,602)
Net cash flows from financing activities		94,674	88,575
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		85,100	(7,326)
Cash and cash equivalents at beginning of the year		15,762	23,088
Effect on exchange rate change		94	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		100,956	15,762
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position			
– cash and bank balances	20	100,956	15,762

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of production and sales of calcium carbonate products, mining, processing and sale of marble stones, warehousing and logistics.

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

Information about subsidiaries

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity interests attributable to the Company	2023	2022	Principal activities
<i>Directly held:</i>						
ArtGo Investment Limited 雅高投資有限公司 ("ArtGo Investment")	British Virgin Islands ("BVI") 26 September 2011	US\$1	100	100		Investment holding
<i>Indirectly held:</i>						
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	100		Investment holding
Regal Speed Holding Limited 豪捷控股有限公司 ("Regal Speed")	British Virgin Islands ("BVI") 20 June 2022	US\$1	100	100		Investment holding
ArtGo Stone (Jiangxi) Co., Ltd. 雅高石材(江西)有限公司 ⁽¹⁾ ("ArtGo Stone")	People's Republic of China ("PRC")/Mainland China 17 September 2013	US\$18,000,000	100	100		Processing and sale of marble stones; and technical service of stone processing
Shanghai Junding Industrial Co., Ltd. 上海珺頂實業有限公司 ⁽¹⁾ ("Shanghai Junding")	PRC/Mainland China 14 August 2023	HK\$2,000,000	100	100		Retail and wholesale of decorating materials and construction materials

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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
			2023	2022	
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	100	Wholesale, logistics and mineral processing
ArtGo Junqi (Xiamen) Co., Ltd. 雅高珺奇(廈門)實業有限公司 ⁽²⁾ ("ArtGo Xiamen")	PRC/Mainland China 18 January 2017	RMB10,000,000	100	100	Import and export of mining machines
Guangxi ArtGo Junqi Limited 廣西雅高珺奇有限公司 ⁽²⁾ ("ArtGo Guangxi")	PRC/Mainland China 31 July 2017	RMB50,000,000	100	100	Retail and wholesale of construction materials and chemical products
Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. 江西省珪石(永豐)礦業有限公司 ⁽²⁾ ("Jueshi Mining")	PRC/Mainland China 28 December 2009	RMB60,000,000	100	100	Mining exploration, processing and sale of marble stones
Jiangxi Jueshi (Ji'an) Mining Co., Ltd. 江西省珪石(吉安)礦業有限公司 ⁽²⁾ ("Ji'an Mining")	PRC/Mainland China 21 January 2010	RMB140,000,000	100	100	Mining investment, mining planting projects and sale of decorating materials
Guizhou County Dejiang SanXin Stone Co., Ltd. 貴州德江三鑫石材有限公司 ⁽²⁾ ("SanXin Stone")	PRC/Mainland China 11 April 2014	RMB20,000,000	80	80	Mining exploration, processing and sale of marble stones
Jiangsu Taifeng Logistics Co., Ltd. 江蘇泰豐物流有限公司 ⁽²⁾ ("Jiangsu Taifeng")	PRC/Mainland China 3 June 2011	RMB66,000,000	100	100	Warehousing, logistics, and sale of mineral products
Lichuan Lotus Construction Material Co., Ltd. 利川市荷花建材有限公司 ⁽²⁾ ("Lotus Materials")	PRC/Mainland China 20 December 2012	RMB12,000,000	80	80	Mining exploration, processing and sale of marble stones

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31 December 2023

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
			2023	2022	
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	100	Production and sale of calcium carbonate

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

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

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

2.1 BASIS OF PREPARATION

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

NOTES TO THE FINANCIAL STATEMENTS

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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 2023. 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).

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.

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

2.2 APPLICATION OF NEW OR AMENDMENTS TO IFRS ACCOUNTING STANDARDS

In the current year, the Group has applied the following new or amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new or amendments to IFRS Accounting Standards in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except as described below.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRS Accounting Standards, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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2.3 AMENDMENTS TO IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement ¹
Amendments to IAS 21	Lack of Exchange ability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

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 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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *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); or
 - (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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *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. 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.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Investment properties

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Derecognition of financial assets

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

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

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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Impairment of financial assets – *continued*

General approach – continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

(ii) Definition of default

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Impairment of financial assets – *continued*

General approach – continued

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Impairment of financial assets – *continued*

General approach – continued

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Financial liabilities – *continued*

Subsequent measurement

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

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

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

Derecognition of financial liabilities

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

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Provisions

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

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

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

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

Contingent liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, with limited exceptions.

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, with limited exceptions.

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

Revenue recognition

Revenue from contracts with customers

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

(a) Sale of goods

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Revenue recognition – *continued*

Other income

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

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

Other employee benefits

Short-term and other long-term employee benefits

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Other employee benefits – *continued*

Retirement benefit obligations

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

The employees of the Company’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group’s employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2023, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

Termination benefits

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

Housing fund

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

Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

Foreign currencies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements

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

Renewal of mining rights

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

Estimation uncertainty

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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.

