雅高控股
ARTGO HOLDINGS

ARTGO HOLDINGS LIMITED
雅 高 控 股 有 限 公 司

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

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. GU Zengcai

Independent Non-executive Directors

Ms. LUNG Yuet Kwan
Mr. HUI Yat On
Ms. ZHANG Xiaohan (resigned on 21 April 2020)

AUTHORISED REPRESENTATIVES

Ms. WU Jing
Mr. GU Weiwen

AUDIT COMMITTEE

Ms. LUNG Yuet Kwan *(Chairman)*
Mr. HUI Yat On
Ms. ZHANG Xiaohan (resigned on 21 April 2020)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Ms. WU Jing *(Chairman)*
Mr. HUI Yat On
Ms. ZHANG Xiaohan (resigned on 21 April 2020)

COMPANY SECRETARY

Mr. ZHAO Zhipeng

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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Haifu Center
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Huli District
Xiamen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House
3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

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

STOCK CODE

3313

WEBSITE

www.artgo.cn

Dear Shareholders,

On behalf of the board of directors (the "Board") of ArtGo Holdings Limited (the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2019.

With the US-China trade disputes continued to ferment throughout the year, 2019 was a challenging year to most of the enterprises with operations in the PRC. Uncertainty created by the back-and-forth US-China trade negotiation weakened both consumers' spending initiatives and investors' investment sentiment. Consequently, the PRC's GDP growth slipped further in the second half of 2019 leading to an overall recorded rate of 6.1% annually which is the slowest rate of economic growth of the country since 1990. The situation of the trade disputes plagued the business world especially in the PRC affecting various enterprises to different extent. It also affected the Group's performance in the year. The impacts to our trades related business segments such as commodities trading and warehousing logistics operation were more noticeable. As such, we will continue to be cautious in carrying out commodities trading transactions under such fluctuating market condition. Whereas for our warehousing logistics operation, its success is more reliance on our clients' import/export business activities. With the persistent trade disputes, we considered the prospect of this business operation is no longer promising as before. Accordingly, we intended to abandon this business operation and to utilize our resources on other more promising core businesses.

Despite the PRC's 2019 economic growth being slowed by the trade disputes, data from National Bureau of Statistics of China showed that the year-on-year growth of 9.9% was recorded from January to December 2019 in the nationwide investment in real estate development. We believe that this was, to certain extent, attributable to the central government's multiple stimulus measures taken to stabilize the overall economic growth and the properties market. Our marble products operation has certain degree of correlation of prosperity of the properties market. Consequently, notwithstanding the decline in our overall revenue, our marble products operation performance remained encouraging in the year. It strengthened our confidence in the properties market and hence our marble products operation in long-run. The Group's self-owned marble processing facilities in both Jiangxi Province and Guangxi Province have laid down spare production capacity to capture the future growth of marble business operation once the industry flourish. With the same faith, we considered the prospect of the PRC property market will remain positive based on certain statistics in relation to real estate development investment and properties sales. Thus, it was desirable for the Group to acquire quality properties for long term appreciation purpose. In the second half of 2019, we successfully acquired three properties all of which are situated in luxury locations in certain core residential districts in Shanghai. The acquisitions enabled the Group to participate in the PRC property market and to benefit in long-term.

In 2019, the awareness over ecological and environmental protection continued to grow and the concept of Green Mine was further upheld by natural resources bureaus of all the provinces in the PRC. The management of our mining operations has been continuing their effort in working towards the requirements of Green Mine construction standards. Rectification and upgrading work in the relevant mining sites are ongoing throughout the year.

Looking forward to the year of 2020, the sudden global outbreak of COVID-19 not merely further slowdown the global economy but is threatening in creating a worldwide recession. Although the current status of epidemic which remained severe in other countries, we are prudently optimistic towards the China economy to recover from the aftermath of COVID-19. The Group will continue its existing business and adjust its strategy from time to time in order to adapt to the changing financial environment. We will carry out our business plan and make investment decisions cautiously based on the changing market situation and the conditions of the Group.

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

WU Jing
Chairman and Executive Director
Hong Kong, 29 April 2020

BUSINESS REVIEW

Marble and Mining Business

Our new marble processing plant ("marble processing plant") in Jiangxi Province, the PRC was designed to house a total of eighteen large-sized stone pull saw machines. The plant will become the largest marble processing facility in the province. As at 31 December 2019, twelve of these stone pull saw machines together with other slabs grinding and polishing machines have been installed. Some of these machines had finished their test-run adjustments and had been put into production. Products produced from the new stone saw machines and slabs grinding machines installed were proved to be of top qualities and with high precision. Besides the Jiangxi plant, the Group has been establishing another new processing facility in Guangxi Province, the PRC to cater for the marble processing demand in Guangxi and the nearby region. During the year ended 31 December 2019, all the twelve large-sized stone pull saw machines had been delivered to the Guangxi facility and the related installation work was ongoing. The new processing facilities in the two regions not only serve the regional needs with different types of marbles, they can also achieve an economy of scale from centralised technical support and maintenance procurement costs.

In the past, the Group used third-party contractors for marble slab processing from marble blocks extracted from our own mines with quality control over slab processing by our own experienced quality control teams. With the establishment of the processing facilities and our quality control teams, our business model will be more flexible. Apart from the marble blocks from our own mines, we will be more selective in sourcing different types and better-quality marble blocks from other mine operators for processing into slabs to enrich our product lines. In the meantime, marble blocks from our own mines which were identified as unsuitable for own processing were sold directly in the market in order to ensure that the slabs products produced from our own processing plants are of top quality in long run.

The aggregate revenue from sales of marble products dropped from RMB86.1 million in 2018 to RMB77.8 million in 2019 in which marble block sales soared from RMB14.8 million last year to RMB44.3 million this year as more marble blocks unsuitable for own processing were sold. On the other hand, the sales of marble slabs dropped from last year's RMB71.3 million to RMB33.4 million this year as our own processing facilities were yet to operate in full capacity resulting in a drop in sales volume from approximately 454,000 sq. m to 278,000 sq. m. not to mention the negative market sentiment under the weakest annual GPD growth rate of 6.1% in China since 1990 was recorded.

Our mine excavation activity remained sluggish. The mining rights over Yongfeng Mine, the Group's largest mine located in Jiangxi Province, has been renewed from time to time with different length of period and can be extended to 5 February 2043 according to applicable laws and regulations. The current certificate of mining rights shall be expired on 5 June 2020. The Group has been actively negotiating with the local government authority in order to fulfill all the conditions in order to obtain a certificate of mining rights for a longer period of 5 years or beyond to facilitate the longer-term business planning. The major condition for issuing such certificate is that the mine's relevant environmental protection constructions need to reach a certain level under the government authority's requirements. The Group has commissioned contractors to improve the mine's relevant layouts and facilities in order to meet such requirements. Mining activities in the Yongfeng Mine were halted during the year in order to speed up the environmental protection construction work. Based on the latest assessment, the Group expects that most of the work shall be completed by mid-2020 and wishes to renew the certificate of mining rights for a longer period thereafter.

Since 2018, following President Xi Jinping's speech on the National Ecological and Environmental Protection Conference, the ecological civilisation construction and promotion of environmental protection has been a major goal the PRC government is pursuing. The Green Mine concept was evolved 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. Different local government authorities have further raised their consciousness on the ecological and environmental perspectives. Managements of the Group's other 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.

During the year, the Group acquired a group of companies ("Kalong Group") which is principally engaged in the manufacturing and sale of calcium carbonate for industrial used. The products of Kalong Group are mainly produced from marble residues and hence is one of the downstream business of our marble business. It has three main series of calcium carbonate products which contributed a total of approximately RMB13.1 million to the Group's revenue subsequent to its becoming a member of the Group and also recorded a post-acquisition profit of approximately RMB1.1 million. The acquisition further expanded the Group's existing business segment by widening the spectrum from stone mining to the stone application.

Commodities Trading Business

Prior to the signing of the phase one China-US trade war deal in January 2020, the global trade market was shrouded in an atmosphere of uncertainty especially the mercurial negotiation between the world's two largest national economies. During the year, the Group had taken an extra cautious approach in carrying out any commodities trading transactions in view of such market condition. Consequently, the Group's annual commodity trading transactions for the year was reduced as compared to those for 2018 and recorded an aggregate revenue of approximately RMB182.9 million for the year as compared to that of approximately RMB449.4 million in 2018.

Warehousing Logistics Business

The Group had been engaged in the warehousing and logistics business since 2017 through its subsidiary, Shiny Goal Holdings Limited and its subsidiaries ("Shiny Goal Group"). The segment results were not encouraging since its kickoff. As customers of Shiny Goal Group are mainly local importers of raw materials and manufacturing companies for production of goods for export, the slowdown of the import/export business activities has a direct impact to the demand of the logistics services geographically where these customers situated. The business environment of this segment further deteriorated in the China-US trade war time these two years. In late December 2019, after reviewing the segment's business environment, the Group decided to abandon this business segment by disposal of the Shiny Goal Group. The Group has since then been actively soliciting potential buyers and the feedbacks are positive. The disposal when realised would not have significant financial impact to the Group whereas the Group can better utilise the resources to its other business segments.

Corporate Development and Major Acquisitions

In view of the existing uncertainty surrounding the business environments of the Group's existing business segments, the Group has been exploring various opportunities for investment projects in order to enhance its shareholders' value.

In mid-2019, the Group assessed the condition of the PRC property market and considered that the prospect of the market is positive in long-run. Accordingly, it entered into certain memoranda of understanding for the acquisitions of several properties. The properties are situated in luxury locations in certain core residential districts in Shanghai which the Group considered such acquisitions are valuable investment opportunities for it to participate in the PRC property market which would enable the Group to benefit from the potential long-term appreciation of the properties in the PRC property market. The Group intends to lease out the properties which will provide future stable income for the Group.

Among the properties, three properties were successfully acquired in 2019 at an aggregate consideration of approximately RMB206 million which was satisfied by the issue of an aggregate of approximately 283.4 million of new shares. Details of the acquisitions are set out in the Company's announcements dated 10 June 2019, 13 June 2019, 20 June 2019 and 29 August 2019 respectively.

FINANCIAL REVIEW

REVENUE

In 2019, the Group recorded an operating revenue of approximately RMB274.5 million (2018: approximately RMB536.8 million) from both of its continuing and discontinued operations, representing a decrease of approximately RMB262.3 million (or 48.9%) compared to that of 2018, mainly due to revenue generated from commodity trading business decreased by approximately RMB266.6 million as a result of the scale of trading transaction decreased. Revenue from continuing operations amounted to approximately RMB273.7 million, representing a decrease of approximately RMB261.9 million (or 48.9%) compared to that of 2018.

(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:

	2019			2018		
		Approximate percentage	**Gross profit/ (loss) margin**		Approximate percentage	Gross profit/ (loss) margin
	RMB'000	**%**	**%**	RMB'000	%	%
Marble blocks	**44,343**	**16.2**	**76.0**	14,806	2.8	73.0
One-side-polished Slabs	**29,767**	**10.8**	**40.0**	61,293	11.4	35.0
Cut-to-size slabs	**3,648**	**1.3**	**8.0**	10,017	1.9	13.3
Calcium carbonate products	**13,107**	**4.8**	**35.0**	–	–	–
Commodity Trading	**182,858**	**66.6**	**0.6**	449,435	83.7	0.9
Revenue from continuing operations	**273,723**	**99.7**	**18.8**	535,551	99.8	7
Logistics	**761**	**0.3**	**(377.0)**	1,241	0.2	(190.2)
Revenue from discontinued operations	**761**	**0.3**	**(377.0)**	1,241	0.2	(190.2)
Total	**274,484**	**100.0**	**17.7**	536,792	100.0	6.6

(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	**2019**	2018
Marble blocks (m^3)	**14,040**	4,609
One-side-polished slabs (m^2)	**242,040**	414,597
Cut-to-size slabs (m^2)	**35,519**	39,094
Calcium carbonate products (Ton)	**36,305**	–
Average selling price		
Marble blocks (RMB/m^3)	**3,158**	3,212
One-side-polished slabs (RMB/m^2)	**123**	148
Cut-to-size slabs (RMB/m^2)	**103**	256
Calcium carbonate products (RMB/Ton)	**361**	–

For the year ended 31 December 2019, the unit selling price of marble blocks decreased by approximately 1.7% as compared to that of 2018, mainly due to lower unit selling price of marble blocks sold to a major customer in 2019. The average selling price of One-side-polished slabs during the year decreased by approximately 16.9% compared with that of 2018, which was mainly due to the decrease in the proportion of high-priced One-side-polished slabs (Century Platinum Slabs, Sapphire Slabs and so on) being sold.

The average selling price of cut-to-size slabs during the year decreased by approximately 59.8% compared with that of 2018, mainly due to the reallocation of the Group's warehouse from Shuitou to Jiangxi, where a new marble processing plant combining the functions of processing and warehousing have been put into use at the end of 2019, motivating ArtGo Stone to clear up long aged Cut-to-size slabs in Shuitou at the average selling price of RMB103 m^2 through sales promotion which resulted in the decrease in the overall average selling price.

The average selling price of Calcium carbonate products was RMB361 per ton for the year ended 31 December 2019. Calcium carbonate and other mineral products was our recently-developed product line in this year, manufactured by our newly-acquired Kalong Holdings Group in Jiangxi. These products are widely used in industries such as rubber, plastic, papermaking, chemical building materials, inks, and so on.

Cost of Sales

For the year ended 31 December 2019, the Group's cost of sales amounted to approximately RMB222.3 million from continuing operations, which mainly consisted of processing costs, marble blocks mining costs, transportation costs and the purchase costs for commodities trading.

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 processing fees of one-side-polished slabs decreased by approximately RMB4.2 million, representing a decrease of approximately 88.4%, which was mainly due to the drop in quantity of both one-side-polished slabs and cut-to-size slabs being processed. The use of our own processing facilities in the year was another factor led to reduced processing fees to outside processors.

Marble Blocks mining costs

In 2019, marble blocks mining costs of the Group mainly included mining labour costs, materials consumption, fuel, power, depreciation of production equipment and amortisation of mining rights. The marble blocks mining cost per unit decreased nearly by 15.0% compared to that of 2018, mainly due to the significant decrease in mining labour costs.

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 blocks to the transit yard and transportation between the warehouse and processing centre. Transportation costs accounted for approximately 0.2% and 0.3% of the production costs for 2019 and 2018, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2019, the Group realised a gross profit from continuing operations amounted to approximately RMB51.4 million, representing an increase by approximately RMB13.8 million as compared to that of 2018. The gross profit margin in 2019 was approximately 18.8%, while the gross profit margin in 2018 was approximately 7.0%.

OTHER INCOME AND GAINS

Other income and gains mainly included refund of value-added tax, gain on disposal of right-of-use assets, government grants, interest income from bank deposits and rental income derived from five commercial units of the Group. Compared with 2018, other income and gains increased by RMB1.9 million due to refund of value-added tax amounted to RMB0.9 million, and government grants amounted to approximately RMB0.3 million.

OTHER EXPENSES

Other expenses from continuing operations mainly included penalties and rental expenses derived from five commercial units of the Group. In 2019, such expenses amounted to approximately RMB8.0 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consisted of salaries of sales and distribution staff, transportation costs and advertising costs. Selling and distribution expenses from continuing operations decreased by approximately RMB1.1 million, from approximately RMB5.4 million for the year ended 31 December 2018 to approximately RMB4.3 million for the year, which was due to the restructuring of the sales department of Xiamen Huijin Stone as part of the Group's strategy adjustment during the years.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly consisted of equity-settled share option expenses, salaries of administrative staff, rental fee, consultancy fees and depreciation expense. Administrative expenses from continuing operations decreased by approximately RMB30.2 million, from approximately RMB88.2 million for the year ended 31 December 2018 to approximately RMB58.0 million for the year. The decrease in administrative expenses was mainly due to the decrease in equity-settled share option expenses.

FINANCE COSTS

Finance costs mainly included interests on bank loans, interest on deferred payment from the acquisition of mining rights and related interests of rehabilitation. Finance costs for the year ended 31 December 2019 from continuing operations amounted to approximately RMB45.3 million and increased by approximately RMB5.4 million as compared to that of 2018. The increase was mainly attributable to the increase in interests on bank loans and other borrowing.

INCOME TAX EXPENSE

Income tax expense from continuing operations increased by approximately RMB10.1 million from approximately RMB1.3 million for the year ended 31 December 2018 to approximately RMB11.4 million for the year. The increase was mainly due to less taxable loss from the Group's subsidiaries in Mainland China could have been utilised during the year.

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss from continuing operations amounted to approximately RMB86.7 million (2018: approximately RMB645.2 million) and the net loss from a discontinued operation amounted to approximately RMB4.1 million (2018: approximately RMB4.0 million). The decreased net loss was attributable to the decrease in impairment losses on both intangible asset and goodwill, and non-existence of share option expense in the year.

