**ARTGO HOLDINGS LIMITED**
**雅高控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 3313)**

# ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

## RESULTS HIGHLIGHTS

For the year ended 31 December 2020:

- The revenue from continuing operations of the Group amounted to approximately RMB70.6 million (2019: approximately RMB273.7 million), representing a decrease of approximately RMB203.1 million. The revenue from a discontinued operation amounted to approximately RMB3.3 million (2019: approximately RMB0.8 million), representing an increase of approximately RMB2.5 million.
- The loss before tax from continuing operations amounted to approximately RMB210.1 million (2019: approximately RMB75.3 million), representing an increase of approximately RMB134.8 million. The loss before tax from a discontinued operation amounted to approximately RMB22.3 million (2019: approximately RMB4.4 million).
- The net loss from continuing operations amounted to approximately RMB213.5 million (2019: approximately RMB86.7 million). The net loss from a discontinued operation amounted to approximately RMB16.9 million (2019: net loss approximately RMB4.1 million).
- The basic and diluted loss per share attributable to ordinary equity holders of the Company for the year amounted to RMB6.5 cent (2019: basic and diluted loss per share of approximately RMB3.1 cent). The basic and diluted loss per share attributable to ordinary equity holders of the Company from continuing operations amounted to RMB6.1 cent (2019: basic and diluted loss per share of approximately RMB3.0 cent).

The board (the "Board") of directors (the "Directors") of ArtGo Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020. The Company's annual results for 2020 have been reviewed by the audit committee of the Company (the "Audit Committee") and have been approved by the Board on 31 March 2021.

## FINANCIAL INFORMATION

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **REVENUE** | 3,4 | **70,630** | 273,723 |
| Cost of sales | | **(60,243)** | (222,284) |
| **Gross profit** | | **10,387** | 51,439 |
| Other income and gains | 4 | **20,835** | 10,905 |
| Selling and distribution expenses | | **(2,940)** | (4,265) |
| Administrative expenses | | **(54,677)** | (58,017) |
| Impairment loss on trade receivables | 18 | **(21,199)** | (6,725) |
| Impairment loss on prepayments, other receivables and other assets | 19 | **(1,257)** | (2,327) |
| Impairment loss on goodwill | 14 | **(2,096)** | – |
| Impairment loss on investment properties | 11 | **(36,667)** | – |
| Impairment loss on property, plant and equipment | 10 | **(12,099)** | – |
| Impairment loss on right-of-use assets | 12 | **(1,214)** | – |
| Other expenses | | **(12,267)** | (8,070) |
| Finance costs | 5 | **(55,891)** | (45,315) |
| Share of losses of associates | 15 | **(41,044)** | (12,907) |
| **LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | 6 | **(210,129)** | (75,282) |
| Income tax expense | 7 | **(3,391)** | (11,370) |
| **LOSS FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(213,520)** | (86,652) |
| **DISCONTINUED OPERATION** | | | |
| Loss for the year from a discontinued operation | 21 | **(16,876)** | (4,087) |
| Other comprehensive income | | **–** | – |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(230,396)** | (90,739) |
| Attributable to: | | | |
| Owners of the parent | | **(230,236)** | (90,164) |
| Non-controlling interests | | **(160)** | (575) |
| | | **(230,396)** | (90,739) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:** | | | |
| — Basic and diluted | 9 | | |
| — For loss for the year | | **RMB(0.065)** | RMB(0.031) |
| — For loss from continuing operations | | **RMB(0.061)** | RMB(0.030) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

| | Notes | **2020** | 2019 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *10* | **411,926** | 338,670 |
| Investment properties | *11* | **247,478** | 290,975 |
| Right-of-use assets | *12* | **284,844** | 272,557 |
| Intangible assets | *13* | **662,550** | 657,612 |
| Goodwill | *14* | **–** | 2,096 |
| Investments in associates | *15* | **322,095** | 363,139 |
| Payments in advance | *16* | **22,621** | 78,962 |
| Prepayments, other receivables and other assets | *19* | **4,641** | 4,850 |
| Deferred tax assets | | **6,694** | 4,848 |
| Restricted deposits | *20* | **146** | 3,721 |
| Total non-current assets | | **1,962,995** | 2,017,430 |
| **CURRENT ASSETS** | | | |
| Inventories | *17* | **57,193** | 29,164 |
| Trade receivables | *18* | **60,641** | 172,929 |
| Prepayments, other receivables and other assets | *19* | **69,918** | 82,901 |
| Cash and bank balances | *20* | **19,761** | 84,765 |
| | | **207,513** | 369,759 |
| Assets of a disposal group classified as held for sale | *21* | **80,221** | 104,321 |
| Total current assets | | **287,734** | 474,080 |