Provision for rehabilitation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2022: two) reportable and operating segments as below:

- (a) the marble products segment produces marble stone products and calcium carbonate products mainly by further processing of marble products and is also engaged in trading of marble products; and
- (b) the others segment includes the trading of commodities, and provision of warehousing and logistics services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, impairment loss on non-current and current assets, written-off of mining rights, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION – continued

Year ended 31 December 2023

	Marble products RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	76,624	908	77,532
Segment results	(38,385)	(2,389)	(40,774)
<i>Reconciliation:</i>			
Interest income			82
Impairment losses recognised in the statement of profit or loss			(28,911)
Written-off of mining rights			(282,093)
Finance costs (other than interest on lease liabilities)			(20,539)
Foreign exchange losses			(6,940)
Corporate and other unallocated expenses			(13,921)
Loss before tax			(393,096)
Segment assets	1,069,576	68,091	1,137,667
<i>Reconciliation:</i>			
Deferred tax assets			156
Cash and cash equivalents			100,956
Restricted deposits			639
Corporate and other unallocated assets			96,891
Total assets			1,336,309
Segment liabilities	441,721	63	441,784
<i>Reconciliation:</i>			
Tax payable			23,994
Deferred tax liabilities			8,984
Corporate and other unallocated liabilities			4,887
Total liabilities			479,649
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation and amortisation	(30,760)	(2,547)	(33,307)
Share of results of associates	(7,610)	–	(7,610)
Investments in associates	39,152	–	39,152
Capital expenditure*	5,825	–	5,825
Amounts included in information regularly provided to Management:			
Impairment losses, including write-offs, recognised in the statement of profit or loss, net	(309,824)	(1,180)	(311,004)

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION – continued

Year ended 31 December 2022

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION – *continued*

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2023 and 2022 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities.

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

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer A (marble products segment)	16,092	N/A*
Customer B (marble products segment)	12,000	N/A*
Customer C (marble products segment)	8,780	12,518
Customer D (marble products segment)	N/A*	13,189
Customer E (marble products segment)	N/A*	11,966

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	77,532	89,069

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments	2023 RMB'000	2022 RMB'000
<i>Types of goods or services</i>		
Sale of marble products	76,624	87,533
Provision of warehousing and logistics services	908	1,536
Total revenue from contracts with customers	77,532	89,069

	2023 RMB'000	2022 RMB'000
<i>Timing of revenue recognition</i>		
Goods transferred on a point in time basis	76,624	87,533
Service transferred on over time basis	908	1,536
	77,532	89,069

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:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of marble products	5,674	2,571

(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 2023 and 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

Other income and gains

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

	2023 RMB'000	2022 RMB'000
Rental income	–	283
Refund of value-added tax	3,766	3,161
Bank interest income	82	321
Deferred income released to profit or loss (note 25)	210	210
Government grants*	94	1,217
Miscellaneous	14	4
Gain on disposal/deregistration of subsidiaries (note 31)	1,065	4,750
Gain on disposal of associate	–	481
Total other income and gains	5,231	10,427

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	2,161	2,190
Interest on other borrowings	17,138	20,825
Unwinding of a discount for rehabilitation (note 26)	1,240	1,131
Interest on lease liabilities (note 14)	92	118
	20,631	24,264

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		66,825	64,120
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		18,758	16,473
Welfare and other benefits		338	562
Pension scheme contributions			
— Defined contribution fund		2,073	2,219
Housing fund		288	434
Equity-settled share option expense		—	5,512
Total employee benefit expense		21,457	25,200
Depreciation of property, plant and equipment	12	22,815	23,695
Depreciation of investment properties	13	602	955
Depreciation of right-of-use assets	14	9,880	10,448
Amortisation of intangible assets	15	10	249
Depreciation and amortisation expenses		33,307	35,347
Impairment losses recognised on:			
Trade receivables	18	18,175	1,415
Investment properties	13	1,180	—
Mining rights	15	—	65,169
Prepayments, other receivables and other assets	19	9,169	—
Property, plant and equipment	12	387	—
Total impairment losses recognised		28,911	66,584
Written-off of mining rights		282,093	—
Loss on disposal of property, plant and equipment, net		3,427	—
Lease payments not included in the measurement of lease liabilities		96	150
Auditor's remuneration		1,260	1,200
Foreign exchange loss, net		6,940	442
Bank interest income		(82)	(321)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

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

	2023 RMB'000	2022 RMB'000
Fees	585	541
Other emoluments:		
Salaries, allowances and benefits in kind	1,079	767
Equity-settled share option expenses	–	885
Pension scheme contributions	119	112
	1,198	1,764
	1,783	2,305

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Mr. Hui Yat On	162	150
Ms. Lung Yuet Kwan	180	166
Mr. Zhai Feiquan	108	100
	450	416

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity- settled share option expenses RMB'000	Total RMB'000
2023					
Executive directors:					
Ms. Wu Jing	-	811	16	-	827
Mr. Gu Weiwen	-	144	66	-	210
Mr. Zhang Jian	-	124	37	-	161
Mr. Wan Jian	-	-	-	-	-
	-	1,079	119	-	1,198
Non-executive director:					
Mr. Gu Zengcai	135	-	-	-	135
	135	1,079	119	-	1,333
2022					
Executive directors:					
Ms. Wu Jing	-	499	15	295	809
Mr. Gu Weiwen	-	144	66	295	505
Mr. Zhang Jian	-	124	31	295	450
Mr. Wan Jian	-	-	-	-	-
	-	767	112	885	1,764
Non-executive director:					
Mr. Gu Zengcai	125	-	-	-	125
	125	767	112	885	1,889

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

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

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

There was a temporary arrangement under which a director (Ms. Wu Jing) agreed to waive part of her remuneration in the amount of RMB270,000 during the year (2022: RMB499,000).