INVENTORIES

The Group's inventories decreased by RMB24.8 million from approximately RMB54.0 million as at 31 December 2018 to approximately RMB29.2 million as at 31 December 2019. It was primarily due to the fact that the Group did not have exploration, development and production activities for the Mines during the year.

TRADE RECEIVABLES AND TURNOVER DAYS

The Group's trade receivables and bills receivable from continuing operations decreased from approximately RMB276.7 million as at 31 December 2018 to approximately RMB172.9 million as at 31 December 2019. The decrease was mainly due to the business shrinkage in commodity trading. In spite of this, the turnover days of trade receivable increased from 238 in 2018 to 299 in 2019. The increase in the turnover days was primarily owing to the tightening of financial market conditions, the financial difficulties experienced by downstream enterprises were aggravated and hence the payment to their suppliers was decelerated. Therefore, the Group's certain distributor customers delayed repayment to the Group accordingly as their respective operating cash inflow from the downstream entities were decelerated.

TRADE AND BILLS PAYABLES

The Group's trade and bills payables from continuing operations decreased by approximately RMB24.9 million from approximately RMB82.6 million as at 31 December 2018 to approximately RMB57.7 million as at 31 December 2019. The decrease was in line with the declines in revenue and purchase.

NET CURRENT ASSETS

Net current assets of the Group increased from approximately RMB19.6 million as at 31 December 2018 by 325.0% to approximately RMB83.3 million as at 31 December 2019, which was primarily due to decrease in trade and bills payables with the decrease in sales in respect of trading of commodity.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.2 as at 31 December 2019 (31 December 2018: 1.0), which remained stable.

BORROWINGS

The Group generally finances its operations with internally generated cash flows, other borrowings and banking credit facilities. As at 31 December 2019, the Group had total bank loans and other borrowings of approximately RMB477.8 million (31 December 2018: approximately RMB407.6 million).

GEARING RATIO

The Group's gearing ratio equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank and other loans and it excludes liabilities incurred for working capital purposes. As at 31 December 2019, the gearing ratio was 21.5% (2018: 18.7%).

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 2019, the Group's expenditure for: (i) purchase of investment properties aggregated to approximately RMB206.3 million; (ii) acquisition of Kalong Holdings and its subsidiaries' property, plant and equipment aggregated to approximately RMB50.1 million; and (iii) acquisition of Right-of-use assets aggregated to approximately RMB4.8 million.

FOREIGN EXCHANGE EXPOSURE

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

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

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 2019, the total number of full-time employees of the Group was 205 (31 December 2018: 122). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB15.5 million for 2019 (2018: approximately RMB53.4 million). During the year, the Group acquired the business of Kalong Group resulting in a substantial increase in the overall headcounts. 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 2019, the contributions of approximately RMB1.33 million (2018: approximately RMB1.25 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 2019, the property, plant and equipment of approximately RMB35.6 million, the investment properties of RMB204.8 million, the prepaid land lease payment of approximately RMB259.9 million, mining rights of Zhangxi Mine and Lichuan Mine aggregated to approximately RMB282.1 million and investments in an associate of approximately RMB 279.8 million were pledged as security for obtaining certain bank and other loans granted to the Group. As at 31 December 2018, the property, plant and equipment of approximately RMB13.0 million, the prepaid land lease payment of approximately RMB298.5 million, and mining rights of Zhangxi of approximately RMB116.6 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 2019, the Group had capital commitments of approximately RMB95.9 million for acquisition of property, plant and equipment, which were contracted but not provided for (2018: RMB153.0 million). As at 31 December 2019. A subsidiary of the Group is currently a defendant in a lawsuit alleging that the subsidiary breached and repudiated a contract to purchase a residential property. Save for this, the Group had no other material contingent liabilities.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER

(a) Acquisition of Genpex

During the year, the Group acquired 100% equity interests in Genpex from Mr. Zhang Yuan, an independent individual and the then sole owner of Genpex, which is principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 119,248,035 ordinary shares by the Company at the issued price of HK$0.81, amounting to approximately HK$96.6 million (equivalent to approximately RMB85.0 million) in aggregate.

Particulars of the acquisition of the entire equity interests in Genpex are set out in the Company's announcements dated 3 June 2019, 10 June 2019 and 20 June 2019.

(b) Acquisition of Good Benefit

During the year, the Group acquired 100% equity interests in Good Benefit from Mr. Zhou Cheng Jiu, an independent individual and the then sole owner of Good Benefit. Good Benefit and its subsidiaries are principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 164,156,830 ordinary shares by the Company at the issued price of HK$0.81 per share, amounting to approximately HK$133.0 million (equivalent to approximately RMB121.0 million) in aggregate.

Particulars of the acquisition of the entire equity interests in Good Benefit are set out in the Company's announcements dated 3 June 2019, 13 June 2019 and 29 August 2019.

(c) Acquisition of Kalong Holdings

During the year, the Group acquired 100% interest in Kalong Holdings from Mrs. Jiang Meiqin, an independent individual and the owner of Kalong Holdings. Kalong Holdings indirectly owns 100% equity interests in Jiangxi Keyue, which is principally engaged in the business of processing and sales of calcium carbonate and other mineral products. The acquisition was made as part of the Group's strategy to extend its industrial chain, expand its business portfolio and possibly enhance its financial performance. The purchase consideration for the acquisition was satisfied by the allotment and issuance of 63,131,313 consideration shares at the issue price of HK$0.81 by the Company.

Particulars of the acquisition of the entire equity interests in Kalong Holdings are set out in the Company's announcements dated 3 June 2019, 2 July 2019 and 23 August 2019.

(d) Disposal of Evoke Investment Limited

During year, the Group disposed of the 100% equity interests in Evoke Investment Limited and its subsidiaries ("Evoke Group") to an independent individual for an aggregate cash consideration of RMB3,800,000. Evoke Group was primarily engaged in mining exploration of marble products.

(e) Disposal of ArtGo (Jiangsu) Technique Industrial Co., Ltd

During the year, the Group disposed of 100% equity interests in ArtGo Jiangsu to an independent individual for an aggregate cash considerations of RMB32,793,000. ArtGo Jiangsu was primarily engaged in wholesale of decorating materials and chemical products.

OUTLOOK

Notwithstanding the silver linings arising from the positive progress of the China-US trade war were around the corner when approaching the end of 2019, the sudden outbreak of COVID-19 wiped out the hope of the business sector. It created a huge turmoil and striked the global economy severely. Although China is the first country being affected by COVID-19, the determination and swift reaction of the PRC government by the implementation of various emergency measures are proved to be effective and impressive. The Group has confident that among the countries affected, China will be the first country to have its economy be recovered from the aftermath of COVID-19. The Group believes that the PRC government will continue introducing additional policies and mitigation measures to stimulate the internal demand and promote real estate and infrastructure investments in PRC in order to counter the negative effect created by the previous trade war and the aftermath of COVID-19. We believe the Group's business will be benefited from the boosted up internal demand. Having said that, given that the effect of COVID-19 is still on-going, it is premature to assess its negative impact to the Group. The Group will continue its existing business and adjust its strategy from time to time in order to adapt to the changing financial environment. It will carry out its business plan and make its investment decisions cautiously based on the changing market situation and the conditions of the Group.

SUBSTANTIAL INVESTMENT

Save for those disclosed in the paragraph headed "Major Acquisition and Disposal of Assets and Merger", 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 2019 according to Chinese Standards.

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

During the year, the Shangri-La Mine excavated approximately 258 cubic metres of marble blocks (2018: 309 cubic metres). No capital expenditure was incurred in 2019 (2018: 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 2019 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 2019 (2018: 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 2.0 square kilometres
Issuance date	5 February 2018
Expiration date	5 June 2020
Permitted production volume	250,000 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.

The following table summarises the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2019 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

RESOURCES	**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 2019 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 2019 and had been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has had over 24 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 2019 (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 2019 were identical.

The Group did not have exploration, development and production activities for Yongfeng Mine in 2019 (2018: 6,588). No capital expenditure was incurred in 2019 (2018: 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 2019 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 2019 (2018: 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 2019 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 2019 (2018: None).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

As at 31 December 2019, the Board consisted of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets forth information regarding our Board.

Name	Age	Management Position
Ms. WU Jing	34	Executive Director, Chairman and Acting Chief Executive Officer
Mr. GU Weiwen	50	Executive Director and Vice Chairman
Mr. ZHANG Jian	45	Executive Director
Mr. GU Zengcai	57	Non-Executive Director
Ms. LUNG Yuet Kwan	54	Independent non-Executive Director
Mr. HUI Yat On	60	Independent non-Executive Director
Ms. ZHANG Xiaohan (resigned on 21 April 2020)	35	Independent non-Executive Director

EXECUTIVE DIRECTORS

Ms. WU Jing (伍晶), aged 34, has been appointed as the executive Director on 9 March 2016 and is currently Chairman of the Board and Acting Chief Executive Officer of the Company. Ms. Wu is also responsible for promotion and marketing affairs of the Company. Ms. Wu has 7 years' experience in corporate brand management. In 2010, Ms. Wu founded a management consulting firm, which provided consultancy services in relation to brand promotion, sales and public relations to the local and overseas organizations and corporations since February 2010, including but not limited to Information Services Department of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Hong Kong Tourism Board, Standard Chartered Bank (Hong Kong) Limited, Hang Seng Bank Limited, DTZ Holdings PLC, Sinopec (Hong Kong) Limited, Suning Commerce Group Co., Ltd., Powerchina Resources Ltd.. In June 2008, Ms. Wu obtained her bachelor's degree in biological technology from Wuhan University. She then obtained her master of science degree in environmental engineering from the Hong Kong University of Science and Technology and her master degree in industrial engineering and logistics management from the University of Hong Kong in November 2009 and November 2010, respectively. In 2015, she was awarded the "Ten Outstanding New Hong Kong Young Persons (十大傑出新香港青年)". She is currently the standing director of Jiangsu Women Association* (江蘇聯會婦女會) and the director of Jiangsu Youth Association* (江蘇青年總會). As of the date of this annual report, save as disclosed above, Ms. Wu did not hold directorship in any listed public companies in the past three years.

Mr. GU Weiwen (顧偉文), aged 50, has been appointed as the executive Director and Chief Executive Officer on 9 March 2016, and re-designated as Vice Chairman of the Company on 1 December 2016. Mr. Gu has nearly 27 years' experience in trading, investment and financing. Prior to joining the Group, Mr. Gu served as the wholesale executive of Shanghai Textiles Ltd.* (上海紡織品總公司) from July 1990 to July 1992. From August 1992 to September 1994, Mr. Gu served as the manager of the apparel department of Orient Shopping Center Ltd.* (上海東方商廈有限公司). From October 1994 to October 2000, Mr. Gu served as the general manger of Shanghai Huifeng Textile Group Ltd.* (上海惠豐毛紡織集團有限公司). From January 2001 to October 2011, Mr. Gu served as the general manager of Chengdu Runheng Investment Ltd.* (成都潤衡投資有限公司). From October 2011 to February 2016, Mr. Gu served as assistant to the chairman of China Dredging Environment Protection Holdings Limited (stock code: 871), a company listed on the Stock Exchange. Mr. Gu obtained the diploma from Commerce College of the Shanghai University (上海大學商學院) (now known as School of Economics, the Shanghai University) majoring in trading economics in July 1990. In 1991, Mr. Gu obtained the qualification as economic analyst as confirmed by the appraisal committee after the discussion by the vocation reform office of Shanghai Textiles Ltd.* (上海紡織品公司). In 1993, Mr. Gu obtained the qualification as an assistant economic analyst as confirmed by the appraisal committee for junior occupational positions of Shanghai Huifeng Textile Group Ltd.* (上海東方商廈有限公司). As of the date of this annual report, save as disclosed above, Mr. Gu did not hold directorship in any listed public companies in the past three years.

Mr. ZHANG Jian (張健), aged 45, has been appointed as the executive Director on 9 March 2016 and is currently the deputy general manager of the Company and the general manager of the marble production and processing department and international sales department of the Company, where he is responsible for mine production management, marble processing and production and operations management and international sales management of the Group. Mr. Zhang joined the Group in October 2012 and has nearly 16 years' experiences in stone exploitation, stone processing, quality control and international trade of stone. Prior to joining the Group, Mr. Zhang served at unit 32525 of the People's Liberation Army of the People's Republic of China in Xiamen (廈門中國人民解放軍32525部隊) from December 1993 to December 1997. From March 2003 to March 2006, he served as a procurement officer of Best Cheer Stone Group Ltd.* (高時石材集團有限公司). From March 2006 to October 2012, he served as the procurement manager of Xiamen Zhonglianfa Import and Export Co., Ltd.* (廈門中聯發進出口有限公司). As of the date of this annual report, save as disclosed above, Mr. Zhang did not hold directorship in any listed public companies in the past three years.

NON-EXECUTIVE DIRECTOR

Mr. GU Zengcai (顧增才), aged 57, has been appointed as non-executive Director of the Company on 8 June 2016. Mr. Gu graduated in the profession of industrial accounting school from Jiangsu Radio and TV University (江蘇廣播電視大學) in 1986. Mr. Gu worked as the director of audit department and vice manager of finance department in Zhuhai Port Co., Ltd. (珠海港股有限公司) (formerly known as Zhuhai Fuhua Group Co., Ltd. (珠海富華集團股份有限公司)) (a company listed as A share with stock code 000507) from October 1993 to August 1994. From September 1994 to April 2002, Mr. Gu worked in China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行) (formerly known as Zhuhai Commercial Bank) (the "CR Bank") and served as the deputy director of Zhuhai Huayin City Credit Cooperatives (珠海華銀城市信用社), the branch president of CR Bank, and the manager of the capital department, finance department and credit department in the headquarter of the CR Bank. Mr. Gu was also appointed as the executive director of the Zhuhai Holdings Investment Group Limited (a company listed on The Stock Exchange with stock code 00908) (formerly known as Jiuzhou Development Company Limited) from October 2003 to August 2012 and the deputy chairman of the board of directors in the same company from August 2006 to August 2012. Mr. Gu obtained the certificate of the accountant and auditor in the year of 1992 and the certificate of Chinese Public Accountant in 1993. Save as disclosed above, Mr. Gu did not hold any directorship in the past 3 years in any other listed companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LUNG Yuet Kwan (龍月群), aged 54, has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Ms. Lung joined as executive vice president of the finance department of Ground International Development Limited (formerly known as "China Motion Telecom International Limited", a company listed on the Stock Exchange with stock code 0989) since December 2005 and acted as the chief financial officer, company secretary and the authorised representative of Ground International Development Limited for the period from November 2013 to February 2016. Ms. Lung holds a bachelor degree in business from Monash University, Australia. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Save as disclosed above, Ms. Lung did not hold any directorship in the past 3 years in any listed companies.

Mr. HUI Yat On (許一安), aged 60, has been appointed as independent non-executive Director of the Company on 8 June 2016, and is chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master's degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants in December 1986. He is also a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui has previously served as the executive director and senior executive of several Hong Kong listed companies. Mr. Hui has nearly three decades of experiences in the field of corporate finance and financial services. Save as disclosed above, Mr. Hui did not hold any directorship in the past 3 years in any other listed companies.

Ms. ZHANG Xiaohan (張曉涵), aged 35, holds a bachelor degree in laws from The University of Nottingham and a master degree in social economics from University of Oxford. Ms. Zhang served as an associate vice president in CCB International (Holdings) Limited from September 2012 to September 2013 and was principally engaged in overseas listing, acquisition and crossborder financing. From the end of 2013 to October 2014, Ms. Zhang served as a deputy director in capital markets finance department in Industrial and Commercial Bank of China (Asia) Limited and was principally engaged in the matters regarding issue of offshore RMB bonds and USD bonds. From October 2014, Ms. Zhang serves as the senior manager of structured investment and finance department of CITIC Capital Holdings Limited and is principally engaged in private equity financing, structured financing and cross-border financing. Ms. Zhang has professional experience in the area of corporate investment and financing. Ms. Zhang is also a member of the 23rd General Committee of Hong Kong United Youth Association and a committee member of Zhejiang United Youth Association (浙江省青年聯合會). Ms. Zhang resigned as independent non-executive Director on 21 April 2020.