| | Notes | **2020** | 2019 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *22* | **35,074** | 57,670 |
| Contract liabilities | | **6,116** | 4,223 |
| Other payables and accruals | *23* | **90,617** | 79,380 |
| Tax payables | | **23,042** | 23,297 |
| Lease liabilities | *12* | **5,150** | 3,110 |
| Interest-bearing bank and other borrowings | *24* | **33,867** | 211,575 |
| | | **193,866** | 379,255 |
| Liabilities directly associated with the assets classified as held for sale | *21* | **4,315** | 11,539 |
| Total current liabilities | | **198,181** | 390,794 |
| **NET CURRENT ASSETS** | | **89,553** | 83,286 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,052,548** | 2,100,716 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | *24* | **350,873** | 266,247 |
| Deferred tax liabilities | | **8,081** | 2,895 |
| Deferred income | | **4,640** | 4,850 |
| Lease liabilities | *12* | **23,149** | 3,436 |
| Provision for rehabilitation | | **17,157** | 16,140 |
| Total non-current liabilities | | **403,900** | 293,568 |
| Net assets | | **1,648,648** | 1,807,148 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | *25* | **34,274** | 26,392 |
| Reserves | | **1,521,035** | 1,687,257 |
| | | **1,555,309** | 1,713,649 |
| Non-controlling interests | | **93,339** | 93,499 |
| Total equity | | **1,648,648** | 1,807,148 |

## NOTES:

### 1. CORPORATE AND GROUP INFORMATION

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

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

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

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 21. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

All of the amendments above did not have any significant impact on the financial position and performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

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

The Group is in the process of making an assessment of what the impact of these amendments are expected to be in the period of initial application. So far it has concluded that, the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

## 3. OPERATING SEGMENT INFORMATION (continued)

**Year ended 31 December 2020**

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

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

## 3. OPERATING SEGMENT INFORMATION (continued)

**Year ended 31 December 2019**

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

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

## 3. OPERATING SEGMENT INFORMATION (continued)

**Geographical information**

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

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

**Information about major customers**

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

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

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

**Revenue from contracts with customers**

***(i) Disaggregated revenue information***

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

*Geographical markets*

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

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

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

***(i) Disaggregated revenue information (continued)***

*Timing of revenue recognition*

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Goods transferred at a point in time | **70,630** | 273,723 |

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

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

***(ii) Performance obligations***

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

*Sale of marble products*

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

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

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

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

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **20,060** | 17,890 |
| Interest on other borrowings | **33,047** | 25,981 |
| Unwinding of a discount for rehabilitation | **1,017** | 997 |
| Interest on lease liabilities *(note 12)* | **1,752** | 371 |
| Others | **15** | 76 |
| | **55,891** | 45,315 |

## 6. LOSS BEFORE TAX

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

| | | **2020** | 2019 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | | **60,243** | 222,284 |
| Employee benefit expense (including directors' and chief executive's remuneration) | | | |
| Wages and salaries | | **16,965** | 13,502 |
| Welfare and other benefits | | **576** | 242 |
| Pension scheme contributions | | | |
| — Defined contribution fund | | **1,182** | 1,328 |
| Post-employment benefits | | **730** | – |
| Housing fund | | **305** | 424 |
| Total employee benefit expense | | **19,758** | 15,496 |
| Depreciation of items of property, plant and equipment | *10* | **17,581** | 9,203 |
| Depreciation of investment properties | *11* | **6,830** | 5,592 |
| Depreciation of right-of-use assets | *12* | **12,466** | 10,691 |
| Amortisation of intangible assets | *13* | **215** | 211 |
| Depreciation and amortisation expenses | | **37,092** | 25,697 |