During the years ended 31 December 2023 and 2022, no emoluments were paid or payables by the Group to the directors as an instrument to join the Group or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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 directors (2022: three directors), details of whose remuneration are set out in note 8 (b) above. Details of the remuneration for the year of the remaining four (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,330	1,418
Equity-settled share option expense	—	295
Pension scheme contributions	47	15
	2,377	1,728

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	
	2023	2022
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	1	1

9. INCOME TAX EXPENSE/(CREDIT)

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

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable for PRC CIT at a rate of 25% on the assessable profits generated during the year (2022: except Jiangxi Keyue, all subsidiaries at a rate of 25%).

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

The major components of income tax expense were as follows:

	2023 RMB'000	2022 RMB'000
Current — PRC		
Charge for the year	237	154
Underprovision/(overprovision) in prior years	1,798	(1,575)
Deferred tax (note 27)	1,089	372
	3,124	(1,049)

NOTES TO THE FINANCIAL STATEMENTS

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9. INCOME TAX EXPENSE/(CREDIT) – *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:

	2023 RMB'000	2022 RMB'000
Loss before tax	(393,096)	(149,377)
Tax at the respective statutory tax rates:		
– PRC subsidiaries, at 25%	(64,714)	(9,628)
– Hong Kong subsidiary, at 16.5%	3,574	(6,602)
Non-deductible expenses	58,411	4,410
Under-provision/(Over-provision) in prior years	1,798	(1,575)
Tax losses and deductible temporary difference not recognised	4,055	12,346
Tax expense/(credit) at the Group's effective rate	3,124	(1,049)

10. DIVIDENDS

The directors do not recommend any payment of dividend for the year ended 31 December 2023 (2022: nil).

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

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss for the year attributable to ordinary equity holders of the company, and the weighted average number of ordinary shares of 384,383,287 (2022: 238,057,935* restated) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 as there was no potential shares outstanding in 2023 and the share options outstanding during the year 2022 had anti-dilutive effects, respectively.

* Restated based on the rights issue that took place on 6 November 2023.

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
As at 1 January 2022	170,523	177,005	9,062	15,099	131,236	76,087	579,012
Additions	160	1,365	–	257	–	43,992	45,774
Disposal of subsidiaries	–	(732)	(4,218)	(3,199)	–	–	(8,149)
As at 31 December 2022 and 1 January 2023	170,683	177,638	4,844	12,157	131,236	120,079	616,637
Additions	–	221	59	–	–	5,545	5,825
Disposal	–	(54,306)	(82)	(77)	–	–	(54,465)
Disposal of subsidiaries	–	–	(736)	(5,235)	–	–	(5,971)
As at 31 December 2023	170,683	123,553	4,085	6,845	131,236	125,624	562,026
Accumulated depreciation and impairment:							
As at 1 January 2022	45,765	61,420	8,379	10,449	620	–	126,633
Provided for the year (note 7)	8,326	13,943	244	1,182	–	–	23,695
Disposal of subsidiaries	–	(158)	(4,301)	(2,462)	–	–	(6,921)
As at 31 December 2022 and 1 January 2023	54,091	75,205	4,322	9,169	620	–	143,407
Provided for the year (note 7)	8,791	12,555	46	1,234	189	–	22,815
Disposal	–	(20,812)	(57)	(27)	–	–	(20,896)
Disposal of subsidiaries	–	–	(699)	(4,058)	–	–	(4,757)
Impairment (note 7)	71	182	8	126	–	–	387
As at 31 December 2023	62,953	67,130	3,620	6,444	809	–	140,956
Net carrying amount:							
As at 31 December 2023	107,730	56,423	465	401	130,427	125,624	421,070
As at 31 December 2022	116,592	102,433	522	2,988	130,616	120,079	473,230

As at 31 December 2023, the Group's buildings with carrying amount of RMB21,287,000 (2022: RMB23,469,000) were pledged as security for certain bank and other borrowings granted to the Group (note 24a)).

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	20,368	21,323
Depreciation provided for the year (note 7)	(602)	(955)
Impairment (note 7)	(1,180)	–
Carrying amount at 31 December	18,586	20,368

As at 31 December 2023 and 31 December 2022, the Group's investment properties consist of two leasehold lands in Jiangsu for generating rental income.

As at 31 December 2023, the total fair value of the investment properties was estimated to be approximately RMB18,586,000 (2022: RMB20,951,000). 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	
			2023	2022
Leasehold lands	Market comparison method	Estimated price per square metre	RMB165	RMB186

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

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

Impairment loss RMB1,180,000 (2022: RMBnil) was recognised to write down the carrying amount of Group's investment properties to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. LEASES

The Group as a lessee

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

(a) *Right-of-use assets*

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

	Leasehold land RMB'000	Office premises RMB'000	Parcels of land RMB'000	Total RMB'000
As at 1 January 2022	279,783	1,920	7,404	289,107
Additions				
New leases	–	760	72	832
Depreciation charge (note 7)	(8,067)	(1,374)	(1,007)	(10,448)
As at 31 December 2022 and 1 January 2023	271,716	1,306	6,469	279,491
Additions				
New leases	–	1,928	–	1,928
Depreciation charge (note 7)	(7,224)	(1,517)	(1,139)	(9,880)
Disposal of subsidiaries	–	(213)	–	(213)
Exchange realignment	–	31	–	31
As at 31 December 2023	264,492	1,535	5,330	271,357