SENIOR MANAGEMENT

Mr. NIE Zhiqiang (聶志強), aged 52, is currently the vice president of Jueshi Mining in charge of production, responsible for mining plans confirmation, product quality control and product transportation of our Group. Mr. Nie joined our Group on 18 June 2012, and has over 25 years of experience in mining production. Prior to joining our Group, Mr. Nie was responsible for the mining production and management of various companies. He worked in Shanxi Sida Construction Materials Co., Ltd from June 1991 to October 1997, serving as general staff, supervisor of quality control, head of production and person-in-charge of mining operation, respectively, responsible for the quality control and assurance of granite mines and production management, including a detailed analysis of the granite exploration and extraction process. He worked in Shanxi Huajun Stone Enterprise Co., Ltd. from November 1997 to November 2000, serving as production manager and mining head, responsible for the production, exploration and extraction management of a mine and a mine processing plant, including marbles and stones. From March 2001 to August 2004, Mr. Nie was the mine and factory manager of Shanxi Evergreen Stone Co., Ltd., responsible for mineral resource management and formulation and execution of granite mining production plans. From March 2005 to June 2009, he was the assistant manager and the mine manager of the mineral resource department of Universal Marble & Granite (Dongguan) Co., Ltd., responsible for mining and management, including the daily management of the marble mining and resources department, evaluating mine acquisition targets by assessing the nature and quality of marble and granite in mines, formulating marble mine exploration plans and proposals to facilitate mining production, organizing and coordinating mining exploration and extraction activities, and organizing training for mining personnel on the technical, safety and environmental protection aspects of marble mines. From February 2010 to June 2012, he served as the vice general manager of Hubei Era Mining Co., Ltd., responsible for overseeing marble mining affairs and the operation of a marble mine processing plant, which covered the marble exploration and extraction process.

Mr. ZHANG Jiyan (張繼燕), aged 48, is currently the deputy manager of the technology and quality research department and the deputy chief of the building preparatory group for the stone processing plant of the Company, where he is responsible for supervising mining and stone processing, as well as identifying processing contractors and coordinating the specific preparatory efforts for building the Company's own stone processing plant. He has almost 20 years of experience in marble processing and quality control and before joining the Company, he worked for various marble processing and trading companies including, among others, Xiamen Yongwen Stone Materials Factory* (廈門市永文石材廠), Baodeli Stone Materials Factory* (廈門市開元區包德力石板材廠), Fujian Shuitou Shijing Yongxing Stone Materials Factory* (福建水頭石井永興石材廠) (now known as Fuji an Quanzhou Huayi Stone Materials Limited* (福建省泉州市華益石材有限公司) and Zhangzhou Riquan Inspection Centre* (漳州日泉檢品中心), a subsidiary of Xiamen Riquan Trading Company* (廈門日泉貿易公司). During which, Mr. Zhang obtained experience in coordinating and guiding exploration and mining, which has enabled him to communicate and work effectively with the senior managers at the mines. He had also been involved in the development of a series of professional guidelines including raw material quality standards and slab quality standards, whereby the quality of the raw materials from mines, which are required at the processing stage, is strictly under control to ensure the best cutting quality from such raw materials for the purpose of an optimal production-sales relationship and a maximized use of stone resources. Mr. Zhang joined the Company in August 2011 when he was involved in the total management, operations and product quality control at the then newly acquired Yongfeng Mine. Subsequently, he acted as a key executive in charge of production and sales coordination and quality control, during which, he equipped with his professional competence in manufacturing processes and technologies and in both the national and the international quality control standards, closely supervised, guided and, on a continuing basis, improved the exploration, extraction and production process of contractors from the perspective of marketability, customer satisfaction and technical application. Mr. Zhang has administered stringent control over the quality of raw materials, semi-finished goods and final products of the Company having regard to market demand and product positioning. At the same time, Mr. Zhang formulates strategies and optimal improvement plans in line with market demand and in doing so, he has produced good results from the coordination efforts in production and sales.

Mr. QIU Yuyuan (邱宇元), aged 42, is currently in charge of the Group's financial planning, financial budget and management issues. Mr. Qiu joined the Group in September 2011, and has more than 10 years of experience in financial management. Prior to joining the Group, Mr. Qiu worked in Xiamen Overseas Chinese Electronic Co., Ltd., Xiamen Tsann Kuen Corporation Limited, and Lenovo Mobile Communication Technology Limited from August 2000 to February 2005, from March 2005 to March 2006, and from March 2006 to April 2010, respectively, and was in charge of relative financial auditing, business process reengineering, credit management and financial analysis in those companies. Mr. Qiu obtained the qualification of National Intermediate Accountant in 2004.

Mr. JIANG Shikui (蔣世奎), aged 39, is currently the Chief Operation Officer of the Company. Mr. Jiang joined the Group in 2016 and he has over 10 years of experience in stone industry, including the field of mining processing, production management, quality control, technology development, market development and marketing management.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code during the year ended 31 December 2019.

During the year ended 31 December 2019, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained in the relevant paragraph of this corporate governance report.

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

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 regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2019.

The Company has also established the written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Group who is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

As at 31 December 2019, the Board comprised seven members, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:

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

Non-executive Director:

Mr. Gu Zengcai

Independent non-executive Directors:

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

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

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

Independent non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules 3.10(1) and (2), and 3.10A relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. As set out in the Company's announcement dated 21 April 2020, Ms. Zhang Xiaohan tendered her resignation as an independent non-executive Director and hence ceased to be a member of both the Audit Committee and the Nomination Committee of even date. As of the date of this annual report, the Company is in the course of identifying suitable candidate(s) to fill the casual vacancies of the above positions.

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

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

Continuous Professional Development of Directors

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

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

There is no newly appointed director during the year.

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

Relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The Directors have participated in the following trainings during the year ended 31 December 2019:

	Types of training
Executive Directors	
Ms. Wu Jing	B, C
Mr. Gu Weiwen	C
Mr. Zhang Jian	C
Non-executive Director	
Mr. Gu Zengcai	C
Independent non-executive Director	
Ms. Lung Yuet Kwan	C
Ms. Zhang Xiaohan (resigned on 21 April 2020)	C
Mr. Hui Yat On	C

A Attending in-house briefing

B Attending seminar(s) and training(s)

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

BOARD DIVERSITY POLICY

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

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

During the year ended 31 December 2019 and as at the date of this annual report, the Board is characterized by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills knowledge and length of service.

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

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

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

NON-EXECUTIVE DIRECTOR

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

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

Audit Committee

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

During the year, the Audit Committee comprises three independent non-executive Directors, namely Ms. Lung Yuet Kwan, Ms. Zhang Xiaohan and Mr. Hui Yat On. Ms. Lung Yuet Kwan has been appointed as the chairman of the Audit Committee since 1 June 2017. Following the resignation of Ms. Zhang Xiaohan on 21 April 2020, the Audit Committee was only composed of two members. As of the date of this annual report, the Company is in the course of identifying suitable candidate to fill the casual vacancy of the Audit Committee.

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

During the year, the Audit Committee held two meetings, with members present in person or through telephonic conferencing, to assess the independence of the Company's auditors, review the internal control and risk management systems, the Group's financial results and report for the year ended 31 December 2018, the Group's interim financial results and report for the six months ended 30 June 2019 before submission to the Board for approval.

The Audit Committee has in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2019 and the auditor's report thereon.

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

Remuneration Committee

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

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

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

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

Nomination Committee

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

During the year, the Nomination Committee comprises one executive Director, Ms. Wu Jing, and two independent non-executive Directors, Ms. Zhang Xiaohan and Mr. Hui Yat On. Ms. Wu Jing has been appointed as the chairman of the Nomination Committee. Following the resignation of Ms. Zhang Xiaohan on 21 April 2020, the Nomination Committee was only composed of two members. As of the date of this annual report, the Company is in the course of identifying suitable candidate to fill the casual vacancy of the Nomination Committee.

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

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

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

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

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

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting
Executive Directors						
Ms. WU Jing	9/9	N/A	2/2	1/1	1/1	1/1
Mr. GU Weiwen	8/9	N/A	N/A	N/A	1/1	1/1
Mr. ZHANG Jian	7/9	N/A	N/A	N/A	N/A	1/1
Dr. LEUNG Ka Kit (note 1)	3/9	N/A	N/A	N/A	N/A	1/1
Non-executive Director						
Mr. GU Zengcai	2/9	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Ms. LUNG Yuet Kwan	6/9	2/2	2/2	N/A	N/A	1/1
Mr. HUI Yat On	6/9	2/2	2/2	1/1	1/1	1/1
Ms. ZHANG Xiaohan (note 2)	3/9	2/2	N/A	1/1	N/A	1/1

Notes:

1. Dr. Leung Ka Kit resigned as executive Director on 10 October 2019.

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

Apart from the four regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2019.

Corporate Governance Functions

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 75.

AUDITORS' REMUNERATION

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

During the year ended 31 December 2019, the total fees paid/payable in respect of audit services provided by Ernst & Young were RMB3,300,000. There was no non-audit service fee incurred for the year ended 31 December 2019.

INTERNAL CONTROL

During the year ended 31 December 2019, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

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

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

For the year ended 31 December 2019, Mr. Zhao undertook the relevant professional trainings as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

Putting Forward Enquiries to the Board and Contact Details

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Stock Exchange and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

All of the recommendations from the Group's internal audit department will be properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year ended 31 December 2019.

1. ABOUT THIS REPORT

Group Overview

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

Reporting Scope

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

Opinions and Feedback

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

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

2. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Missions and Objectives

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

Maintain Highest Ethical Standards

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

Focus on Health and Safety

Health and safety issues are always our top priority

Minimise Environmental Impact

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

Contribute to Communities

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

Respect Our Staff

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

Encourage Partners to Set High Standards

We encourage our contractors to embrace high standards similar to ours

Culture and Education

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

Stakeholder Engagement and Materiality Assessment

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

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

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

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

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

CSR governance structure, execution and monitoring

CSR governance structure

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

Policy execution

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

Monitoring

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

3. ENVIRONMENTAL PROTECTION

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

3.1. Emissions

3.1.1.Environmental Policy

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

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

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

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

3.1.2. Compliant emissions

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

3.1.3. Emissions

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

3.1.4. Emission reduction and effectiveness

With respect to sewage management during production:

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

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

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

With respect to exhaust gas management:

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

With respect to water pollution control:

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

Treatment of solid waste:

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

Emission of greenhouse gas:

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

3.1.5. Emission Data

Major data on emission of ArtGo Group for the financial years of 2019 and 2018 is set out below:

	Unit	2019	2018
Emission of gas pollutants:			
Nitrogen oxides (NOx)	kg	**34.42**	64.72
Sulphur oxides (SOx)	kg	**0.59**	1.95
Particulate matter (PM)	kg	**2.53**	4.76
Greenhouse gas emission:			
Scope 1 emission[1]	tonne	**140.59**	384.56
Scope 2 emission[2]	tonne	**3,240.26**	897.20
Total emission (Scope 1 and 2)	tonne	**3,380.85**	1,281.76
Non-hazardous waste:			
Solid waste	tonne	**24,000**	24,000
Waste water	tonne	**20,761**	3,655

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

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

3.1.6. Recognition of waste reduction and energy conservation

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

Wastewi$e Certificate and Energywi$e Certificate

3.2. Use of Resources

In 2019, the Group mainly consumed energy and resources such as power, gasoline, water, and paper. During the production process, including processing design, equipment procurement, facilities and buildings, and on-site management, we take into due consideration consumption of water, power, raw materials, and other natural resources so that consumption of non-renewable resources can be minimised.

3.2.1. Resource conservation

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

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

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

3.2.2. Measures for resource conservation and effectiveness

Energy management:

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

In 2019, with the operation of the calcium carbonate business line, the energy consumption level increased significantly as it involved a number of processing stages requiring considerable amounts of energy. On the other hand, energy consumption in mining business decreased due to the reduction in mining activities during the year. In the meantime, we further arranged routes for transportation vehicles in a scientific and systematic manner, which reduced transportation distances and frequencies to minimise oil consumption on top of successful completion of transportation work. In the office, we proactively promoted and evangelised the concept of green office by replacing ordinary lighting tubes with energy-efficient lights, as well as trying to communicate and circulating documents in an electronic form. Where printing documents is required, we managed to conserve paper by double-sided printing. Where heating and air-conditioning were required during the winter and summer seasons, a temperature range was set to minimise energy consumption besides comfortable office conditions.

Water resource management:

Water consumption level increased due to production requirement of the calcium carbonate. In spite of this, ArtGo encourages reasonable utilisation of resources and waste reduction during its operation. Therefore, throughout the entire business and production process, we have been actively implementing measures for conserving water and power, including water-saving faucets and other energy-efficient installations and amenities that are deployed to the office and related facilities, and encouraging our employees to develop the habit of water and power conservation during their daily life. At lavatories, hand-washing sinks, and power switches are posted with signs to remind conservation. At the employee cafeteria, all bowls and chopsticks are collected for centralised cleaning, the water used for which will be reused to wash and clean vehicles or the ground. These initiatives helped us reduce the water consumption intensity during 2019.

3.2.3. Data of resource consumption

Set forth below is major data regarding resource consumption by ArtGo Group for the financial year ended 2019 and 2018:

	Unit	2019	2018
Total water consumption	tonne	**23,078**	20,240
Total power consumption	kWh	**3,831,309**	1,073,533
Total fuel consumption	litre	**52,336**	142,736
Total paper consumption	piece	**107,800**	157,530

3.3. Environmental and natural resources

In 2019, subsidiaries of ArtGo Group which had ongoing construction projects were required to continue to conduct the construction project environmental impact assessment in strict compliance with the Law of the People's Republic of China on Environmental Impact Assessment, and strengthen the supervision over environmental assessment of new renovation and expansion projects, as well as their inspection and acceptance procedures over the course of project design, construction and operation, so that all engineering projects were successfully approved for construction.

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

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

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

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

4. EMPLOYMENT AND LABOUR PRACTICES

4.1. Employment

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

4.1.1.Employment system

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

- The recruitment and dismissal process is strictly in accordance with the labour regulations of the state and local governments
- There is no discrimination policy on gender, age, ethnicity, race, religion, physical condition, etc. in aspects including recruitment, employment, training, selection, remuneration and promotion
- Wages and related welfare benefits are paid on time with no default of employee salaries
- Statutory holidays and paid leaves are carried out in accordance with national regulations
- based on the principle of equal opportunity and non-discrimination, the employment, remuneration and promotion of employees will not be influenced by factors such as their ethnicity, gender, political affiliation

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

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

4.1.2.Caring for Staff

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

4.1.3. Composition of Employees:

As at 31 December 2019, the Company employed a total of 205 full-time employees, 9 of whom were from Hong Kong, and 196 were from Mainland China. As at the end of the Reporting Period, the breakdown of employees by gender, employment category and age group is as follows:

	2019		2018	
	Number	**Percentage**	Number	Percentage
Total employees	**205**	**100%**	122	100%
By gender:				
Male	**154**	**75%**	79	65%
Female	**51**	**25%**	43	35%
By employment category:				
Senior management	**14**	**7%**	16	13%
Middle management	**17**	**8%**	17	14%
Ordinary employee	**174**	**85%**	89	73%
By age group:				
Under 30	**30**	**15%**	26	21%
31–40	**56**	**27%**	58	48%
41–50	**92**	**45%**	24	20%
Over 51	**27**	**13%**	14	11%

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

	2019	2018
By gender:		
Male	**4.1%**	4.1%
Female	**2.3%**	4.1%
By age group:		
Under 30	**1.7%**	4.0%
31–40	**2.2%**	3.6%
41–50	**2.0%**	0.6%
Over 51	**0.6%**	0.2%
By geographic location:		
Hong Kong	**0.6%**	0%
Mainland China	**5.9%**	8.2%

4.2. Occupational Health and Safety

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

- Provide safety construction system and safety facilities in plants
- Provide information, instruction, training and supervision on safety, health and environment
- Put various safety warning signs at the sites and organised regular team meetings to investigate potential site risks
- Designate Safety Specialists to supervise employees to conduct various safety procedures in accordance with the requirements of the Company
- Conduct trainings on operational skills and safety production in various processes
- Ensure safety in handling materials including use, handling, storage and transportation
- Develop an inspection system for machinery and sites before employees' on/off duty
- Formulate emergency plans to cope with emergent environment issues, power and water failure, etc.
- Provide employees with the necessary labour protective products

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

- Conduct safety training every year (before employment and during work)
- Conduct trainings on operational skills and safety production in various processes

4.3. Safety Development and Training

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

During the reporting period, the Company has provided its employees 2,393 overall course hours to a total of 318 participants. The courses involved include Legal Training on Listed Companies, etiquette training, anti-corruption special training, fire knowledge special training, on-board training, safety and health instructions, and environmental protection awareness training.