## 6. LOSS BEFORE TAX (continued)

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Impairment losses recognised on: | | | |
| Trade receivables | *18* | **21,199** | 6,725 |
| Investment properties | *11* | **36,667** | – |
| Goodwill | *14* | **2,096** | – |
| Prepayments, other receivables and other assets | *19* | **1,257** | 2,327 |
| Property, plant and equipment | *10* | **12,099** | – |
| Right-of-use assets | *12* | **1,214** | – |
| Total impairment losses recognised | | **74,532** | 9,052 |
| Loss on disposal of subsidiaries | | **–** | 2 |
| Loss on disposal of items of property, plant and equipment, net | | **–** | 78 |
| Lease payments not included in the measurement of lease liabilities | | **3,393** | 2,697 |
| Auditor's remuneration | | **3,200** | 3,300 |
| Foreign exchange loss, net | | **2** | 689 |
| Rental income from an operating lease of investment properties | *4* | **(6,725)** | (7,662) |
| Bank interest income | *4* | **(542)** | (395) |

## 7. INCOME TAX

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

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

The major components of income tax expense were as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Current — Mainland China | | |
| Charge for the year | **51** | 6,877 |
| Deferred | **3,340** | 4,493 |
| Total tax charge for the year from continuing operations | **3,391** | 11,370 |
| Total tax credit for the year from a discontinued operation *(note 21)* | **(5,415)** | (298) |
| | **(2,024)** | 11,072 |

## 7. INCOME TAX (continued)

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

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

## 8. DIVIDENDS

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

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

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

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

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Buildings *RMB'000* | Plant and machinery *RMB'000* | Office equipment *RMB'000* | Motor vehicles *RMB'000* | Mining infrastructure *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| **31 December 2020** | | | | | | | |
| **Cost:** | | | | | | | |
| At 1 January 2020 | 55,365 | 54,302 | 10,561 | 13,251 | 13,236 | 249,082 | 395,797 |
| Additions | 1,474 | 4,721 | 9 | 1,603 | – | 101,310 | 109,117 |
| Transfer | 97,896 | 96,745 | – | – | – | (194,641) | – |
| Disposal | – | – | – | – | – | (6,181) | (6,181) |
| At 31 December 2020 | 154,735 | 155,768 | 10,570 | 14,854 | 13,236 | 149,570 | 498,733 |
| **Accumulated depreciation and impairment:** | | | | | | | |
| At 1 January 2020 | 11,366 | 29,374 | 9,044 | 6,723 | 620 | – | 57,127 |
| Provided for the year from continuing operations *(note 6)* | 6,675 | 8,637 | 580 | 1,689 | – | – | 17,581 |
| Impairment from continuing operations *(notes 6, 14)* | 9,109 | 2,655 | 10 | 325 | – | – | 12,099 |
| At 31 December 2020 | 27,150 | 40,666 | 9,634 | 8,737 | 620 | – | 86,807 |
| **Net carrying amount:** | | | | | | | |
| At 1 January 2020 | 43,999 | 24,928 | 1,517 | 6,528 | 12,616 | 249,082 | 338,670 |
| At 31 December 2020 | 127,585 | 115,102 | 936 | 6,117 | 12,616 | 149,570 | 411,926 |
| **31 December 2019** | | | | | | | |
| **Cost:** | | | | | | | |
| At 1 January 2019 | 27,596 | 80,293 | 10,409 | 13,034 | 13,236 | 140,369 | 284,937 |
| Additions | 3,519 | 994 | 142 | 77 | – | 127,113 | 131,845 |
| Acquisition of a subsidiary | 38,362 | 10,553 | 59 | 916 | – | 252 | 50,142 |
| Assets included in a discontinued operation *(note 21)* | (12,826) | (27,348) | – | (150) | – | (1,889) | (42,213) |
| Disposal of subsidiaries | (1,286) | (9,435) | (49) | (68) | – | – | (10,838) |
| Disposals | – | (755) | – | (558) | – | (16,763) | (18,076) |
| At 31 December 2019 | 55,365 | 54,302 | 10,561 | 13,251 | 13,236 | 249,082 | 395,797 |
| **Accumulated depreciation and impairment:** | | | | | | | |
| At 1 January 2019 | 8,585 | 27,162 | 7,785 | 5,680 | 620 | – | 49,832 |
| Provided for the year from continuing operations *(note 6)* | 2,832 | 3,659 | 1,262 | 1,450 | – | – | 9,203 |
| Provided for the year from a discontinued operation | 323 | 2,075 | 27 | 14 | – | – | 2,439 |
| Disposal of subsidiaries | (374) | (2,942) | (30) | (66) | – | – | (3,412) |
| Disposals | – | (580) | – | (355) | – | – | (935) |
| At 31 December 2019 | 11,366 | 29,374 | 9,044 | 6,723 | 620 | – | 57,127 |
| **Net carrying amount:** | | | | | | | |
| At 1 January 2019 | 19,011 | 53,131 | 2,624 | 7,354 | 12,616 | 140,369 | 235,105 |
| At 31 December 2019 | 43,999 | 24,928 | 1,517 | 6,528 | 12,616 | 249,082 | 338,670 |

As at 31 December 2020, the Group's property, plant and equipment with a carrying amount of RMB29,329,000 (2019: RMB35,575,000) were pledged as security for certain other borrowings granted to the Group *(note 24(a))*.