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. LEASES — *continued*

The Group as a lessee — *continued*

(b) Lease liabilities

The carrying amount of lease liabilities in respect of leases of office premises and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	1,301	1,889
New leases	1,928	760
Accretion of interest recognised during the year (note 6)	92	118
Payments	(1,658)	(1,466)
Disposal of subsidiaries	(236)	–
Exchange realignment	125	–
Carrying amount at 31 December	1,552	1,301
Analysed into:		
Current portion	964	1,099
Non-current portion	588	202

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

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 6)	92	118
Depreciation charge of right-of-use assets (note 7)	9,880	10,448
Expense relating to short-term leases (included in cost of sales)	96	150
Total amount recognised in profit or loss	10,068	10,716

NOTES TO THE FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS

	Mining rights RMB'000	Software RMB'000	Total RMB'000
Cost			
As at 1 January 2022	667,612	2,006	669,618
Disposal of subsidiaries	–	(2,006)	(2,006)
As at 31 December 2022 and 1 January 2023	667,612	–	667,612
Written-off of mining rights	(282,093)	–	(282,093)
As at 31 December 2023	385,519	–	385,519
Accumulated amortisation and impairment:			
As at 1 January 2022	5,747	1,546	7,293
Amortisation provided during the year (note 7)	74	175	249
Impairment (note 7)	65,169	–	65,169
Reversal upon disposal of subsidiaries	–	(1,721)	(1,721)
As at 31 December 2022 and 1 January 2023	70,990	–	70,990
Amortisation provided during the year (note 7)	10	–	10
As at 31 December 2023	71,000	–	71,000
Net carrying amount:			
As at 31 December 2023	314,519	–	314,519
As at 31 December 2022	596,622	–	596,622

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 each 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 2023 (2022: impairment loss of RMB65,169,000).

The recoverable amount of each CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five years budget, with a pre-tax discount rate of 12% as at 31 December 2023 (2022: 12%) and the average growth rate used is range from 21.30% to 41.42% (2022: from 21.30% to 41.42%). The cash flows beyond the 5-year period budget are extrapolated using 1.46% average growth rate (2022: 1.68%). The useful life of the mining rights is range from 19 year to 29 years (2022: 19 years to 29 years). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on each CGU's past performance and management expectations.

On 18 March 2024 and 19 March 2024, the Group received notification from Natural Resources Bureau that they had decided to reject the application for the renewal of mining license of two mining rights. Therefore, the management has written-off the costs of the mining rights attributable to these two mining rights which amounted to approximately RMB282,093,000 whose mining license renewal application has been rejected.

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	39,152	89,141

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

Name	Percentage of ownership interest attributable to the Group		Principal activities
	2023	2022	
Shanghai Yunyi Enterprise Management Co., Ltd. ("Shanghai Yunyi")	–	49	Enterprise management and investing consulting
Good Benefit Holdings Limited and its subsidiaries ("Good Benefit Group")	49	49	Business management consulting and property holding

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

- (1) During the year ended 31 December 2023, the Group's indirect 49% equity interests in Shanghai Yunyi was disposed of upon the completion of the disposal of the subsidiaries (Note 31), the Group no longer has any equity interest in Shanghai Yunyi after the disposal.

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN ASSOCIATES – continued

Summarised financial information of material associates

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

Shanghai Yunyi

	2023 RMB'000	2022 RMB'000
Current assets	N/A	115,837
Non-current assets	N/A	88
Current liabilities	N/A	(28,699)
Net assets	N/A	87,226
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	0%	49%
Group's share of net assets of the associate	N/A	42,741
Carrying amount of the investment	N/A	42,741
	2023 ⁽¹⁾ RMB'000	2022 RMB'000
Revenue	–	–
Loss and total comprehensive loss for the year	(739)	(11,584)
Dividend received	–	–

⁽¹⁾ from 1 January 2023 to date of disposal

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN ASSOCIATES – continued

Summarised financial information of material associates – continued

Good Benefit Group

	2023 RMB'000	2022 RMB'000
Current assets	30,002	30,002
Non-current assets	80,389	85,305
Current liabilities	(30,487)	(20,613)
Net assets	79,904	94,694
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	39,152	46,400
Carrying amount of the investment	39,152	46,400
	2023 RMB'000	2022 RMB'000
Revenue	–	–
(Loss)/profit and total comprehensive (loss)/income for the year	(14,792)	1,788
Dividend received	–	–

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

	2023 RMB'000	2022 RMB'000
Share of associates' losses and total comprehensive loss for the year	–	(9,203)
Aggregate carrying amount of the Group's investments in associates	–	–

17. INVENTORIES

	2023 RMB'000	2022 RMB'000
Finished goods	2,206	36,113
Work in progress	16,575	7,324
Materials and supplies	3	287
	18,784	43,724

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	86,031	84,883
Allowance for credit losses	(61,085)	(55,884)
	24,946	28,999

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.