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

	Average number of hours of training received by employees (hour)	
	2019	2018
By gender:		
Male	**7.73**	2.28
Female	**6.80**	2.02
By employment category:		
Senior management	**6.62**	5.48
Middle management	**6.29**	3.93
Ordinary employee	**8.00**	1.49

4.4. Labor Standards

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

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

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

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

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

5. OPERATION PRACTICES

5.1. Supply Chain Management

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

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

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

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

5.2. Product Responsibility

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

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

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

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

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

5.3. Anti-corruption

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

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

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

6. COMMUNITY INVESTMENT

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

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

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

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

Indicators	Particulars	Report Content Index
Aspect B5: Supply Chain Management		
General Disclosure		5.1.
B5.1	Number o f suppliers by geographical region.	5.1.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1.
Aspect B6: Product Responsibility		
General Disclosure		5.2.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2.
B6.2	Number of products and service related complaints received and how they are dealt with.	5.2.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2.
B6.4	Description of quality assurance process and recall procedures.	5.2.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2.
Aspect B7: Anti-corruption		
General Disclosure		5.3.
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.3.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.3.
Aspect B8: Community Investment		
General Disclosure		6
B8.1	Focus areas of contribution	6
B8.2	Resources contributed to the focus area	6

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

REORGANIZATION OF THE GROUP

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

Principal Risks and Uncertainties

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

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

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

Environmental protection

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

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

Compliance with laws and regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2019.

Key relationships with its stakeholders

1. *Workplace Quality*

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

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

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

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

2. *Relationships with other stakeholders*

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

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated financial statements of this annual report.

DIVIDEND

The Board did not declare any interim dividend and did not recommend payment of a final dividend for the year ended 31 December 2019.

DIVIDEND POLICY

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

(a) the Group's financial results;

(b) the general financial condition of the Group;

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

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

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

(f) the general market conditions; and

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

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

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2019 are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report, respectively.

As at 31 December 2019, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB1,916.1 million (2018: RMB1,645.9 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest and five largest customers were approximately 19.3% and 63.8% of the Group's total sales respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 45.1% and 84.4% of the Group's total purchases respectively during the year.

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

BANK AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2019 are set out in note 27 to the consolidated financial statements of this annual report.

DONATIONS

The Group did not make any charitable and other donations during the year (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

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

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019, as extracted from the audited financial statements, is set out on pages 169 to 170 of this annual report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Ms. WU Jing (伍晶)
Mr. GU Weiwen (顧偉文)
Mr. ZHANG Jian (張健)
Dr. LEUNG Ka Kit (梁迦傑) (resigned on 10 October 2019)

Non-executive Director

Mr. GU Zengcai (顧增才)

Independent Non-executive Directors

Ms. LUNG Yuet Kwan (龍月群)
Mr. HUI Yat On (許一安)
Ms. ZHANG Xiaohan (張曉涵) (resigned on 21 April 2020)

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Share Option Scheme

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

(a) *Purpose of the Share Option Scheme*

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

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

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

(b) *Participants of the Share Option Scheme*

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

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

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

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

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

On 4 January 2018, an aggregate of 133,333,400 options had been granted under the Share Option Scheme (details are set out in the Company's announcement dated 4 January 2018), out of which 44,000,000 options had been lapsed up to 31 December 2019. The remaining 89,333,400 options were also lapsed on 3 January 2020.

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

On 30 October 2018, 229,300,000 options had been granted under the Existing Scheme Mandate of the Share Option Scheme (details are set out in the Company's announcement dated 30 October 2018), out of which 58,250,000 share options had been exercised, up to 31 December 2019;

As at 31 December 2019, there were total outstanding 260,383,400 options since adoption of the Share Option Scheme (representing about 13.18% of the issued share capital of the Company as at 31 December 2019). There were 37,488 options available for grant under the Share Option Scheme, representing 0.001% of the issued share capital of the Company as at 31 December 2019.

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

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

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

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

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

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

(iii) the nominal value of a Share.

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

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

Name	Date of grant	Number of Options: Balance as at 1 January 2019	Exercised during the year	Lapsed during the year	Balance as at 31 December 2019	Exercise price per share HK$	Exercisable period
Directors:							
Ms. Wu Jing	4 January 2018	22,000,000	–	–	22,000,000	0.854	4 January 2018 to 3 January 2020
Dr. Leung Ka Kit [(1)]	4 January 2018	22,000,000	–	22,000,000	–	0.854	4 January 2018 to 3 January 2020
Mr. Gu Weiwen	4 January 2018	22,000,000	–	–	22,000,000	0.854	4 January 2018 to 3 January 2020
Mr. Zhang Jian	30 October 2018	22,000,000	–	–	22,000,000	0.399	30 October 2018 to 29 October 2020
Mr. Gu Zengcai	30 October 2018	1,800,000	–	–	1,800,000	0.399	30 October 2018 to 29 October 2020
Ms. Lung Yuet Kwan	30 October 2018	1,800,000	–	–	1,800,000	0.399	30 October 2018 to 29 October 2020
Ms. Zhang Xiaohan [(2)]	30 October 2018	1,400,000	–	–	1,400,000	0.399	30 October 2018 to 29 October 2020
Mr. Hui Yat On	30 October 2018	1,800,000	–	–	1,800,000	0.399	30 October 2018 to 29 October 2020
		94,800,000	–	22,000,000	72,800,000		
Other employees:							
In aggregate	4 January 2018	67,333,400	–	22,000,000	45,333,400	0.854	4 January 2018 to 3 January 2020
In aggregate	30 October 2018	52,500,000	22,000,000	–	30,500,000	0.399	30 October 2018 to 29 October 2020
		119,833,400	22,000,000	22,000,000	75,833,400		
Other grantees:							
In aggregate	30 October 2018	148,000,000	36,250,000	–	111,750,000	0.399	30 October 2018 to 29 October 2020
Total		362,633,400	58,250,000	44,000,000	260,383,400		

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

(2) Ms. Zhang Xiaohan resigned as the Company's Independent Non-executive Director on 21 April 2020

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

On 30 October 2018, the Company granted share options entitling subscription of a total 229,300,000 Shares pursuant to the Share Option Scheme and the closing price of the Shares immediately before the date on which the aforesaid share options were granted was HK$0.40.

DISCLOSURE OF INTERESTS

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Wu Jing	Beneficial Owner	22,097,000 (L)	0.70%
Mr. Gu Weiwen	Beneficial Owner	22,000,000 (L)	0.70%
Mr. Zhang Jian	Beneficial Owner	22,000,000 (L)	0.70%
Mr. Gu Zengcai	Beneficial Owner	1,800,000 (L)	0.06%
Ms. Lung Yuet Kwan	Beneficial Owner	1,800,000 (L)	0.06%
Ms. Zhang Xiaohan	Beneficial Owner	1,400,000 (L)	0.04%
Mr. Hui Yat On	Beneficial Owner	1,800,000 (L)	0.06%

Note:

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

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); or to be recorded in the register required to be kept under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 of the Listing Rules.

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

As at 31 December 2019, according to the register of substantial shareholders as required to be kept by the Company under Section 336 of the SFO, and to the best knowledge and belief of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

For the year ended 31 December 2019, there is no contract entered into by the Company relating to its management and administration or subsisting during the year which is substantial to the entire or any substantial part of the business of the Group.

CONNECTED TRANSACTIONS

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the year ended 31 December 2019.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2019 is contained in note 40 to the consolidated financial statements of this annual report. The related party transactions disclosed in note 40 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76(1), 14A.90 and 14A.95 of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

AUDITORS

Ernst & Young has acted as auditors of the Company and has audited the Company's financial statements for the year ended 31 December 2019. The Company has not changed its external auditors since its listing on 30 December 2013 and up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of Ernst & Young as the auditors of the Company.

On behalf of the Board

Wu Jing
Chairman and Executive Director

Hong Kong, 29 April 2020

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

OPINION

We have audited the consolidated financial statements of ArtGo Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 168 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets	
In accordance with IFRSs, the Group evaluates annually its non-current assets to determine whether there are any indications of impairment. If any indications exist, a formal estimate of the recoverable amount is performed based on the value in use or fair value less costs of disposal. The Group has material investments in non-current assets related to its mining, warehousing and logistics operations, including property, plant and equipment, right-of-use assets, mining rights, investment in associates, goodwill and payments in advance. Management performed the impairment assessment based on the discounted cash flow model on these non-current assets or the related cash-generating units. No impairment loss was recognised during the year. The assessment of impairment involved significant estimation uncertainty, subjective assumptions and application of significant judgement, in relation to recoverable reserves, commodity prices, the discount rate, budgeted gross margin and production volumes. The Group's disclosures about impairment assessment for the CGUs and non-current assets are included in notes 2.4, 3, 15 and 16 to the financial statements.	Our audit procedures to assess the impairment of non-current assets included the following: • We evaluated the assessment of impairment indicators of these non-current assets prepared by management; • We tested the impairment models selected for each CGU and class of assets by obtaining an understanding of the model methodology and comparing that to our understanding of the CGUs and assets; • We compared key market-derived estimates, including commodity prices and interest rates, against external data; • We compared key operational estimates in the models to source data and publicly available information where it existed; • We involved our internal valuation specialists to assist us in evaluating the impairment assessment models; and • We also assessed the related disclosures in the consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Recoverability of trade receivables	
The Group is exposed to credit risks on trade receivables. As at 31 December 2019, the Group's gross balance of trade receivables amounted to RMB206,750,000, of which RMB88,002,000 was past due. Management's estimate is required in assessing the expected credit losses ("ECL") in accordance with IFRS 9. ECL for trade receivables is based on management's estimate of lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customer's repayment history and an assessment of both current and forecast macro-economic conditions, all of which involve a significant degree of management estimate. Management has performed ECL analysis and concluded that an ECL allowance of RMB33,644,000 should be required as at 31 December 2019. The Group's disclosures about the impairment assessment for trade receivables are included in notes 2.4, 3, 20, 23 and 42 to the financial statements.	Our audit procedures included the following: • We assessed and tested the design and operating effectiveness of the controls over the credit approval process and impairment assessments, including the quality of underlying data and systems; • We checked the correctness of the ageing analysis of trade receivables by customer; • We selected samples of trade receivables and assessed management's assumptions used in the calculation of the ECL allowance by checking the overdue balances, the customers' historical payment patterns and bank receipts for the payments received subsequent to the year end. We also checked evidence for the latest progress in collecting the outstanding amounts and credit status of these significant debtors by reviewing correspondence with the debtors and by performing company search; • We assessed the appropriateness of ECL methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL; and • We assessed the adequacy of the disclosures regarding the ECL allowance for trade receivables and the Group's exposure to credit risk in the consolidated financial statements.

Key audit matter

Significant acquisitions

During the year ended 31 December 2019, the Group completed acquisitions of 100% equity interests in Kalong Holdings Limited, Good Benefit Holdings Limited and Genpex Investment Limited. We considered the audit of accounting treatment for these acquisitions to be a key audit matter as the accounting for these acquisitions was a complex and judgmental exercise, requiring the allocation of the purchase prices to the assets and liabilities acquired. These acquisitions also required management to determine the fair values of the assets acquired and liabilities assumed in these acquisitions. Management had engaged independent valuation experts to assist them in purchase price allocation and the valuation of the fair values of the acquired assets and assumed liabilities.

The Group's disclosures about these acquisitions are included in notes 2.4, 16, 34 and 35 to the financial statements.

How our audit addressed the key audit matter

The audit procedures regarding the acquisition accounting include the following:

- We reviewed the equity transfer agreements, articles of association and other documents in relation to the acquisitions to obtain an understanding of the transactions and the key terms;
- We tested the identification of assets and liabilities based on our understanding of the acquired businesses;
- We evaluated the accounting treatment applied to these acquisitions;
- We assessed the competence and relevant experience of experts engaged by management;
- We involved our internal specialist to assist us in reviewing the valuation methodologies used by management and external valuation experts in the fair value of the acquired assets and assumed liabilities;
- We evaluated the valuation assumptions such as discount and growth rates by comparing these assumptions to source data and market data;
- We evaluated the deferred taxes related to the business combinations;
- We evaluated the independence of respective vendors of these acquisitions; and
- We assessed the adequacy of the related disclosures in the consolidated financial statements on these acquisitions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong
29 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	4, 5	**273,723**	535,551
Cost of sales		**(222,284)**	(497,909)
Gross profit		**51,439**	37,642
Other income and gains	5	**10,905**	9,045
Selling and distribution expenses		**(4,265)**	(5,376)
Administrative expenses		**(58,017)**	(88,175)
Other expenses		**(8,070)**	(6,953)
Impairment loss on intangible assets	15	**–**	(517,954)
Impairment loss on goodwill	16	**–**	(19,179)
Impairment loss on trade receivables	20	**(6,725)**	(9,667)
Impairment loss on property, plant and equipment	12	**–**	(1,521)
Impairment loss on prepayments, other receivables and other assets	21	**(2,327)**	(881)
Finance costs	6	**(45,315)**	(39,865)
Share of losses of associates	17	**(12,907)**	(1,014)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(75,282)**	(643,898)
Income tax expense	9	**(11,370)**	(1,295)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(86,652)**	(645,193)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	23	**(4,087)**	(3,946)
LOSS FOR THE YEAR		**(90,739)**	(649,139)
Loss attributable to:			
Owners of the Company		**(90,164)**	(395,786)
Non-controlling interests		**(575)**	(253,353)
		(90,739)	(649,139)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	11		
— For loss for the year		**RMB(0.031)**	RMB(0.172)
— For loss from continuing operations		**RMB(0.030)**	RMB(0.170)

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**338,670**	235,105
Investment properties	13	**290,975**	90,267
Right-of-use assets	14	**272,557**	–
Prepaid land lease payments	14	**–**	350,017
Intangible assets	15	**657,612**	657,823
Prepayments, other receivables and other assets	21	**4,850**	13,280
Goodwill	16	**2,096**	–
Investments in associates	17	**363,139**	376,046
Payments in advance	18	**78,962**	90,237
Deferred tax assets	30	**4,848**	9,499
Restricted deposits	22	**3,721**	2,524
Total non-current assets		**2,017,430**	1,824,798
CURRENT ASSETS			
Inventories	19	**29,164**	54,019
Trade receivables	20	**172,929**	276,663
Prepayments, other receivables and other assets	21	**82,901**	45,154
Cash and bank balances	22	**84,765**	100,176
		369,759	476,012
Assets of a disposal group classified as held for sale	23	**104,321**	–
Total current assets		**474,080**	476,012
CURRENT LIABILITIES			
Trade and bills payables	24	**57,670**	82,648
Contract liabilities	25	**4,223**	5,925
Other payables and accruals	26	**79,380**	112,648
Tax payables		**23,297**	31,811
Lease liabilities	14	**3,110**	–
Interest-bearing bank and other borrowings	27	**211,575**	223,388
		379,255	456,420
Liabilities directly associated with the assets classified as held for sale	23	**11,539**	–
Total current liabilities		**390,794**	456,420
NET CURRENT ASSETS		**83,286**	19,592
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,100,716**	1,844,390

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**266,247**	184,250
Deferred tax liabilities	30	**2,895**	11,874
Deferred income	28	**4,850**	5,060
Lease liabilities	14	**3,436**	–
Provision for rehabilitation	29	**16,140**	15,143
Total non-current liabilities		**293,568**	216,327
Net assets		**1,807,148**	1,628,063
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**26,392**	22,768
Reserves	33	**1,687,257**	1,507,568
		1,713,649	1,530,336
Non-controlling interests		**93,499**	97,727
Total equity		**1,807,148**	1,628,063

Wu Jing
Director

Gu Weiwen
Director

	Attributable to owners of the Company										
	Issued capital RMB'000 (note 31)	**Share premium account** RMB'000 (note 33(a))	**Statutory surplus reserve** RMB'000 (note 33(b))	**Safety fund surplus reserve** RMB'000 (note 33(c))	**Share option reserve** RMB'000 (note 33(e))	**Difference arising from acquisition of non-controlling interests** RMB'000	**Contributed surplus** RMB'000 (note 33(d))	**Retained earnings/ (accumulated losses)** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2018	18,349	1,553,169*	27,012*	807*	1,000*	(19,048)*	26,636*	135,443*	1,743,368	317,414	2,060,782
Effect of adoption of IFRS 9	–	–	–	–	–	–	–	(6,146)	(6,146)	(47)	(6,193)
At 31 December 2017 and 1 January 2018 (restated)	18,349	1,553,169	27,012	807	1,000	(19,048)	26,636	129,297*	1,737,222	317,367	2,054,589
Loss and total comprehensive loss for the year	–	–	–	–	–	–	–	(395,786)	(395,786)	(253,353)	(649,139)
Issue of new shares	4,419	148,262	–	–	–	–	–	–	152,681	–	152,681
Transfer from reserves	–	–	96	–	–	–	–	(96)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	43	–	–	–	(43)	–	–	–
Utilisation of safety fund	–	–	–	(10)	–	–	–	10	–	–	–
Equity-settled share option arrangements (note 32)	–	–	–	–	36,219	–	–	–	36,219	–	36,219
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	(1,000)	–	–	1,000	–	–	–
Establishment of a subsidiary	–	–	–	–	–	–	–	–	–	60	60
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	–	–	33,653	33,653
At 31 December 2018 and 1 January 2019	**22,768**	**1,701,431***	**27,108***	**840***	**36,219***	**(19,048)***	**26,636***	**(265,618)***	**1,530,336**	**97,727**	**1,628,063**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(90,164)**	**(90,164)**	**(575)**	**(90,739)**
Transfer to reserves	**-**	**-**	**(889)**	**-**	**-**	**-**	**-**	**889**	**-**	**-**	**-**
Equity-settled share option arrangements (note 32)	**523**	**20,381**	**-**	**-**	**-**	**-**	**-**	**-**	**20,904**	**-**	**20,904**
Transfer of share option reserve upon the forfeiture or expiry of share options	**-**	**-**	**-**	**-**	**(6,666)**	**-**	**-**	**6,666**	**-**	**-**	**-**
Transfer of share option reserve upon the exercise of share options	**-**	**3,983**	**-**	**-**	**(3,983)**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of new shares for acquisition of subsidiaries (note 34 & note 35)	**3,101**	**249,472**	**-**	**-**	**-**	**-**	**-**	**-**	**252,573**	**-**	**252,573**
Disposal of subsidiaries (note 36)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,653)**	**(3,653)**
At 31 December 2019	**26,392**	**1,975,267***	**26,219***	**840***	**25,570***	**(19,048)***	**26,636***	**(348,227) ***	**1,713,649**	**93,499**	**1,807,148**