## 11. INVESTMENT PROPERTIES

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

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

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

As at 31 December 2020, the Group's investment properties with a total carrying amount of RMB112,531,000 (2019: RMB204,775,000) were pledged to secure certain other borrowings granted to the Group (note 24(a)).

## 12. LEASES

**The Group as a lessee**

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

*(a) Right-of-use assets*

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

| | **Leasehold land** *RMB'000* | **Office premises** *RMB'000* | **Factory** *RMB'000* | **Parcels of land** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| As at 1 January 2019 | 358,956 | 1,973 | – | 9,169 | 370,098 |
| Acquisition of subsidiaries | 4,766 | – | – | – | 4,766 |
| New leases | – | 6,484 | – | – | 6,484 |
| Assets included in a discontinued operation *(note 21)* | (61,403) | – | – | – | (61,403) |
| Disposal | (35,288) | – | – | – | (35,288) |
| Depreciation charge from a discontinued operation | (1,409) | – | – | – | (1,409) |
| Depreciation charge from continuing operations *(note 6)* | (6,999) | (2,743) | – | (949) | (10,691) |
| As at 31 December 2019 and 1 January 2020 | 258,623 | 5,714 | – | 8,220 | 272,557 |
| **Additions** | | | | | |
| New leases | – | 3,426 | 22,541 | – | 25,967 |
| Depreciation charge from continuing operations *(note 6)* | (6,834) | (3,133) | (1,502) | (997) | (12,466) |
| Impairment from continuing operations *(notes 6, 14)* | (1,214) | – | – | – | (1,214) |
| As at 31 December 2020 | 250,575 | 6,007 | 21,039 | 7,223 | 284,844 |

As at 31 December 2020, the Group's right-of-use assets with a carrying amount of RMB253,422,000 (2019: RMB259,858,000) were pledged as security for certain bank and other borrowings granted to the Group (note 24(a)). The land use rights are held under medium lease terms.

## 12. LEASES (continued)

### The Group as a lessee (continued)

*(b) Lease liabilities*

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

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

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

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest on lease liabilities *(note 5)* | **1,752** | **371** |
| Depreciation charge of right-of-use assets | **12,466** | **10,691** |
| Impairment of right-of-use assets *(note 6)* | **1,214** | **–** |
| Expense relating to short-term leases with remaining lease terms ended on or before 31 December 2020 (included in cost of sales) *(note 6)* | **101** | **502** |
| Expense relating to leases of low-value assets (included in administrative expenses) *(note 6)* | **3,292** | **2,195** |
| Total amount recognised in profit or loss | **18,825** | **13,759** |

### The Group as a lessor

The Group leases its investment properties (note 11) consisting of properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB6,725,000 (2019: RMB7,662,000), details of which are included in note 4 to the financial statements.

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

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

## 13. INTANGIBLE ASSETS

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

**(a)** As at 31 December 2020, the Group's mining rights of Zhangxi Mine and Lichuan Mine with a carrying amount of RMB282,093,000 (2019: RMB282,093,000) were pledged as security for certain bank and other loans granted to the Group (note 24(a)).

**(b) Impairment**

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

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

## 14. GOODWILL

| | *RMB'000* |
|---|---|
| Cost at 1 January 2019 | – |
| Business combination | 2,096 |
| Cost and net carrying amount at 31 December 2019 | 2,096 |
| Impairment *(note 6)* | (2,096) |
| Carrying amount as at 31 December 2020 | – |

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

**Impairment testing of goodwill**

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

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

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

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

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

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

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

As the recoverable amount of the Jiangxi Keyue CGU is lower than its carrying amount of RMB51,158,000 as at 31 December 2020, an impairment loss of RMB15,409,000 was recognised during the year to write off the carrying amounts of goodwill and the Jiangxi Keyue CGU at 31 December 2020. The impairment provision as at 31 December 2020 results in impairment loss on goodwill, property, plant and equipment and right-of-use assets amounting to RMB2,096,000, RMB12,099,000 and RMB1,214,000 (note 6), respectively.