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:

	2023 RMB'000	2022 RMB'000
Within 1 month	19,156	13,545
1 to 3 months	3,053	6,384
Over 3 to 6 months	2,291	3,474
Over 6 to 12 months	446	5,596
Over 1 year	-	-
	24,946	28,999

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

18. TRADE RECEIVABLES – continued

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

	2023 RMB'000	2022 RMB'000
At beginning of year	55,884	63,195
Release upon disposal of subsidiary	(12,974)	(8,726)
Impairment losses provided (note 7)	18,175	1,415
At end of year	61,085	55,884

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 2023

	Current	Past due		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	2.26%	37.34%	100%	
Gross carrying amount (RMB'000)	19,599	9,240	57,192	86,031
Expected credit losses (RMB'000)	443	3,450	57,192	61,085

As at 31 December 2022

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
<i>Current portion:</i>			
Prepayments in respect of:			
– Purchase of industrial goods		23,188	29,300
– Purchase of materials and supplies		12,426	17,436
– Service fees		3,895	4,878
Escrow funds	(a)	201	1,709
Performance security		8	4,012
Deductible input value-added tax		1,127	2,445
Deposits		2,031	2,043
Disposal of property, plant and equipment		30,000	–
Due from associates (note 33)	(b)	51	37,978
Due from former subsidiaries	(e)	56,100	–
Other receivables		2,837	3,271
		131,864	103,072
Impairment allowance	(c)	(9,729)	(2,850)
		122,135	100,222
<i>Non-current portion:</i>			
Prepayments in respect of			
– Cultivated land compensation	(d)	4,009	4,138

Notes:

- (a) The balance represents deposits made to Xuyi County Housing Bureau, which was held in escrow for the payment related to the construction of Xuyi Logistics Park.
- (b) The amount due from associates are unsecured, interest free and no fixed repayment terms.
- (c) The movements in the loss allowance for impairment of financial assets in other receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	2,850	2,850
Disposal of subsidiaries	(2,290)	–
Impairment losses (note 7)	9,169	–
At end of year	9,729	2,850

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

- (d) The balance represents prepayments made to local authorities for occupation of the cultivated land at Yongfeng Mine. The prepayments will be charged to profit or loss on a straight-line method over the terms of the mining right.
- (e) The amounts due from former subsidiaries are interest free, no fixed repayment term, guaranteed and secured by a former subsidiary with its 49% equity interests in Shanghai Yunyi.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash on hand and cash at banks	101,595	24,103
Less:		
Restricted deposits	(639)	(8,341)
	100,956	15,762

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

	2023 RMB'000	2022 RMB'000
RMB	5,256	14,296
HK\$	96,192	9,788
US\$	147	19
	101,595	24,103

Included in the restricted deposits were approximately RMB639,000 (2022: RMB8,341,000) held in a bank account by the Group, which the Xuyi County Housing Bureau restricted for the sole use of wages payment.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

21. TRADE PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables	21,133	23,081

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

	2023	2022
	RMB'000	RMB'000
Within 1 month	3,831	4,553
Over 1 to 2 months	1,766	1,170
Over 2 to 3 months	–	5,853
Over 3 months	15,536	11,505
	21,133	23,081

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

22. CONTRACT LIABILITIES

	2023	2022
	RMB'000	RMB'000
Sales of goods	5,920	5,674

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

23. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
<i>Current portion:</i>			
Payables relating to:			
Taxes other than income tax		4,974	20,303
Professional fees		11,633	11,940
Payroll and welfare		15,525	17,679
Security deposit		–	350
Distributors' earnest money		–	5,525
Due to a director (note 33)	(a)	138	20,630
Due to associates (note 33)	(a)	–	122
Interest payables relating to:			
– Bank and other borrowings		16,962	16,131
– Purchase of mining right	(b)	3,707	3,707
Others		2,700	5,016
		55,639	101,403

Note:

- (a) The amounts due to a director (Ms. Wu Jing) and associates are unsecured, interest free and have no fixed repayment terms.
- (b) The balances represented interest payables in connection with the purchase of mining rights to Yongfeng Mine at a rate with reference to the prevailing interest rate with the similar repayment term promulgated by the People's Bank of China, i.e., 4.75% per annum. The final payment of the mining rights fee was settled in January 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Bank loans:			
Secured	(a)	15,000	15,000
Unsecured		15,000	–
Guaranteed	(a), (b)	19,900	19,900
		49,900	34,900
Effective interest rate per annum (%)		4.56–6.80	4.56–6.80
Other borrowings:			
Secured or guaranteed	(a)	–	12,628
Unsecured	(c)	287,910	296,696
		287,910	309,324
Effective interest rate per annum (%)		1.00–24.00	1.00–24.00
Analysed into:			
Bank loans repayable:			
Within one year		49,900	19,900
In the second year		–	15,000
		49,900	34,900
Other borrowings repayable:			
Within one year		13,400	4,750
In the second year		38,588	15,600
In the third to fifth years, inclusive		235,922	288,974
		287,910	309,324
Total bank and other borrowings		337,810	344,224
Portion classified as current liabilities		(63,300)	(24,650)
Non-current portion		274,510	319,574

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

Notes:

- (a) The Group's bank loans and other borrowings of approximately RMB15,000,000 as at 31 December 2023 (2022: RMB15,000,000) were secured by the Group's assets with net carrying values as follows:

	2023 RMB'000	2022 RMB'000
<i>Secured by:</i>		
Buildings (note 12)	21,287	23,469

The Group's bank loans of approximately RMB9,900,000 as at 31 December 2023 (2022: RMB9,900,000) were guaranteed by the Group's management members, Ms. Chen Jianping and her spouse Mr. Chou Lu.

The Group's bank loans of approximately RMB15,000,000 as at 31 December 2023 (2022: RMB15,000,000) were secured by the patents of the subsidiary of the Company.