* These reserve accounts comprise the consolidated reserves of RMB1,687,257,000 (2018: RMB1,507,568,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(75,282)**	(643,898)
From a discontinued operation	23	**(4,385)**	(4,244)
Adjustments for:			
Depreciation of items of property, plant and equipment	12	**11,642**	12,045
Depreciation of investment properties	13	**5,592**	4,067
Depreciation of right-of-use assets	14	**12,100**	8,939
Amortisation of intangible assets	15	**211**	358
Share of losses of associates	17	**12,907**	1,014
Impairment loss on trade receivables	20	**6,725**	9,667
Impairment loss on prepayment, other receivables and other assets	21	**2,327**	881
Impairment loss on goodwill	16	**–**	19,179
Impairment loss on property, plant and equipment	12	**–**	1,521
Impairment loss on intangible assets	15	**–**	517,954
Deferred income released to profit or loss	28	**(210)**	(210)
Equity-settled share option expense	32	**–**	36,219
Finance costs	6	**45,315**	39,865
Unrealised foreign exchange losses, net		**1,882**	187
Loss on disposal of subsidiaries	7	**2**	–
Loss on disposal of items of property, plant and equipment, net	7	**78**	–
Gain on disposal of right-of-use assets	5	**(837)**	–
Bank interest income	5	**(395)**	(195)
		17,672	3,349
Decrease in trade receivables		**113,162**	140,586
Decrease in inventories		**18,348**	75,184
Decrease/(increase) in prepayments, other receivables and other assets		**(53,281)**	24,061
Decrease in trade and bills payables		**(21,106)**	(113,643)
Increase/(decrease) in other payables and accruals		**9,054**	(15,281)
Increase/(decrease) in contract liabilities		**(748)**	5,925
Cash from operations		**83,101**	120,181
Income tax paid		**(13,208)**	(270)
Interest paid		**(37,591)**	(34,614)
Interest received		**395**	195
Net cash flows from operating activities		**32,697**	85,492

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(126,736)**	(50,936)
Proceeds from disposal items of property, plant and equipment		**17,063**	–
Proceeds from disposal of right-of-use assets		**25,840**	–
Purchase of mining right		**(18,600)**	–
Acquisition of subsidiaries		**(11,227)**	1
Investment in an associate		**–**	(1,661)
Proceed from disposal of subsidiaries	36	**(739)**	–
Decrease in restricted deposits		**2,309**	1,165
Net cash flows used in investing activities		**(112,090)**	(51,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by a non-controlling shareholder		**–**	60
Proceeds from issue of shares	32	**20,904**	29,499
Repayment of a loan granted by a director		**(1,550)**	(1,348)
Principal portion of lease payments		**(1,911)**	–
Proceeds from bank and other borrowings		**108,879**	137,297
Repayment of bank and other borrowings		**(60,435)**	(128,562)
Net cash flows from financing activities		**65,887**	36,946
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(13,506)**	71,007
Cash and cash equivalents at beginning of the year		**100,176**	29,356
Effect of foreign exchange rate changes, net		**(1,882)**	(187)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**84,788**	100,176
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position			
— cash and bank balances	22	**84,765**	100,176
Cash and bank balances attributable to a discontinued operation	23	**23**	–
Cash and cash equivalents as stated in the statement of cash flows		**84,788**	100,176

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, the trading of commodities and cargo handling, warehousing, and logistics.

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

Information about subsidiaries

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Directly held:				
ArtGo Investment Limited 雅高投資有限公司 ("ArtGo Investment")	BVI 26 September 2011	US$1	100	Investment holding
Indirectly held:				
ArtGo (HK) Investment Group Limited 雅高(香港)投資集團有限公司 ("ArtGo HK")	Hong Kong 3 October 2011	HK$100	100	Investment holding
Huijin Stone (Xiamen) Co., Ltd. 匯金石(廈門)有限公司[(1)] ("Xiamen Huijin Stone")	PRC/Mainland China 19 October 2011	US$90,000,000	100	Retail and wholesale of decorating materials
ArtGo Stone (Jiangxi) Co., Ltd. 雅高石材(江西)有限公司[(1)] ("ArtGo Stone")	PRC/Mainland China 17 September 2013	US$18,000,000	100	Processing and sale of marble stones; and technical service of stone processing
ArtGo (Shanghai) Industrial Co., Ltd. 雅高(上海)實業有限公司[(1)] ("ArtGo Shanghai")	PRC/Mainland China 26 April 2016	HK$40,000,000	100	Retail and wholesale of decorating materials and chemical products
ArtGo (Xuyi) Co., Ltd. 雅高(盱眙)實業有限公司[(1)] ("ArtGo Xuyi")	PRC/Mainland China 1 July 2016	US$159,990,000	100	Cargo handling, wholesale, logistics and mineral processing

1. CORPORATE AND GROUP INFORMATION — *continued*

Information about subsidiaries — *continued*

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
ArtGo Junqi (Shanghai) Co., Ltd. 雅高珺奇(上海)實業有限公司[1] ("ArtGo Junqi")	PRC/Mainland China 22 November 2011	RMB100,000,000	100	Retail and wholesale of decorating materials and chemical products
Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. 江西省珏石(永豐)礦業有限公司[2] ("Jueshi Mining")	PRC/Mainland China 28 December 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
Jiangxi Jueshi (Ji'an) Mining Co., Ltd. 江西省珏石(吉安)礦業有限公司[2] ("Ji'an Mining")	PRC/Mainland China 21 January 2010	RMB140,000,000	100	Mining investment, mining planting projects and sale of decorating materials
Shanghai Yunyi Enterprise Management Co., Ltd. 上海韻義企業管理有限公司[2] ("Shanghai Yunyi")	PRC/Mainland China 10 October 2012	RMB80,000,000	100	Enterprise management and investment consulting
Guizhou County Dejiang SanXin Stone Co., Ltd. 貴州德江三鑫石材有限公司[2] ("SanXin Stone")	PRC/Mainland China 11 April 2014	RMB20,000,000	80	Mining exploration, processing and sale of marble stones
Shiny Goal Holdings Limited ("Shiny Goal") [3]	BVI 6 December 2016	HK$78,000	100	Investment holding
Jiangsu Taifeng Logistics Co., Ltd. 江蘇泰豐物流有限公司[2]/[3] ("Jiangsu Taifeng")	PRC/Mainland China 3 June 2011	RMB66,000,000	100	Cargo handling, warehousing, logistics, and sale of mineral products
Lichuan Lotus Construction Material Co., Ltd. 利川市荷花建材有限公司[2] ("Lotus Materials")	PRC/Mainland China 20 December 2012	RMB12,000,000	80	Mining exploration, processing and sale of marble stones
Kalong Holdings Limited ("Kalong Holdings")	BVI 18 December 2017	US$50,000	100	Investment holding
Jiangxi Keyue Technology Co., Ltd. 江西科越科技有限公司[1] ("Jiangxi Keyue")	PRC/Mainland China 19 September 2007	RMB50,000,000	100	Production and sale of calcium carbonate

1. CORPORATE AND GROUP INFORMATION — *continued*

Information about subsidiaries — *continued*

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

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company %	Principal activities
Good Benefit Holdings Limited ("Good Benefit")	BVI 21 July 2017	US$50,000	100	Investment holding
Shanghai Huanle Enterprise Management Co., Ltd. 上海奐樂企業管理有限公司(1) ("Shanghai Huanle")	PRC/Mainland China 30 April 2019	RMB10,000,000	100	Business management consulting
Genpex Investment Limited ("Genpex")	BVI 4 July 2005	US$50,000	100	Investment holding

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

(2) Jueshi Mining, Ji'an Mining, Shanghai Yunyi, SanXin Stone, Jiangsu Taifeng and Lotus Materials are registered as domestic enterprises under PRC law.

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

During the year, the Group acquired the entire equity interests in Kalong Holdings, Genpex and Good Benefit from independent third parties. Further details of the acquisition are included in notes 34 and 35 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 23. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

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

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

New definition of a lease

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

(a) — *continued*

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impacts on transition

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

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at cost, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at cost applying IAS 40.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

(a) — *continued*

Financial impact at 1 January 2019

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

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	370,098
Decrease in prepaid land lease payments	(358,956)
Decrease in prepayments, deposit and other receivables	(9,169)
Increase in total assets	1,973
Liabilities	
Increase in lease liabilities	1,973
Increase in total liabilities	1,973
Impact on accumulated losses	–

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

	RMB'000
Operating lease commitments as at 31 December 2018	2,025
Weighted average incremental borrowing rate as at 1 January 2019	5.94%
Discounted operating lease commitments at 1 January 2019	1,973
Lease liabilities as at 1 January 2019	1,973

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. The Group determined that no significant transfer pricing exits within the Group. Accordingly, the interpretation did not have any impact on the financial position or 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	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs — *continued*

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Business combinations and goodwill — *continued*

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *— continued*

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investment properties

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

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

Non-current assets and the disposal group held for sale

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

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

Intangible assets (other than goodwill)

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

Mining rights

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

Software

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	15 to 43 years
Office premises	3 to 5 years

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases (applicable from 1 January 2019) — *continued*

Group as a lessee — continued

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

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

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

Group as a lessor

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

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

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

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

General approach — continued

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial liabilities — *continued*

Subsequent measurement

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Provisions

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

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

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

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

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Income tax — *continued*

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Sale of goods

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

(b) Provision of warehousing and logistics services

Revenue from the provision of warehousing and logistics services is recognised over time when the relevant service has been provided to which the Group has the right to invoice.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Other income

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

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

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

Contract liabilities

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Share-based payments — *continued*

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

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

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

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

Other employee benefits

Pension schemes

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

Termination benefits

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

Housing fund

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Judgements

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

Determining the useful life of mining rights

The Group has mining rights which represent the rights for the mining of marble reserves at the Yongfeng, Zhangxi, Dejiang, Lichuan and Shangri-La mines which are located in Jiangxi, Guizhou, Hubei and Yunan Provinces, the PRC. The existing mining permits have been expired or will be expired in June 2020, July 2018, January 2019, August 2023 and March 2021 and those which have been expired are currently being renewed. The Group applies the judgement in evaluating whether or not to renew the mining permits, considering all relevant factors that create an economic incentive for it to renew. The Group includes the renewal period as part of the useful lives in mining rights due to the significance of these rights to its operations. As the mining permits have a very short remaining periods (0 to 3 years), there will be a significant negative effect on production if renewal of rights is not readily available.

Classification between investment properties and owner-occupied properties

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

Classification as a disposal group held for sale

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

3. SIGNIFICANT ACCOUNTING ESTIMATES — *continued*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB2,096,000 (2018: nil). Further details are given in note 16.

PRC corporate income tax ("PRC CIT")

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES — *continued*

Estimation uncertainty — *continued*

Mineral reserves

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

Deferred tax assets

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

Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which were discounted at a rate of 6.13% (2018: 6.13%) as at 31 December 2019 to reflect the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. Further details are given in note 29 to the financial statements.

Net realisable value of inventories

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

3. SIGNIFICANT ACCOUNTING ESTIMATES — *continued*

Estimation uncertainty — *continued*

Impairment of non-current assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets with definite lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2018: three) reportable continuing operating segments as follows:

(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, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement. Following a change in the composition of the Group's reporting segments, the Group has restated the operating segment information for the year ended 31 December 2018.

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

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

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

4. OPERATING SEGMENT INFORMATION — *continued*

Year ended 31 December 2019

	Marble products RMB'000	Commodity trading RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	90,865	182,858	273,723
Segment results	23,720	(928)	22,792
Reconciliation:			
Interest income			395
Foreign exchange loss, net			(689)
Finance costs (other than interest on lease liabilities)			(44,944)
Corporate and other unallocated expenses			(52,836)
Loss before tax			(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 (note 17)	12,907	–	12,907
Investments in associates (note 17)	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 including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION — *continued*

Year ended 31 December 2018

	Marble products RMB'000	Commodity trading RMB'000	Total RMB'000
SEGMENT REVENUE (note 5)	86,116	449,435	535,551
Segment results	(534,672)	(2,114)	(536,786)
Reconciliation:			
Interest income			195
Foreign exchange gain, net			667
Finance costs			(39,865)
Corporate and other unallocated expenses			(68,109)
Loss before tax			(643,898)
Segment assets	1,380,957	224,639	1,605,596
Reconciliation:			
Deferred tax assets			9,499
Cash and cash equivalents			100,176
Restricted deposits			2,524
Corporate and other unallocated assets			474,222
Assets related to a discontinued operation			108,793
Total assets			2,300,810
Segment liabilities	599,175	27,826	627,001
Reconciliation:			
Tax payable			31,811
Deferred tax liabilities			11,874
Liabilities related to a discontinued operation			2,061
Total liabilities			672,747
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the statement of profit or loss, net	528,456	1,465	529,921
Share of losses of associates (note 17)	1,014	–	1,014
Investments in associates (note 17)	376,046	–	376,046
Depreciation and amortisation	21,538	–	21,538
Capital expenditure*	122,097	–	122,097

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

4. OPERATING SEGMENT INFORMATION — *continued*

Geographical information

The following table sets out information about the geographical locations of external customers from which the Group's revenue is derived during the year. The geographical locations of the customers are determined based on the locations at which the goods were delivered.

	2019 RMB'000	2018 RMB'000
Domestic:		
Mainland China*	**273,723**	535,504
Overseas	**–**	47
	273,723	535,551

* Place of domicile of the Group's principal subsidiaries is Mainland China.

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

Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A	**–**	346,107
Customer B	**–**	55,217
Customer C	**52,791**	–
Customer D	**36,498**	–
Customer E	**34,557**	–
Customer F	**30,723**	–

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**273,723**	535,551

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Marble products RMB'000	Commodity trading RMB'000	Total RMB'000
Type of goods or services			
Sale of Marble products	**90,865**	**–**	**90,865**
Sale of Commodities	**–**	**182,858**	**182,858**
Total revenue from contracts with customers	**90,865**	**182,858**	**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 2019

Timing of revenue recognition	RMB'000
Goods transferred at a point in time	273,723

For the year ended 31 December 2018

Segments	Marble products RMB'000	Commodity trading RMB'000	Total RMB'000
Type of goods or services			
Sale of Marble products	86,116	–	86,116
Sale of Commodities	–	449,435	449,435
Total revenue from contracts with customers	86,116	449,435	535,551
Geographical markets			
Domestic* — Mainland China			535,504
Overseas			47
Total revenue from contracts with customers			535,551

* The place of domicile of the Group's principal operating subsidiaries is Mainland China.