## 15. INVESTMENTS IN ASSOCIATES

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

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

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

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

Investments in associates are accounted for using the equity method.

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

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

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

As at 31 December 2020, the Group's investment in an associate with a carrying amount of RMB279,711,000 (2019: RMB279,814,000) were pledged as security for certain bank loans granted to the Group (note 24(a)).

## 15. INVESTMENTS IN ASSOCIATES (continued)

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

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

## 16. PAYMENTS IN ADVANCE

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

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

## 17. INVENTORIES

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

## 18. TRADE RECEIVABLES

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

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

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

18. **TRADE RECEIVABLES (continued)**

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

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

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

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

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

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

**As at 31 December 2020**

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

## 18. TRADE RECEIVABLES (continued)

As at 31 December 2019

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

## 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

*Notes:*

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

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

## 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

*Notes: (continued)*

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **3,208** | 881 |
| Write-off | **(3,220)** | – |
| Impairment losses *(note 6)* | **1,257** | 2,327 |
| At end of year | **1,245** | 3,208 |

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

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

## 20. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cash on hand and cash at banks | **19,907** | 88,486 |
| Less: | | |
| Restricted deposits: | | |
| — Declaration of a scientific research project | **–** | (3,506) |
| — Environmental rehabilitation deposits | **(100)** | (194) |
| — Others | **(46)** | (21) |
| | **(146)** | (3,721) |
| | **19,761** | 84,765 |

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

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

## 20. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES (continued)

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

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

## 21. DISCONTINUED OPERATION

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

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

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

| | **2020**<br>***RMB'000*** | 2019<br>*RMB'000* |
|---|---|---|
| Revenue | **3,261** | 761 |
| Cost of sales | **(305)** | (3,631) |
| Gross profit/(loss) | **2,956** | (2,870) |
| Other income and gains | **3** | 6 |
| Administrative expenses | **(340)** | (1,451) |
| Other expenses | **(18)** | (70) |
| Impairment of trade receivables | **(90)** | – |
| Impairment of prepayments, deposits and other receivables | **(20)** | – |
| Impairment of property, plant and equipment | **(10,801)** | – |
| Impairment of right-of-use assets | **(13,981)** | – |
| Loss before tax from a discontinued operation | **(22,291)** | (4,385) |
| Income tax credit *(note 7)* | **5,415** | 298 |
| Loss for the year from a discontinued operation | **(16,876)** | (4,087) |

## 21. DISCONTINUED OPERATION (continued)

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

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

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Operating activities | **267** | (110) |
| Investing activities | **(205)** | – |
| Financing activities | **–** | – |
| Net cash inflow/(outflow) | **62** | (110) |

| | | |
|---|---|---|
| Loss per share:<br>— Basic and diluted from the discontinued operation | **RMB(0.005)** | RMB(0.001) |

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

| | **2020** | 2019 |
|---|---|---|
| Loss attributable to ordinary equity holders of the parent from the discontinued operation | **RMB(16,876,000)** | RMB(4,087,000) |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(note 9)* | **3,526,761,044** | 2,899,487,229 |

## 22. TRADE PAYABLES

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

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

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

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

## 23. OTHER PAYABLES AND ACCRUALS

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

*Note:*

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

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

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

*Notes:*

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

| | *Notes* | **2020**<br>***RMB'000*** | 2019<br>*RMB'000* |
|---|---|---|---|
| *Secured by:* | | | |
| Property, plant and equipment | *10* | **29,329** | 35,575 |
| Investment properties | *11* | **112,531** | 204,775 |
| Leasehold land | *12* | **253,422** | 259,858 |
| Mining rights of Zhangxi Mine and Lichuan Mine | *13* | **282,093** | 282,093 |
| Investment in an associate | *15* | **279,711** | 279,814 |
| | | **957,086** | 1,062,115 |

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

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

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

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

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

## 25. SHARE CAPITAL

**Shares**

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

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

**Issued share capital:**

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

*Note:*

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

## 26. SHARE OPTION SCHEME

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

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

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

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

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

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

The following share options were outstanding during the year:

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

## 26. SHARE OPTION SCHEME (continued)

*Notes:*

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

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

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

2019:

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

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

## 27. CONTINGENT LIABILITIES

The Group has assessed and made necessary provision for any probable outflow of economic benefits in relation to contingent liabilities at the reporting date in accordance with its accounting policies.