The Group's secured bank loans and other borrowings of approximately RMBNil as at 31 December 2023 (2022: RMB12,628,000) were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit.

- (b) The Group's bank loans of approximately RMB10,000,000 as at 31 December 2023 were guaranteed by independent third parties (2022: RMB10,000,000).
- (c) The Group's other borrowings of approximately RMB284,410,000 as at 31 December 2023 (2022: RMB293,196,000) were borrowed from several independent third party individuals or companies and bore interest at fixed rates of 1.00%–24% (2022: 1.00%–24%) per annum.

25. DEFERRED INCOME

	RMB'000
<i>Government grant</i>	
As at 1 January 2022	4,429
Released to profit or loss (note 5)	(210)
As at 31 December 2022 and 1 January 2023	4,219
Released to profit or loss (note 5)	(210)
As at 31 December 2023	4,009

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.

NOTES TO THE FINANCIAL STATEMENTS

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26. PROVISION FOR REHABILITATION

	2023 RMB'000	2022 RMB'000
At the beginning of year	19,368	18,237
Unwinding of a discount (note 6)	1,240	1,131
At the end of year	20,608	19,368

27. DEFERRED TAX

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

Deferred tax assets

	Accrued expenses RMB'000
As at 1 January 2022	924
Deferred tax assets credited to profit or loss during the year (note 9)	178
As at 31 December 2022 and 1 January 2023	1,102
Deferred tax assets charged to profit or loss during the year (note 9)	(946)
As at 31 December 2023	156

The Group has tax losses arising in Mainland China of RMB219,432,000 (2022: RMB206,209,000) that will expire in 2024 to 2027 (2022: 2023 to 2027) years for offsetting against future taxable profits and deductible temporary differences arising other than Mainland China of RMB71,066,000 (2022: RMB71,066,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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27. DEFERRED TAX — *continued*

Deferred tax liabilities

	Fair value adjustment arising from business combination RMB'000	Excess book value of mining rights over tax amortisation RMB'000	Total RMB'000
As at 1 January 2022	3,640	4,651	8,291
Deferred tax (credited)/charged to profit or loss during the year (note 9)	(52)	602	550
As at 31 December 2022 and 1 January 2023	3,588	5,253	8,841
Deferred tax (credited)/charged to profit or loss during the year (note 9)	(480)	623	143
As at 31 December 2023	3,108	5,876	8,984

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

As at 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future (2022: nil).

As at 31 December 2023, there were no unremitted earnings associated with investments in subsidiaries in PRC for which deferred tax liabilities have not been recognised (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

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28. SHARE CAPITAL

Shares

	2023 HK\$'000	2022 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.20 each (2022: 500,000,000 ordinary shares of HK\$0.20 each)	300,000	100,000
Issued and fully paid:		
925,874,625 ordinary shares of HK\$0.20 each (2022: 262,624,875 ordinary shares of HK\$0.20 each)	185,175	52,525
Equivalent to approximately	RMB166,551	RMB44,935

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 2022	4,368,767,501	37,063
Issue of shares upon exercise of share options (note (a))	883,730,000	7,872
Share consolidation (note (b))	(4,989,872,626)	–
As at 31 December 2022 and 1 January 2023	262,624,875	44,935
Issue of shares under share subscription (note (c))	46,000,000	8,314
Issue of shares under rights issue (note (d))	617,249,750	113,302
As at 31 December 2023	925,874,625	166,551

Note:

- (a) During the year ended 31 December 2022, 883,730,000 share options were exercised to subscribe for 883,730,000 ordinary shares in the Company at a consideration of RMB17,833,000 of which RMB7,872,000 was credited to the share capital and the balance RMB9,961,000 was credited to the share premium account. Amount of RMB5,512,000 has been transferred from share option reserve to the share premium account.
- (b) During the year ended 31 December 2022, the Group carried out the share consolidation pursuant to which every twenty existing shares were consolidated into one consolidated share with effect on 28 October 2022.
- (c) Pursuant to a share subscription agreement dated 5 May 2023 entered between the Company and a subscriber, the Company issued and allotted 46,000,000 new shares to the subscriber at a subscription price of HK\$0.28 per share in cash (the "Share Subscription"). The net proceeds from the Share Subscription was approximately HK\$12.83 million (equivalent to approximately RMB11.6 million). Particular of this event was set out in the Company's announcements dated 5 May 2023 and 13 June 2023 respectively.
- (d) During the Year, the Company conducted a rights issue exercise by issuing 617,249,750 rights shares at the subscription price of HK\$0.20 per rights share on the basis of two rights shares for every one existing share of the Company held by the qualifying shareholders of the Company on the record date (the "Rights Issue"). The Rights Issue exercise was completed on 6 November 2023 with all rights shares being fully subscribed. The net proceeds from the Rights Issue was approximately HK\$121.15 million (equivalent to approximately RMB111.51 million). Particulars of this event was set out in the Company's prospectus dated 28 September 2023, Company's circular dated 25 August 2023 and the Company's announcements dated 28 July 2023, 4 August 2023, 14 September 2023 and 3 November 2023 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. SHARE OPTION SCHEME

The Company operated a share option scheme (the “2013 Share Option Scheme”) which has been conditionally adopted by the written resolutions of the shareholders of the Company on 9 December 2013 (and expired on 8 December 2023). The 2013 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 2013 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 2013 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 2013 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 2013 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 29 April 2022 and 16 September 2022, the Company granted options to subscribe for 420,730,000 and 463,000,000, respectively, ordinary shares of HK\$0.01 each under the 2013 Share Option Scheme to eligible directors and employees, and the exercise period of the share options granted was determinable by the Directors with a period of two years and commence effectively from the date of offer of the share options without vesting period. The exercise prices of the share options granted were HK\$0.0250 and HK\$0.0214 per share respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

29. SHARE OPTION SCHEME – *continued*

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

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

During the year ended 31 December 2023, no share options (2022: 883,730,000) were granted, outstanding and/or exercised.