Timing of revenue recognition	RMB'000
Goods transferred at a point in time	535,551

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

Revenue from contracts with customers — *continued*

(i) Disaggregated revenue information — continued

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:

	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**5,925**	8,459

(ii) Performance obligations

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

Sale of industrial products

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

At 31 December 2019, 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:

	2019 **RMB'000**	2018 RMB'000
Rental income (note 7)	**7,662**	7,662
Refund of value-added tax	**879**	–
Gain on disposal of right-of-use assets	**837**	–
Bank interest income (note 7)	**395**	195
Deferred income released to profit or loss (note 28)	**210**	210
Government grants*	**585**	256
Miscellaneous	**337**	55
Foreign exchange gain, net	**–**	667
Total other income and gains	**10,905**	9,045

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans	**17,890**	18,128
Interest on other borrowings	**25,981**	20,616
Unwinding of a discount for rehabilitation (note 29)	**997**	1,121
Interest on lease liabilities (note 14)	**371**	–
Others	**76**	–
	45,315	39,865

7. LOSS BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**222,284**	497,909
Employee benefit expense (including directors' and chief executive's remuneration set out in note 8):			
Wages and salaries		**13,502**	15,210
Equity-settled share option expense	32	**–**	36,139
Welfare and other benefits		**242**	324
Pension scheme contributions			
— Defined contribution fund		**1,328**	1,248
Housing fund			
— Defined contribution fund		**424**	524
Total employee benefit expense		**15,496**	53,445
Depreciation of items of property, plant and equipment	12	**9,203**	9,606
Depreciation of investment properties	13	**5,592**	4,067
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	14	**10,691**	7,530
Amortisation of intangible assets	15	**211**	358
Depreciation and amortisation expenses		**25,697**	21,561

7. LOSS BEFORE TAX — *continued*

	Notes	2019 RMB'000	2018 RMB'000
Impairment losses recognised in:			
Trade receivables	20	**6,725**	9,667
Intangible assets	15	**–**	517,954
Goodwill	16	**–**	19,179
Property, plant and equipment	12	**–**	1,521
Prepayments, other receivables and other assets	21	**2,327**	881
Total impairment losses recognised		**9,052**	549,202
Loss on disposal of subsidiaries	36	**2**	–
Loss on disposal of items of property plant and equipment, net		**78**	–
Lease payments not included in the measurement of lease liabilities		**2,697**	7,090
Auditor's remuneration		**3,300**	3,100
Foreign exchange loss/(gain), net		**689**	(667)
Rental income from an operating lease of investment properties	5	**(7,662)**	(7,662)
Bank interest income	5	**(395)**	(195)

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

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

	2019 RMB'000	2018 RMB'000
Fees	**582**	569
Other emoluments:		
Salaries, allowances and benefits in kind	**1,054**	1,107
Equity-settled share option expense	**–**	13,133
Pension scheme contributions	**100**	104
	1,154	14,344
	1,736	14,913

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

(a) Independent non-executive directors

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

	Fees RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2019			
Mr. Hui Yat On	**161**	**–**	**161**
Ms. Lung Yuet Kwan	**179**	**–**	**179**
Ms. Zhang Xiaohan	**107**	**–**	**107**
	447	**–**	**447**
2018			
Mr. Hui Yat On	158	145	303
Ms. Lung Yuet Kwan	175	145	320
Ms. Zhang Xiaohan	105	113	218
	438	403	841

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

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

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019					
Executive directors:					
Ms. Wu Jing	**–**	**537**	**16**	**–**	**553**
Mr. Gu Weiwen	**–**	**144**	**60**	**–**	**204**
Mr. Leung Ka Kit[(1)]	**–**	**251**	**13**	**–**	**264**
Mr. Zhang Jian	**–**	**122**	**11**	**–**	**133**
	–	**1,054**	**100**	**–**	**1,154**
Non-executive director:					
Mr. Gu Zengcai	**134**	**–**	**–**	**–**	**134**
	134	**1,054**	**100**	**–**	**1,288**
2018					
Executive directors:					
Ms. Wu Jing	–	526	16	3,603	4,145
Mr. Gu Weiwen	–	144	62	3,603	3,809
Mr. Leung Ka Kit[(1)]	–	315	16	3,603	3,934
Mr. Zhang Jian	–	122	10	1,776	1,908
	–	1,107	104	12,585	13,796
Non-executive director:					
Mr. Gu Zengcai	131	–	–	145	276
	131	1,107	104	12,730	14,072

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: nil).

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

(c) Five highest paid employees

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

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**1,981**	368
Equity-settled share option expense	**–**	6,452
Pension scheme contributions	**135**	47
	2,116	6,867

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**4**	–
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$4,000,000	**–**	2
	4	2

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the year.

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

The major components of income tax expense were as follows:

	2019 **RMB'000**	2018 RMB'000
Current — Mainland China		
Charge for the year	**6,877**	1,111
Deferred (note 30)	**4,493**	184
Total tax charge for the year from continuing operations	**11,370**	1,295
Total tax credit for the year from a discontinued operation (note 23)	**(298)**	(298)
	11,072	997

9. INCOME TAX — *continued*

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

	2019 RMB'000	2018 RMB'000
Loss before tax from continuing operations	**(75,282)**	(643,898)
Loss before tax from a discontinued operation (note 23)	**(4,385)**	(4,244)
	(79,667)	(648,142)
Tax at the respective statutory tax rates:		
— Mainland China subsidiaries, at 25%	**(15,295)**	(150,549)
— Mainland China subsidiaries, at 15%	**166**	–
— Hong Kong subsidiary, at 16.5%	**(3,233)**	(7,581)
Non-deductible expenses	**8,483**	2,659
Loss not subject to tax	**1,704**	142,424
Tax effect of additional tax deduction	**(253)**	–
Tax losses not recognised	**19,500**	14,044
Tax charge at the Group's effective rate	**11,072**	997
Tax charge from continuing operations at the effective rate	**11,370**	1,295
Tax credit from a discontinued operation at the effective rate (note 23)	**(298)**	(298)

10. DIVIDENDS

At a meeting of the board of directors held on 30 March 2020, the directors resolved not to declare any dividend to shareholders for the year ended 31 December 2019 (2018: nil).

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

The calculation of basic loss per share for the year ended 31 December 2019 is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,899,487,229 (2018: 2,304,045,205) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the loss per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 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 (note 35)	38,362	10,553	59	916	–	252	50,142
Assets included in a discontinued operation (note 23)	(12,826)	(27,348)	–	(150)	–	(1,889)	(42,213)
Disposal of subsidiaries (note 36)	(1,286)	(9,435)	(49)	(68)	–	–	(10,838)
Disposals	–	(755)	–	(558)	–	(16,763)	(18,076)
At 31 December 2019	55,365	54,302	10,561	13,251	13,236	249,082	395,797
Accumulated depreciation and impairment:							
At 1 January 2019	8,585	27,162	7,785	5,680	620	–	49,832
Provided for the year from continuing operations (note 7)	2,832	3,659	1,262	1,450	–	–	9,203
Provided for the year from a discontinued operation	323	2,075	27	14	–	–	2,439
Disposal of subsidiaries (note 36)	(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

12. PROPERTY, PLANT AND EQUIPMENT — *continued*

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
Cost:							
At 1 January 2018	27,382	78,782	9,457	12,497	16,314	23,310	167,742
Additions	–	207	1,826	–	–	117,059	119,092
Acquisition of a subsidiary (note 34)	214	1,304	3	537	–	–	2,058
Disposals	–	–	(877)	–	(3,078)	–	(3,955)
At 31 December 2018	27,596	80,293	10,409	13,034	13,236	140,369	284,937
Accumulated depreciation and impairment:							
At 1 January 2018	5,966	20,016	6,208	4,513	440	–	37,143
Provided for the year from continuing operations (note7)	2,194	3,652	2,427	1,153	180	–	9,606
Provided for the year from a discontinued operation	323	2,075	27	14	–	–	2,439
Disposals	–	–	(877)	–	–	–	(877)
Impairment recognised during the year (note 7)	102	1,419	–	–	–	–	1,521
At 31 December 2018	8,585	27,162	7,785	5,680	620	–	49,832
Net carrying amount:							
At 1 January 2018	21,416	58,766	3,249	7,984	15,874	23,310	130,599
At 31 December 2018	19,011	53,131	2,624	7,354	12,616	140,369	235,105

As at 31 December 2019, the Group's property, plant and equipment with a carrying amount of RMB35,575,000 (2018: RMB12,952,000) was pledged as security for certain other borrowings granted to the Group (note 27(a)).

13. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**90,267**	94,334
Additions from acquisitions (note 34)	**206,300**	–
Depreciation provided for the year (note 7)	**(5,592)**	(4,067)
Carrying amount at 31 December	**290,975**	90,267

The Group's investment properties consist of eight (2018: five) properties in Shanghai, of which five investment properties are leased to third parties under operating leases, and the remaining three are held for capital appreciation.

As at 31 December 2019, the total fair value of the investment properties was estimated to be approximately RMB300,423,000 (2018: RMB102,800,000). The valuation was performed by Sichuan Hengtai Real Estate Valuation Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and the occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 Fair Value Measurement.

As at 31 December 2019, the Group's investment properties with total carrying amount of RMB204,775,000 (2018: nil) were pledged to secure certain other borrowings granted to the Group (note 27(a)).

As at 31 December 2019, one of the Group's investment properties with a carrying amount of RMB65,924,000 was preserved by courts due to a litigation related to a subsidiary acquired by the Group during the year for breach of contract, which was signed before the acquisition (note 38).

14. LEASES

The Group as a lessee

The Group has lease contracts for offices and land use rights used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 15 to 43 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

	RMB'000
Carrying amount at 1 January 2018	367,895
Recognised in profit or loss during the year	(8,939)
Carrying amount at 31 December 2018	358,956
Current portion included in prepayments, deposits and other receivables (note 21)	(8,939)
Non-current portion	350,017

(b) *Right-of-use assets*

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

	Prepaid land lease payments RMB'000	**Office premises 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 (note 35)	**4,766**	**–**	**–**	**4,766**
New leases	**–**	**6,484**	**–**	**6,484**
Assets included in a discontinued operation (note 23)	**(61,403)**	**–**	**–**	**(61,403)**
Disposal	**(35,288)**	**–**	**–**	**(35,288)**
Depreciation charge from a discontinued operation	**(1,409)**	**–**	**–**	**(1,409)**
Depreciation charge from continuing operations (note 7)	**(6,999)**	**(2,743)**	**(949)**	**(10,691)**
As at 31 December 2019	**258,623**	**5,714**	**8,220**	**272,557**

As at 31 December 2019, the Group's right-of-use assets with a carrying amount of RMB259,858,000 (2018: RMB298,457,000) were pledged as security for certain bank and other borrowings granted to the Group (note 27(a)). The land use rights are held under medium lease terms.

14. LEASES — *continued*

The Group as a lessee — *continued*

(c) *Lease liabilities*

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

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

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2019 RMB'000
Interest on lease liabilities (note 6)	**371**
Depreciation charge of right-of-use assets (note 7)	**12,100**
Expense relating to short-term leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**502**
Expense relating to leases of low-value assets (included in administrative expenses)	**2,195**
Total amount recognised in profit or loss	**15,168**

The Group as a lessor

The Group leases its investment properties (note 13) consisting of properties in the PRC 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 RMB7,662,000 (2018: RMB7,662,000), details of which are included in note 5 to the financial statements.

As at 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**8,146**	7,886
After one year but within two years	**8,146**	8,146
After two years but within three years	**8,516**	8,146
After three years	**33,196**	41,712
	58,004	65,890

15. INTANGIBLE ASSETS

	Mining rights RMB'000	Software RMB'000	Total RMB'000
31 December 2019			
Cost:			
At 1 January 2019 and 31 December 2019	**662,459**	**2,006**	**664,465**
Accumulated amortisation and impairment:			
At 1 January 2019	**5,727**	**915**	**6,642**
Amortisation provided during the year (note 7)	**–**	**211**	**211**
At 31 December 2019	**5,727**	**1,126**	**6,853**
Net carrying amount:			
At 1 January 2019	**656,732**	**1,091**	**657,823**
At 31 December 2019	**656,732**	**880**	**657,612**
31 December 2018			
Cost:			
At 1 January 2018	1,026,703	2,006	1,028,709
Acquisition of a subsidiary (note 34)	165,466	–	165,466
Write-off	(529,710)	–	(529,710)
At 31 December 2018	662,459	2,006	664,465
Accumulated amortisation and impairment:			
At 1 January 2018	17,335	705	18,040
Amortisation provided during the year (note 7)	148	210	358
Impairment (note 7)	517,954	–	517,954
Write-off	(529,710)	–	(529,710)
At 31 December 2018	5,727	915	6,642
Net carrying amount:			
At 1 January 2018	1,009,368	1,301	1,010,669
At 31 December 2018	656,732	1,091	657,823

(a) As at 31 December 2019, the Group's mining rights of Zhangxi Mine and Lichuan Mine with a carrying amount of RMB282,093,000 (2018: Zhangxi Mine with a carrying amount of RMB116,627,000) were pledged as security for certain bank loans granted to the Group (note 27(a)).

15. INTANGIBLE ASSETS — *continued*

(b) Impairment

In accordance with the Group's accounting policies, each asset or cash-generating unit ("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 2019 (2018: RMB517,954,000).

16. GOODWILL

	RMB'000
At 1 January 2018:	
Cost	19,179
Impairment during the year (note 7)	(19,179)
At 31 December 2018	–
At 31 December 2018:	
Cost	19,179
Accumulated impairment	(19,179)
Net carrying amount	–
Cost at 1 January 2019, net of accumulated impairment	–
Business combination (note 35)	2,096
Cost and net carrying amount at 31 December 2019	2,096
At 31 December 2019:	
Cost	2,096
Accumulated impairment	–
Net carrying amount	2,096

16. GOODWILL — *continued*

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Jiangxi Keyue cash-generating unit ("CGU") for impairment testing.

The recoverable amount of the Jiangxi Keyue CGU as at 31 December 2019 has been determined based on a value-in-use calculation using cash flow projections based on the key assumptions as follows:

The recoverable amount of the Jiangxi Keyue CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a ten-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 ten-year period is 3%, 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.

17. INVESTMENTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**363,139**	376,046

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:

	2019 **RMB'000**	2018 RMB'000
Current assets	**3,032**	2,078
Non-current assets	**571,016**	571,056
Current liabilities	**(2,999)**	(1,965)
Net assets	**571,049**	571,169
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	**279,814**	279,873
Carrying amount of the investment	**279,814**	279,873

17. INVESTMENTS IN ASSOCIATES — *continued*

	2019 RMB'000	2018 RMB'000
Revenue	–	–
Loss and total comprehensive loss for the year	(120)	(260)
Dividend received	–	–

As at 31 December 2019, the Group's investments in associates with a carrying amount of RMB279,814,000 (2018: nil) were pledged as security for certain bank loans granted to the Group (note 27(a)).

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

	2019 RMB'000	2018 RMB'000
Share of associates' losses and total comprehensive loss for the year	(12,848)	(887)
Aggregate carrying amount of the Group's investments in associates	83,325	96,173

18. PAYMENTS IN ADVANCE

	2019 RMB'000	2018 RMB'000
In respect of the purchase of:		
Property, plant and equipment	78,962	90,237

The balance mainly represented prepayments paid to independent third parties for the purchase of property, plant and equipment and the construction of processing plants in Jiangxi and Guangxi Provinces, the PRC.

19. INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods	14,031	39,052
Work in progress	14,714	13,983
Materials and supplies	419	984
	29,164	54,019

20. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**206,573**	303,582
Impairment	**(33,644)**	(26,919)
	172,929	276,663

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

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

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**73,624**	269,069
1 to 3 months	**36,716**	4,461
3 to 6 months	**5,681**	3,133
6 to 12 months	**56,908**	–
	172,929	276,663

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

	2019 RMB'000	2018 RMB'000
At beginning of year	**26,919**	17,252
Impairment losses, net (note 7)	**6,725**	9,667
At end of year	**33,644**	26,919

20. TRADE RECEIVABLES — *continued*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2019

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

As at 31 December 2018

		Past due		
	Current	Less than 1 year	Over 1 year	Total
Expected credit loss rate	0.41%	100%	100%	
Gross carrying amount (RMB'000)	277,802	6,186	19,594	303,582
Expected credit losses (RMB'000)	1,139	6,186	19,594	26,919

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2019 RMB'000	2018 RMB'000
Current portion:			
Prepayments in respect of:			
— Processing fee		**2,296**	2,419
— Warehouse rental		**1,580**	1,580
— Lease of parcels of land	(a)	**–**	949
— Prepaid land lease payments to be amortised within one year (note 14)		**–**	8,939
— Purchase of materials and supplies		**1,106**	1,206
— Purchase of industrial goods		**19,458**	16,398
— Service fee		**1,839**	1,791
Deposits		**4,092**	3,196
Deductible input value-added tax		**3,035**	916
Consideration receivables for disposal of subsidiaries (note 36)	(d)	**36,593**	–
Performance security		**3,000**	3,000
Receivables under an operating lease		**12,296**	4,254
Other receivables		**814**	1,387
		86,109	46,035
Impairment allowance (note 7)	(c)	**(3,208)**	(881)
		82,901	45,154
Non-current portion:			
Prepayments in respect of			
— Lease of parcels of land	(a)	**–**	8,220
— Cultivated land compensation	(b)	**4,850**	5,060
		4,850	13,280

Notes:

(a) The balances represent prepayments made to villagers for the use of parcels of land for mining activities at the marble mines located in Yongfeng County, Jiangxi Province, the PRC ("Yongfeng Mine") and in Lichuan County, Hubei Province, the PRC ("Lichuan Mine"). As a result of the initial application of IFRS 16, the lease of parcels of land amounting to RMB9,169,000 previously included in "Prepayments, other receivables and other assets" was adjusted to the right-of-use assets recognised at 1 January 2019 (note 14).

(b) 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.