## 28. COMMITMENTS

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided for: | | |
| — Plant and equipment | **3,320** | 95,938 |

At the end of the reporting period, the Group did not have any significant commitments.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

### Marble and Mining Business

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

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

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

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

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

**Commodities Trading Business**

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

**Warehouse Logistics Business**

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

**Investment Properties**

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

## FINANCIAL REVIEW

## REVENUE

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

### (a) Sales by Product Categories

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

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

### (b) Sales Volume and Average Selling Price

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

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

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

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

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

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

**Cost of Sales**

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

**Processing Costs**

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

**Marble Blocks costs**

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

### Transportation Costs

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

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

## GROSS PROFIT AND GROSS PROFIT MARGIN

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

## OTHER INCOME AND GAINS

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

## OTHER EXPENSES

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

## SELLING AND DISTRIBUTION EXPENSES

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

## ADMINISTRATIVE EXPENSES

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

## FINANCE COSTS

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

## INCOME TAX EXPENSE

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

## LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

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

## INVENTORIES

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

## TRADE RECEIVABLES

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

## TRADE PAYABLES

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

## NET CURRENT ASSETS

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

## CURRENT RATIO

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

## BORROWINGS

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

## GEARING RATIO

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

## CAPITAL EXPENDITURE

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

## FOREIGN EXCHANGE EXPOSURE

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

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

## HUMAN RESOURCES AND REMUNERATION POLICY

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

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

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

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

## PLEDGE OF ASSETS

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

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

## MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

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

## OUTLOOK

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

## SUBSTANTIAL INVESTMENT

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

## RESOURCES AND RESERVES

### SHANGRI-LA MINE

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

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

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

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

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

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

## DEJIANG MINE

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

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

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

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

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

| **RESOURCES** | **Millions of cubic metres** |
|---|---|
| Indicated | 1.3 |
| Inferred | 0.8 |
| Total | 2.1 |

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

## YONGFENG MINE

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

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

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

## YONGFENG MINE (Continued)

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

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

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

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

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

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

## ZHANGXI MINE

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

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

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

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

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

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

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

**LICHUAN MINE**

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

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

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

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

| **RESOURCES** | **Millions of cubic metres** |
|---|---:|
| Indicated | 3.88 |
| Inferred | 0.67 |
| Total | 4.55 |

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

## OTHER INFORMATION

## SHARE CAPITAL

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

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

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

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

## USE OF PROCEEDS FROM THE SUBSCRIPTION AND THE PLACINGS

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

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

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

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

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

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

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

## PRE-EMPTION RIGHT

Pursuant to the constitution of the Company and the laws of the Cayman Islands (the place where the Company was incorporated), no provision in relation to pre-emption rights shall apply to the Company.

## EVENTS AFTER THE REPORTING PERIOD

On 14 January 2021, the board of directors resolved to grant share options to certain employees (the "Grantees") to subscribe for a total of 336,069,772 ordinary shares of HK$0.01 each in the share capital of the Company subject to acceptance of the Grantees, under the share option scheme adopted by the Company on 9 December 2013 and the payment of HK$1.00 by each of the Grantees upon acceptances of the options. The exercise price of the options granted was HK$0.08 per share.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

## NON-COMPLIANCE WITH LISTING RULES

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

## DIVIDEND

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

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Ms. LUNG Yuet Kwan (as Chairman), Mr. HUI Yat On and Mr. ZHAI Feiquan. The Audit Committee has adopted the terms of reference in compliance with the CG Code.

The Audit Committee has, in conjunction with the management of the Company, reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and reviewed this audited results announcement as well as the audited annual results for the year ended 31 December 2020.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

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

## PUBLICATION OF AUDITED RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT

This audited results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.artgo.cn). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
**ArtGo Holdings Limited**
**Wu Jing**
*Chairman and Executive Director*

Hong Kong, 31 March 2021

*As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing and Mr. Wan Jian; the non-executive Director is Mr. Gu Zengcai; and the independent non-executive Directors are Ms. Lung Yuet Kwan, Mr. Hui Yat On and Mr. Zhai Feiquan.*