Fair value of share options and assumptions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 56 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

31. DISPOSAL OF SUBSIDIARIES (AND INVESTMENT IN AN ASSOCIATE)

During the year ended 31 December 2023, the Group disposed of/deregistered five (2022: five) investment holding or non-operating subsidiaries to streamline its corporate structure and save maintaining and administrative costs resulting in a gain on disposal of approximately RMB1.07 million recorded (2022: RMB4.75 million) as other incomes (note 5).

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	1,214	1,228
Right-of-use assets	213	–
Intangible assets	–	285
Investment in an associate (Note)	42,379	–
Inventories	–	3,565
Prepayments, deposits and other receivables	24,726	10,807
Cash and bank balances	23	6,311
Other payables	(69,270)	(22,899)
Short term borrowing	–	(3,947)
Lease liabilities	(236)	–
Net liabilities disposed of	(951)	(4,650)
Non-controlling interests	(14)	–
Gain on disposal	1,065	4,750
Satisfied by cash	100	100
Cash consideration	100	100
Cash and bank balance disposed of	(23)	(6,311)
Net cash inflow/(outflow) arising on disposal	77	(6,211)

Note:

The investment represents 49% equity interests in an associate (Shanghai Yunyi) held by one of the disposed subsidiaries. As such, the associate is disposed of together with the disposed subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest payables	Bank and other borrowings	Lease liabilities	Due to a director
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	36,622	285,220	1,889	11,491
Changes from financing cash flows	(43,506)	62,951	(588)	9,139
Non-cash changes:				
Disposal of subsidiaries	–	(3,947)	–	–
Interest paid classified as operating cash flow	–	–	(118)	–
Interest expenses	23,015	–	118	–
As at 31 December 2022 and 1 January 2023	16,131	344,224	1,301	20,630
Changes from financing cash flows	–	(6,414)	(1,566)	(20,492)
Non-cash changes:				
New lease	–	–	1,928	–
Disposal of subsidiaries	–	–	(236)	–
Interest paid classified as operating cash flow	(18,468)	–	(92)	–
Interest expenses	19,299	–	92	–
Exchange realignment	–	–	125	–
As at 31 December 2023	16,962	337,810	1,552	138

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

As at 31 December 2023, the Group had obtained bank and other borrowings aggregated to RMBNil (2022: RMB12,628,000), which were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit with nil consideration.

At 31 December 2023, other loans of RMBNil (2022: RMB12,628,000) and RMB3,500,000 (2022: RMB3,500,000) were granted by the Group's management members Mr. Wu Xin and Ms. Chen Jianping with her spouse Mr. Chou Lu, respectively.

(b) Balances with related parties

At 31 December 2023, the amounts due from associates were RMB51,000 (2022: RMB37,978,000).

At 31 December 2023, the amounts due to associates were RMBNil (2022: RMB122,000).

At 31 December 2023, the amount due to a director (Ms. Wu Jing) was RMB138,000 (2022: RMB20,630,000).

(c) Compensation of key management personnel of the Group

	2023	2022
	RMB'000	RMB'000
Salaries allowance and other benefits in kind	5,472	5,527
Equity-settled share option expense	–	1,474
Pension scheme contributions	413	583
Total compensation paid to key management personnel	5,885	7,584

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2023

Financial assets

	2023 RMB'000	2022 RMB'000
Financial assets measured at amortised cost		
Trade receivables	24,946	28,999
Financial assets included in prepayments, other receivables and other assets	82,626	48,608
Restricted deposits	639	8,341
Cash and cash equivalents	100,956	15,762
	209,167	101,710

Financial liabilities

	2023 RMB'000	2022 RMB'000
Financial liabilities measured at amortised cost		
Trade payables	21,133	23,081
Lease liabilities	1,552	1,301
Financial liabilities included in other payables and accruals	50,665	81,100
Interest-bearing bank and other loans	337,810	344,224
	411,160	449,706

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

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

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

As disclosed in note 4, the Group sells most of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group has a contraction of credit risk as 41% (2022: 27%) and 85% (2022: 31%) of the total trade receivables were made up by the Group's largest customers and the five largest customers' outstanding balance respectively. The Group manages this risk by offering a one month 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — continued

Credit risk — continued

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023 and 2022. The amounts presented are gross carrying amounts for financial assets.