(c) An impairment loss of RMB2,327,000 (2018: RMB881,000) for financial assets in prepayments, other receivables and other assets was recognised during the year.

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 2019 ranged from 0.5% to 10% (2018: 0.5% to 10%).

(d) The balance represents cash consideration receivable from the disposal of subsidiaries, which was fully collected on April 2020.

22. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	2019	2018
	RMB'000	RMB'000
Cash on hand and cash at banks	**88,486**	102,700
Less:		
Restricted deposits:		
— Declaration of a scientific research project	**(3,506)**	–
— Environmental rehabilitation deposits	**(194)**	(2,524)
— Others	**(21)**	–
	84,765	100,176

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

	2019	2018
	RMB'000	RMB'000
RMB	**85,173**	101,590
HK$	**3,257**	1,029
US$	**56**	81
	88,486	102,700

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

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

23. DISCONTINUED OPERATION

The Disposal Group is mainly engaged in warehousing and logistics. Pursuant to the Company's investment committee resolution dated 12 December 2019, the Group has decided to dispose of the Disposal Group because it plans to focus the Group's resources on mining operations. Management has been in active discussions with potential buyers for the proposed disposal since December 2019. As at 31 December 2019, final negotiation for the disposal was in progress and the Disposal Group was classified as a disposal group held for sale. With the Disposal Group being classified as a discontinued operation, the warehousing logistics business is no longer included in note 4 for operating segment information.

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

	2019 **RMB'000**	2018 RMB'000
Revenue	**761**	1,241
Cost of sales	**(3,631)**	(3,602)
Gross loss	**(2,870)**	(2,361)
Other income and gains	**6**	147
Administrative expenses	**(1,451)**	(2,017)
Other expenses	**(70)**	(13)
Loss before tax from a discontinued operation	**(4,385)**	(4,244)
Income tax credit (note 9)	**(298)**	(298)
Loss for the year from a discontinued operation	**(4,087)**	(3,946)

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2019 are as follows:

	2019 **RMB'000**
Assets	
Right-of-use assets (note 14)	**61,403**
Property, plant and equipment (note 12)	**42,213**
Prepayments, other receivables and other assets	**505**
Trade receivables	**177**
Cash and bank balances	**23**
Assets classified as held for sale	**104,321**
Liabilities	
Deferred tax liabilities (note 30)	**(9,395)**
Other payables and accruals	**(1,863)**
Contract liabilities	**(235)**
Trade payables	**(46)**
Liabilities directly associated with the assets classified as held for sale	**(11,539)**
Net assets directly associated with the Disposal Group	**92,782**

23. DISCONTINUED OPERATION — *continued*

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

	2019 RMB'000	2018 RMB'000
Operating activities	**(110)**	85
Investing activities	**–**	–
Financing activities	**–**	–
Net cash inflow/(outflow)	**(110)**	85
Loss per share:		
— Basic and diluted from the discontinued operation	**RMB(0.001)**	RMB(0.002)

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

	2019	2018
Loss attributable to ordinary equity holders of the parent from the discontinued operation (RMB)	**RMB(4,087,000)**	RMB(3,946,000)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (note 11)	**2,899,487,229**	2,304,045,205

24. TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**57,670**	42,298
Bills payable	**–**	40,350
	57,670	82,648

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**4,178**	5,894
1 to 2 months	**6,866**	861
2 to 3 months	**1,277**	1,538
Over 3 months	**45,349**	74,355
	57,670	82,648

The trade payables are non-interest-bearing and are normally settled within three months after the Company obtains the invoices issued by the suppliers. Bills payable had maturity periods of six months.

25. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Sales of goods	**4,223**	5,925

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

26. OTHER PAYABLES AND ACCRUALS

	Note	2019 RMB'000	2018 RMB'000
Current portion:			
Payables relating to:			
Taxes other than income tax		**27,041**	26,149
Professional fees		**10,772**	9,709
Payroll and welfare		**6,281**	11,485
Purchase of property, plant and equipment		**5,148**	11,314
Mineral resources compensation fees		**4,480**	4,480
Security deposit		**1,886**	1,886
Distributors' earnest money		**1,745**	1,745
Rental fees		**808**	1,473
Employee reimbursement		**667**	529
Advertisement fees		**191**	191
Purchase of mining rights	(a)	**–**	18,600
Consideration payable for acquisition of subsidiaries (note 34)		**–**	11,432
Due to a director		**–**	1,550
Interest payables relating to:			
— Bank loans		**12,518**	5,987
— Purchase of mining rights	(a)	**3,707**	3,707
Others		**4,136**	2,411
		79,380	112,648

Note:

(a) The balances represented payables in connection with the purchase of mining rights to Yongfeng Mine. The payables were unsecured and bore interest 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. Final payment of mining rights fee was settled in January 2019.

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Bank loans:			
Secured and guaranteed	(a)	**167,276**	36,653
Secured	(a)	**14,240**	142,047
Guaranteed	(b)	**41,856**	4,188
		223,372	182,888
Effective interest rate per annum (%)		**5.66–12.00**	5,66–7.60
Other borrowings:			
Secured and guaranteed	(a)	**200,000**	220,000
Unsecured	(c)	**54,450**	4,750
		254,450	224,750
Effective interest rate per annum (%)		**5.00–27.00**	8.00–9.20
Analysed into:			
Bank loans repayable:			
Within one year		**23,240**	173,388
In the second year		**200,132**	9,500
		223,372	182,888
Other borrowings repayable:			
Within one year		**188,335**	50,000
In the second year		**58,665**	170,000
In the third to fifth years, inclusive		**7,450**	4,750
		254,450	224,750
Total bank and other borrowings		**477,822**	407,638
Portion classified as current liabilities		**(211,575)**	(223,388)
Non-current portion		**266,247**	184,250

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

Notes:

(a) The Group's bank loans and other borrowings of approximately RMB381,516,000 as at 31 December 2019 (2018: RMB398,700,000) were secured by certain assets with net carrying values as follows:

	Notes	2019 RMB'000	2018 RMB'000
Secured by:			
Property, plant and equipment	12	**35,575**	12,952
Investment properties	13	**204,775**	–
Prepaid land lease payments	14	**259,858**	298,457
Mining rights of Zhangxi Mine and Lichuan Mine (2018: Zhangxi Mine)	15	**282,093**	116,627
Investment in an associate	17	**279,814**	–
		1,062,115	428,036

The Group's secured bank loans and other borrowings of approximately RMB367,276,000 as at 31 December 2019 (31 December 2018: RMB256,652,000) were jointly guaranteed by the Company's director, Ms. Wu. Jing and her spouse, Mr. Leung Ka Kit.

(b) The Group's bank loans of approximately RMB9,188,000 as at 31 December 2019 (31 December 2018: RMB4,188,000) were guaranteed by independent third parties, Xiamen Siming Technique Financial Guarantee Co., Ltd. and Ji 'an Jiluling Financing Guarantee Co., LTD., with guarantee charges of RMB80,000 and RMB47,000, respectively.

The Group's bank loans of approximately RMB22,668,000 as at 31 December 2019 (31 December 2018: nil) were guaranteed by the director, Mr. Gu Weiwen, and management members, Mr. Jiang Shikui and Ms. Chen Jianping. Bank loans of RMB10,000,000 were guaranteed by Yongfeng Country Industrial Park Management Committee at nil consideration.

(c) The Group's other borrowings of approximately RMB54,450,000 as at 31 December 2019 (31 December 2018: RMB4,750,000) were borrowed from several independent third party individuals and bore interest at fixed rates ranging from 5% to 27% (2018: 8%) per annum.

28. DEFERRED INCOME

	RMB'000
Government grant	
At 1 January 2018	5,270
Released to profit or loss (note 5)	(210)
At 31 December 2018 and 1 January 2019	5,060
Released to profit or loss (note 5)	(210)
At 31 December 2019	4,850

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

29. PROVISION FOR REHABILITATION

	2019 RMB'000	2018 RMB'000
At the beginning of year	**15,143**	17,100
Unwinding of a discount (note 6)	**997**	1,121
Disposal	**–**	(3,078)
At the end of year	**16,140**	15,143

30. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for rehabilitation RMB'000	Depreciation over book value of fixed assets RMB'000	Accrued expenses RMB'000	Unrealised profits from inter-company transactions RMB'000	Impairment of trade receivables RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018	588	974	447	6,159	1,128	2,765	–	12,061
Deferred tax assets credited/ (charged) to profit or loss during the year (note 9)	(588)	280	29	911	(331)	–	–	301
At 31 December 2018 and 1 January 2019	–	1,254	476	7,070	797	2,765	–	12,362
Effect of adoption of IFRS 16	–	–	–	–	–	–	493	493
At 1 January 2019 (restated)	–	1,254	476	7,070	797	2,765	493	12,855
Disposal of subsidiaries (note 36)	–	–	–	–	–	(85)	–	(85)
Deferred tax assets credited/ (charged) to profit or loss during the year from continuing operations (note 9)	–	249	128	(5,192)	(133)	970	752	(3,226)
Deferred tax assets credited to profit or loss during the year from a discontinued operation (note 9)	–	–	–	–	–	–	183	183
At 31 December 2019	–	1,503	604	1,878	664	3,650	1,428	9,727

The Group has tax losses arising in Mainland China of RMB152,662,000 (2018: RMB74,662,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised

30. DEFERRED TAX — *continued*

Deferred tax liabilities

	Right-of-use assets	Fair value adjustment arising from business combination	Excess book value of mining rights over tax amortisation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	12,221	2,329	14,550
Deferred tax liabilities arising from business combination	–	–	–	–
Deferred tax charged/(credited) to profit or loss during the year (note 9)	–	(347)	534	187
At 31 December 2018 and 1 January 2019	–	11,874	2,863	14,737
Effect of adoption of IFRS 16	493	–	–	493
At 1 January 2019 (restated)	493	11,874	2,863	15,230
Deferred tax liabilities arising from business combination	–	787	–	787
Deferred tax charged/(credited) to profit or loss during the year from continuing operations (note 9)	752	(73)	588	1,267
Deferred tax charged/(credited) to profit or loss during the year from a discontinued operation (note 9)	183	(298)	–	(115)
At 31 December 2019	1,428	12,290	3,451	17,169

30. DEFERRED TAX — *continued*

Deferred tax liabilities — *continued*

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

	2019 RMB'000	2018 RMB'000
Gross deferred tax assets	**9,727**	12,362
Deferred tax liabilities	**(4,879)**	(2,863)
Net deferred tax assets	**4,848**	9,499
Gross deferred tax liabilities	**17,169**	14,737
Deferred tax assets	**(4,879)**	(2,863)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**12,290**	11,874
Net deferred tax liabilities included in the disposal group (note 23)	**9,395**	–
Net deferred tax liabilities in respect of continuing operations	**2,895**	11,874

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

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 December 2019, there was no unremitted earnings associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised (31 December 2018: nil).

31. SHARE CAPITAL

Shares

	2019 RMB'000	2018 RMB'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.01 each (2018: 5,000,000,000 ordinary shares of HK$0.01 each)	**39,953**	39,953
Issued and fully paid:		
3,156,827,729 ordinary shares of HK$0.01 each (2018: 2,752,041,551 ordinary shares of HK$0.01 each)	**26,392**	22,768

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 2019	2,752,041,551	22,768
Issue of new shares for acquisition of subsidiaries (note (a))	346,536,178	3,101
Share options exercised (note (b))	58,250,000	523
As at 31 December 2019	3,156,827,729	26,392

Notes:

(a) On 20 June 2019, 23 August 2019 and 29 August 2019, the Group allotted and issued an aggregate of 119,248,035, 63,131,313 and 164,156,830 new ordinary shares of the Company as the consideration for the acquisition of the entire interests in Genpex (note 34), Kalong Holdings (note 35) and Good Benefit (note 34), respectively. RMB3,101,000 was credited to the share capital account of the Company. Particulars of these acquisitions were set out in the Company's announcements dated 20 June 2019, 23 August 2019 and 29 August 2019, respectively.

(b) The subscription rights attaching to 58,250,000 share options were exercised at the subscription price of HK$0.399 per share (note 32), resulting in the issue of 58,250,000 shares for a total cash consideration of RMB20,904,000. An amount of RMB523,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

32. SHARE OPTION SCHEMES

On 9 December 2013, the Company has conditionally adopted a share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to full-time or part-time employees, executives, officers or directors (including independent non-executive directors). The Pre-IPO Share Option Scheme will remain in force for 42 months from the date of listing unless otherwise cancelled or amended. The final batch of 1,066,669 share options under the Pre-IPO Share Option Scheme expired without being exercised on 30 June 2018.

The Company also operated a new 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, the exercise period of the share options granted is determinable by the Directors 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 each respectively.

32. SHARE OPTION SCHEMES — *continued*

The following share options were outstanding during the year:

	Notes	Weighted average exercise price HK$ per share	Number of options
As at 1 January 2019	(a)	0.566	362,633,400
Exercised during the year	(b)	0.399	(58,250,000)
Expired during the year	(c)	0.854	(44,000,000)
As at 31 December 2019		0.555	260,383,400

Notes:

(a) The share options outstanding as at 1 January 2019 represented share options granted by the Company on 4 January and 30 October 2018 under the Share Option Scheme for a total of 133,333,400 and 229,300,000 shares with a nominal value of HK$0.01 each at exercise prices of HK$0.854 and HK$0.399, respectively.

(b) The weighted average share price at the date of exercise for share options exercised during the year was HK$0.399 per share (2018: No share options were exercised).

(c) 44,000,000 share options expired without being exercised in 2019 (2018: 1,066,669 share options expired without being exercised on 30 June 2018).

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		

32. SHARE OPTION SCHEMES — *continued*

2018:

Number of options	Exercise price per share HK$	Exercise period
133,333,400	0.854	From 4 January 2018 to 3 January 2020
229,300,000	0.399	From 30 October 2018 to 29 October 2020
362,633,400		

The Group had 260,383,400 share options exercisable as at 31 December 2019 (31 December 2018: 362,633,400). No share option expense was recognised during the year ended 31 December 2019 (2018: a share option expense of HK$42,336,000, equivalent to approximately RMB36,219,000, was recognised).

The fair values of equity-settled share options granted were estimated and valued by independent professional valuers as at the dates of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

	Equity-settled share options granted on	
	4 January 2018	30 October 2018
Expected volatility (%)	54.41	53.97
Risk-free interest rate (%)	1.36	2.15

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 260,383,400 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 260,383,400 additional ordinary shares of the Company and additional share capital of HK$2,604,000 and share premium of HK$141,936,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 171,050,000 share options outstanding under the Share Option Scheme, which represented approximately 5.4% of the Company's shares in issue as at that date.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 79 of the financial statements.

(a) Share premium

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

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of their profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

According to the articles of association of subsidiaries located in Mainland China, the subsidiaries are required to allocate 10% of its profit after tax in accordance with PRC GAAP to the SSR.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. It can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Safety fund surplus reserve

Pursuant to a notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of marble blocks extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(d) Contributed surplus

The contributed surplus as at the end of the reporting period represents (i) the aggregate amount of RMB33,636,000 of the considerations paid to the former shareholders of Jueshi Mining by Mr. Liu Chuanjia to acquire Jueshi Mining, and (ii) after netting off the distribution to Mr. Liu by the Group on the acquisition of the entire equity interest in Jueshi Mining as part of the Reorganisation with the consideration of RMB7,000,000.

(e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2019

(a) *Acquisition of Genpex*

On 20 June 2019, the Group acquired 100% equity interests in Genpex from Mr. Zhang Yuan, an independent individual and the then sole owner of Genpex, which is principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 119,248,035 new ordinary shares of the Company at the issue price of HK$0.81 (note 31), amounting to HK$96,591,000 (equivalent to approximately RMB85,000,000) in aggregate.

Particulars of the acquisition of Genpex were set out in the Company's announcements dated 3, 10 and 20 June 2019.

(b) *Acquisition of Good Benefit*

On 29 August 2019, the Group acquired 100% equity interests in Good Benefit from Mr. Zhou Cheng Jiu, an independent individual and the then sole owner of Good Benefit. Good Benefit and its subsidiaries (together, "Good Benefit Group") are principally engaged in property investment. The purchase consideration was in the form of the allotment and issue of 164,156,830 new ordinary shares of the Company at the issue price of HK$0.81 per share (note 31), amounting to HK$132,967,000 (equivalent to approximately RMB121,000,000) in aggregate.

Particulars of the acquisition of the entire equity interests in Good Benefit were set out in the Company's announcements dated 3 and 13 June 2019 and 29 August 2019.