Various categories adopted by the Group for the expected loss assessment on the Group's deposits and other receivables are as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Stage 1	Debtors have a low risk of default or there has not been significant increase in credit risk.	12 months expected losses
Stage 2	Receivables for which the credit risk has increased significantly since initial recognition; as significant increase in credit risk is presumed if interest and/or principal repayments are past due more than 30 days to 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are past due more than 90 days and there is no reasonable expectation recovery.	Lifetime expected losses

As at 31 December 2023

	12-month ECLs	Life time ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	–	–	86,031	86,031
Financial assets included in deposits and other receivables					
— Normal**	92,355	–	–	–	92,355
Restricted deposits					
— Not yet past due	639	–	–	–	639
Cash and cash equivalents					
— Not yet past due	100,956	–	–	–	100,956
	193,950	–	–	86,031	279,981

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

Credit risk — *continued*

Maximum exposure and year-end staging — continued

As at 31 December 2022

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — continued

Liquidity risk

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

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

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

	2023					Total undiscounted cash flow RMB'000	Carrying amount RMB'000
	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		
Interest-bearing bank and other borrowings	–	42,324	31,488	287,140	–	360,952	337,810
Trade payables	21,133	–	–	–	–	21,133	21,133
Lease liabilities	–	255	766	596	–	1,617	1,552
Other payables and accruals	50,665	–	–	–	–	50,665	50,665
	71,798	42,579	32,254	287,736	–	434,367	411,160

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

Interest rate risk

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

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss before tax would decrease/increase by RMB1,018,000 (2022: RMB241,000) but there would be no impact on the other equity reserves.

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

Capital management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	693,290	486,087
CURRENT ASSETS		
Prepayment	50	90
Cash at banks	33	3
	83	93
CURRENT LIABILITIES		
Other payables and accruals	2,429	1,667
NET CURRENT LIABILITIES	(2,346)	(1,574)
Net assets	690,944	484,513
EQUITY		
Issued capital	166,551	44,935
Reserves (note)	524,393	439,578
Total equity	690,944	484,513

Approved and authorised for issue by the board of directors on 28 March 2024.

Wu Jing
Director

Gu Weiwen
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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

Note:

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

	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2022	1,845,330	223,876	–	(936,260)	1,132,946
Issue of new shares	9,961	–	–	–	9,961
Total comprehensive loss for the year	–	–	–	(708,841)	(708,841)
Equity-settled share option arrangement	–	–	5,512	–	5,512
Transfer of share option reserve upon the exercise of share options	5,512	–	(5,512)	–	–
As at 31 December 2022 and 1 January 2023	1,860,803	223,876	–	(1,645,101)	439,578
Issue of new shares	3,326	–	–	–	3,326
Issue of new shares under rights issue	(1,796)	–	–	–	(1,796)
Total comprehensive income for the year	–	–	–	83,285	83,285
As at 31 December 2023	1,862,333	223,876	–	(1,561,816)	524,393

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

37. EVENTS AFTER THE REPORTING PERIOD

Adoption of 2024 Share Schemes

The Company held an extraordinary general meeting on 19 January 2024 (the “EGM”). Pursuant to ordinary resolutions approved by the Company’s shareholders in the EGM, the Company adopted (i) a new share option scheme (the “2024 Share Option Scheme”) and (ii) a share award scheme (the “2024 Share Award Scheme”). The total number of shares which may be allotted and issued in respect of all options and awards that may be granted under the 2024 Share Option Scheme and the 2024 Share Award Scheme was 92,587,462 shares. Particulars of this event was set out in the Company’s circular dated 22 December 2023 and the Company’s announcements dated 27 November 2023, 15 December 2023 and 19 January 2024 respectively.

Subscription of New Shares

Pursuant to a share subscription agreement dated 26 January 2024 entered between the Company and a subscriber, the Company issued and allotted 61,720,000 new shares to the subscriber at a subscription price of HK\$0.20 per share in cash on 6 February 2024. The net proceeds from the share subscription was approximately HK\$12.24 million (equivalent to approximately RMB11.13 million). Particular of this event was set out in the Company’s announcements dated 26 January 2024 and 6 February 2024 respectively.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 as extracted from the published audited financial statements and re-presented as appropriate, is set out below:

RESULTS

	2023 RMB'000	Year ended 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000 (Re-presented)	2019 RMB'000 (Re-presented)
REVENUE	77,532	89,069	87,976	73,921	274,484
LOSS BEFORE TAX	(393,096)	(149,377)	(416,207)	(232,420)	(79,667)
Income tax (expense)/credit	(3,124)	1,049	(1,686)	2,024	(11,072)
LOSS FOR THE YEAR	(396,220)	(148,328)	(417,893)	(230,396)	(90,739)
ATTRIBUTABLE TO:					
Owners of the Company	(396,145)	(148,246)	(417,778)	(230,236)	(90,164)
Non-controlling interests	(75)	(82)	(115)	(160)	(575)
	(396,220)	(148,328)	(417,893)	(230,396)	(90,739)

	2023 RMB'000	As at 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	1,068,849	1,464,092	1,524,429	1,962,995	2,017,430
Current assets	267,460	197,048	214,422	287,734	474,080
Non-current liabilities	308,699	352,204	293,069	403,900	293,568
Current liabilities	170,950	179,190	182,549	198,181	390,794
Total equity	856,660	1,129,746	1,263,233	1,648,648	1,807,148
Non-controlling interests	93,053	93,142	93,224	93,339	93,499
Equity attributable to owners of the Company	763,607	1,036,604	1,170,009	1,555,309	1,713,649

Notes: The results of the Group for the years ended 31 December 2019 to 2020 have been re-presented as a result of the reclassification of the Warehousing Logistics Business to continuing operation in 2021.

The results of the Group for the year ended 31 December 2022 and 2023 and of the assets, liabilities and equity of the Group as at 31 December 2022 and 2023 are extracted from the audited consolidated financial statements set out on pages 53 to 55.