The acquisition of Genpex and Good Benefit Group have been accounted for as asset acquisitions, as these acquisitions did not have all required attributes of a business. The identified assets as at the respective dates of acquisitions are as follows:

2019	Genpex RMB'000	Good Benefit Group RMB'000	Total RMB'000
Investment properties (note 13)	**85,064**	**121,236**	**206,300**
Total identifiable net assets at fair value	**85,064**	**121,236**	**206,300**
Satisfied by the Company's shares	**85,064**	**121,236**	**206,300**

34. ACQUISITION OF SUBSIDIARIES — *continued*

For the year ended 31 December 2018

Acquisition of Vigoroso Holdings:

On 19 December 2018, the Group acquired 100% equity interests in Vigoroso Holdings from Mr. Chen Yuhong, an independent individual and the then sole owner of Vigoroso Holdings. Vigoroso Holdings indirectly owns 80% equity interests in Lotus Materials, which holds the mining permit to a marble mine located at Shaxi County, Lichuan, Hubei Province, with an area of approximately 1.4565 square kilometres, which will expire on 22 August 2023. Vigoroso Holdings and its subsidiaries (together, "Vigoroso Group") are principally engaged in mining exploration of marble products.

The purchase consideration was in the form of cash amounting to RMB11,432,000 and the allotment and issue of 458,666,666 ordinary shares by the Company at HK$0.305 per share at the acquisition date, amounting to HK$139,893,000 (equivalent to approximately RMB123,182,000) in aggregate. The acquisition was completed on 19 December 2018.

Particulars of the acquisition of the entire equity interests in Vigoroso Holdings were set out in the Company's announcements dated 29 August 2018 and 19 December 2018.

The acquisition of Vigoroso Group has been accounted for as an asset acquisition, as the acquisition did not have all required attributes of a business. The identified assets and liabilities as at the date of acquisition are as follows:

2018	RMB'000
Property, plant and equipment (note 12)	2,058
Prepayment in respect of lease of parcels of land	1,302
Mining rights (note 15)	165,466
Cash and bank balances	1
Other payables	(560)
Non-controlling interests	(33,653)
Total identifiable net assets at fair value	134,614
Satisfied by cash	11,432
Satisfied by shares	123,182
	134,614

34. ACQUISITION OF SUBSIDIARIES — *continued*

For the year ended 31 December 2018 — *continued*

An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Total cash consideration	(11,432)
Less: Cash and cash equivalents acquired	1
Cash consideration payable (note 26)	11,432
Net cash inflow from the acquisition of a subsidiary	1

35. BUSINESS COMBINATION

On 23 August 2019, the Group acquired 100% interest in Kalong Holdings from Mrs. Jiang Meiqin, an independent individual and the then sole owner of Kalong Holdings. Kalong Holdings indirectly owns 100% equity interests in Jiangxi Keyue, which is principally engaged in the business of processing and sales of calcium carbonate and other mineral products. The acquisition was made as part of the Group's strategy to extend its industrial chain, expand its business portfolio with a view to enhance its financial performance. The purchase consideration for the acquisition was satisfied by the allotment and issue of 63,131,313 consideration shares at the issue price of HK$0.81 per share (note 31) by the Company. The acquisition has been completed on 23 August 2019.

Particulars of the acquisition of the entire equity interests in Kalong Holdings were set out in the Company's announcements dated 2 July 2019 and 23 August 2019.

35. BUSINESS COMBINATION — *continued*

The fair values of the identifiable assets and liabilities of Kalong Holdings and its subsidiaries (together, "Kalong Group") as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Cash and bank balances	205
Restricted deposits	3,506
Trade receivables	19,280
Prepayments, other receivables	10,902
Right of use assets (note 14)	4,766
Property, plant and equipment (note 12)	50,142
Inventories	946
Deferred tax liabilities	(787)
Interest-bearing bank borrowings	(31,240)
Trade payables	(6,111)
Contract liabilities	(1,747)
Tax payable	(227)
Interest payable	(220)
Other payables and accruals	(5,238)
Total identifiable net assets at fair value	44,177
Goodwill on acquisition (note 16)	2,096
Satisfied by shares	46,273

An analysis of the cash flow in respect of the business combination is as follows:

	Fair value recognised on acquisition RMB'000
Cash and cash equivalents acquired	205
Net cash inflow from the acquisition of subsidiaries	205

Since the acquisition, Kalong Group contributed RMB13,107,000 to the Group's revenue and recorded RMB1,107,000 profit in the consolidated results for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2019 would have been increased by RMB39,321,000 and RMB3,320,000, respectively.

36. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Evoke Investment Limited

During 2019, the Group disposed of 100% equity interests in Evoke Investment Limited and its subsidiaries (collectively referred to as the "Disposed Subsidiaries") to an independent individual for an aggregate cash considerations of RMB3,800,000. The Disposed Subsidiaries were primarily engaged in mining exploration of marble products.

Net assets disposed of:

	RMB'000
Cash and bank balances	723
Trade receivables	2,950
Prepayments, other receivables and other assets	26,867
Inventories	7,453
Property, plant and equipment (note 12)	7,426
Deferred tax asset (note 30)	85
Trade payables	(9,937)
Other payables and accruals	(13,536)
Contract liabilities	(2,466)
Tax payables	(2,194)
Interest payables	(416)
Interest-bearing bank borrowings	(9,500)
Non-controlling interests	(3,653)
Total identifiable net assets	3,802
Loss on disposal of subsidiaries (note 7)	(2)
Satisfied by cash	3,800

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

	RMB'000
Cash consideration	3,800
Less: cash and cash equivalents disposed	(723)
cash consideration receivable (note 21)	(3,800)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(723)

36. DISPOSAL OF SUBSIDIARIES — *continued*

(b) Disposal of ArtGo (Jiangsu) Technique Industrial Co., Ltd. ("ArtGo Jiangsu")

On 27 December 2019, the Group disposed of 100% equity interests in ArtGo Jiangsu to an independent individual for an aggregate cash considerations of RMB32,793,000. ArtGo Jiangsu was primarily engaged in wholesale of decorating materials and chemical products.

Net assets disposed of:

	RMB'000
Restricted deposits	16
Prepayments, other receivables and other assets	33,937
Other payables and accruals	(944)
Tax payables	(216)
Total identifiable net assets	32,793
Loss/(gain) on the disposal	–
Satisfied by cash	32,793

An analysis of the net outflow of restricted deposits in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash consideration	32,793
Less: restricted deposits disposed	(16)
cash consideration receivable (note 21)	(32,793)
Net outflow of restricted deposits in respect of the disposal of the subsidiary	(16)

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest payables RMB'000	Bank and other borrowings RMB'000	Amount due to a director RMB'000	Lease liabilities RMB'000
At 1 January 2019	**9,694**	**407,638**	**1,550**	**–**
Effect of adoption of IFRS 16	**–**	**–**	**–**	**1,973**
At 1 January 2019 (restated)	**9,694**	**407,638**	**1,550**	**1,973**
Changes from financing cash flows	**(37,591)**	**48,444**	**(1,550)**	**(1,911)**
Non-cash changes:				
Increase arising from acquisition of subsidiaries	**220**	**31,240**	**–**	**–**
Disposal of subsidiaries	**(416)**	**(9,500)**	**–**	**–**
New leases	**–**	**–**	**–**	**6,484**
Interest paid classified as operating cash flow	**–**	**–**	**–**	**(371)**
Interest expenses	**44,318**	**–**	**–**	**371**
At 31 December 2019	**16,225**	**477,822**	**–**	**6,546**

	Interest payables RMB'000	Bank and other borrowings RMB'000	Amount due to a director RMB'000	Lease liabilities RMB'000
At 1 January 2018	5,564	398,903	2,898	–
Changes from financing cash flows	(34,614)	8,735	(1,348)	–
Non-cash changes:				
Interest expense	38,744	–	–	–
At 31 December 2018	9,694	407,638	1,550	–

38. 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.

A subsidiary acquired by the Group during the year is currently a defendant in a lawsuit alleging that the subsidiary breached and repudiated a contract to purchase a residential property. The contract was signed by the subsidiary before its acquisition by the Group.

The directors, based on the advice from the Group's external PRC legal counsel, believe that the subsidiary has valid defences against the allegation and the subsidiary has been indemnified against the lawsuit from the then owner of the subsidiary and, accordingly, has not provided for any loss arising from the unsettled litigation. The contingencies will not have material impact on financial position and operations of the Group.

39. COMMITMENTS

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

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
— Plant and equipment	**95,938**	152,959

40. RELATED PARTY TRANSACTIONS

(a) As at 31 December 2019, the Group had obtained bank and other borrowings aggregated to RMB367,276,000 (2018: RMB256,652,000), which were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit with nil consideration.

As at 31 December 2019, bank loans of RMB22,668,000 (2018: nil) were guaranteed by the director Mr. Gu Wei Wen and Mr. Jiang Shi Kui and Chen Jianping with nil consideration.

(b) Outstanding balance with a director

The Group had no outstanding balance due to Ms. Wu Jing as at the end of the reporting period (31 December 2018: RMB1,550,000).

(c) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Basic salaries and other benefits	**4,707**	4,210
Equity-settled share option expense	**–**	21,854
Pension scheme contributions	**333**	221
Total compensation paid to key management personnel	**5,040**	26,285

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

2019

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	172,929
Financial assets included in prepayments, other receivables and other assets	53,587
Restricted deposits	3,721
Cash and cash equivalents	84,765
	315,002

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	57,670
Lease liabilities	6,546
Financial liabilities included in other payables and accruals	29,833
Interest-bearing bank and other loans	477,822
	571,871

41. FINANCIAL INSTRUMENTS BY CATEGORY — *continued*

2018

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	276,663
Financial assets included in prepayments, other receivables and other assets	11,837
Restricted deposits	2,524
Cash and cash equivalents	100,176
	391,200

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	82,648
Financial liabilities included in other payables and accruals	65,320
Interest-bearing bank and other loans	407,638
	555,606

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Credit risk

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

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

As disclosed in note 4, the Group sells most of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by offering a three to four-month credit term to its customers for the sale of self-produced products given the continuing downturn market conditions and a three-month credit term to its trading customers. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. In the trading sector, the Group has relatively weak bargaining power regarding sales price and terms of payment as its customers are generally large operators. During the year, the Group generated its revenue mainly from the sales of commodities to the trading customers that purchase the Group's products and resell them to other customers. The Group also generated revenue from sales of self-produced products to other customers. In this regard, the Group is exposed to the concentration of credit risk in the marble and trading industries. The Group maintains strict control over its outstanding receivables and senior management regularly reviews the overdue balances, in addition, the finance department and the sales department confirm the balances of trade receivables every month with customers. In respect of the credit quality of customers, the Group has adopted and will continue to implement a customer appraisal program to review its receivables, assess each customer's credibility and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that credit risk is significantly reduced.

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

Credit risk — *continued*

Maximum exposure and year-end staging as at 31 December 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Life time ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	206,573	206,573
Financial assets included in prepayments, other receivables and other assets*					
— Normal**	3,000	–	–	–	3,000
— Doubtful**	–	52,440	1,355	–	53,795
Restricted deposits					
— Not yet past due	3,721	–	–	–	3,721
Cash and cash equivalents					
— Not yet past due	84,765	–	–	–	84,765
	91,486	52,440	1,355	206,573	351,854

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

Credit risk — *continued*

Maximum exposure and year-end staging as at 31 December 2019 — continued

As at 31 December 2018

	12-month ECLs	Life time ECLs				
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	276,663	276,663
Financial assets included in prepayments, other receivables and other assets*					
— Normal**	10,956	–	–	–	10,956
— Doubtful**	–	–	881	–	881
Restricted deposits					
— Not yet past due	2,524	–	–	–	2,524
Cash and cash equivalents					
— Not yet past due	100,176	–	–	–	100,176
	113,656	–	881	276,663	391,200

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

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

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

Liquidity risk

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

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

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

	31 December 2019				
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 4 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**51,871**	**397,614**	**71,703**	**521,188**
Trade and bills payables	**48,976**	**8,694**	**–**	**–**	**57,670**
Lease liabilities	**–**	**974**	**2,431**	**3,600**	**7,005**
Other payables and accruals	**21,941**	**5,148**	**2,744**	**–**	**29,833**
	70,917	**66,687**	**402,789**	**75,303**	**615,696**

	31 December 2018				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 4 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	5,987	8,149	241,674	197,811	453,621
Trade and bills payables	74,355	8,293	–	–	82,648
Other payables and accruals	50,492	12,175	2,653	–	65,320
	130,834	28,617	244,327	197,811	601,589

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank and other borrowings. The interest rates and terms of repayment of interest-bearing bank and other borrowing are disclosed in note 27.

Capital management

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

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

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

43. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 23).

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

44. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the epidemic outbreak of COVID-19 has caused disruptions to the Group's business operations, as the Group's business are located in different provinces in the PRC including Hubei Province where COVID-19 was firstly detected, and emergency public health measures and various actions have been in place to prevent the spread of COVID-19, including the restriction on the workplace and homeplace quarantine when employees returned to work from their hometowns. The Group will continue to perform its risk assessment and monitor the situation closely until COVID-19 is gradually contained. While the circumstances of COVID-19 are evolving rapidly, an estimate of its financial impact to the Group up to the approval of the financial statements may not be appropriate as it may be subject to material changes.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,997,086**	1,744,513
CURRENT ASSETS		
Prepayments, other receivables and other assets	**319**	–
Cash at banks	**692**	1
Total current assets	**1,011**	1
CURRENT LIABILITIES		
Other borrowings	**18,335**	–
Other payables and accruals	**8,594**	5,755
Due to subsidiaries	**–**	70,070
Total current liabilities	**26,929**	75,825
NET CURRENT LIABILITIES	**(25,918)**	(75,824)
NON-CURRENT LIABILITIES		
Other borrowings	**28,666**	–
Total non-current liabilities	**(28,666)**	–
Net assets	**1,942,502**	1,668,689
EQUITY		
Issued capital	**26,392**	22,768
Reserves	**1,916,110**	1,645,921
Total equity	**1,942,502**	1,668,689

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Note:

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

	Notes	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018		1,329,293	223,876	1,000	(77,401)	1,476,768
Issue of new shares		148,262	–	–	–	148,262
Equity-settled share option arrangements	32	–	–	36,219	–	36,219
Total comprehensive loss for the year		–	–	–	(15,328)	(15,328)
Transfer of share option reserve upon the expiry of share options		–	–	(1,000)	1,000	–
At 31 December 2018 and 1 January 2019		1,477,555	223,876	36,219	(91,729)	1,645,921
Acquisition of subsidiaries		249,472	–	–	–	249,472
Equity-settled share option arrangements	32	20,381	–	–	–	20,381
Total comprehensive income for the year		–	–	–	336	336
Transfer of share option reserve upon the expiry of share options		–	–	(6,666)	6,666	–
Transfer of share option reserve upon the exercise of share options		3,983	–	(3,983)	–	–
At 31 December 2019		1,751,391	223,876	25,570	(84,727)	1,916,110

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 April 2020.

A summary of the results, assets and liabilities of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 as extracted from the published audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**274,484**	536,792	1,271,058	1,059,457	332,217
Cost of sales	**(225,915)**	(501,511)	(1,195,094)	(961,235)	(154,448)
Gross profit	**48,569**	35,281	75,964	98,222	177,769
Other income and gains	**10,911**	9,192	25,139	15,695	23,632
Selling and distribution expenses	**(4,265)**	(5,376)	(11,835)	(24,683)	(34,861)
Administrative expenses	**(59,468)**	(90,192)	(46,155)	(35,407)	(42,715)
Other expenses	**(8,140)**	(6,966)	(7,530)	(19,861)	(6,586)
Impairment losses	**(9,052)**	(549,202)	–	–	–
Finance cost	**(45,315)**	(39,865)	(18,963)	(24,317)	(16,606)
Share of losses of associates	**(12,907)**	(1,014)	(151)	–	–
PROFIT/(LOSS) BEFORE TAX	**(79,667)**	(648,142)	16,469	9,649	100,633
Income tax expense	**(11,072)**	(997)	(8,660)	(10,195)	(25,226)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(90,739)**	(649,139)	7,809	(546)	75,407
ATTRIBUTABLE TO:					
Owners of the Company	**(90,164)**	(395,786)	8,450	(546)	75,407
Non-controlling interests	**(575)**	(253,353)	(641)	–	–
	(90,739)	(649,139)	7,809	(546)	75,407
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:					
Basic and diluted (RMB cent per share)	**(3.1)**	(17.2)	0.4	0.00	6.00

SUMMARY OF FINANCIAL INFORMATION

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,017,430**	1,824,798	2,171,240	1,701,978	296,763
Current assets	**474,080**	476,012	661,730	576,455	1,189,027
Non-current liabilities	**293,568**	216,327	259,096	26,032	29,805
Current liabilities	**390,794**	456,420	513,092	455,831	410,361
Total equity	**1,807,148**	1,628,063	2,060,782	1,796,570	1,045,624
Non-controlling interests	**93,499**	97,727	317,414	318,055	–
Equity attributable to owners of the Company	**1,713,649**	1,530,336	1,743,368	1,478,515	1,045,624