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ARTGO HOLDINGS LIMITED

雅高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3313)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS HIGHLIGHTS

For the year ended 31 December 2021:

- The revenue of the Group amounted to approximately RMB88.0 million (2020: approximately RMB73.9 million), representing an increase of 19.1% or approximately RMB14.1 million.
- The loss before tax of the Group amounted to approximately RMB416.2 million (2020: approximately RMB232.4 million), representing an increase in loss of approximately RMB183.8 million.
- The Group's net loss amounted to approximately RMB417.9 million (2020: approximately RMB230.4 million).
- The basic and diluted loss per share attributable to ordinary equity holders of the Company amounted to RMB9.8 cent (2020: basic and diluted loss per share of approximately RMB6.5 cent).

The board (the "Board") of directors (the "Directors") of ArtGo Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021. The Company's unaudited annual results for 2021 have been reviewed by the audit committee of the Company (the "Audit Committee") and have been approved by the Board on 31 March 2022.

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited) (Represented)
REVENUE	3, 4	87,976	73,891
Cost of sales		<u>(66,068)</u>	<u>(60,548)</u>
Gross profit		21,908	13,343
Other income and gains	4	22,369	20,838
Selling and distribution expenses		(2,516)	(2,940)
Administrative expenses		(61,592)	(55,017)
Impairment loss on trade and bills receivables	6	(9,073)	(21,289)
Impairment loss on prepayments, other receivables and other assets	6	(1,585)	(1,277)
Impairment loss on goodwill	6	–	(2,096)
Impairment loss on investment properties	6	(8,915)	(36,667)
Impairment loss on property, plant and equipment	6	(4,350)	(22,900)
Impairment loss on right-of-use assets	6	–	(15,195)
Other expenses		(4,753)	(12,285)
Loss on disposal of subsidiaries	6	(3,749)	–
Finance costs	5	(45,777)	(55,891)
Share of losses of associates	14	(318,174)	(41,044)
LOSS BEFORE TAX	6	(416,207)	(232,420)
Income tax (expense)/credit	7	(1,686)	2,024
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(417,893)	(230,396)
Attributable to:			
Owners of the parent		(417,778)	(230,236)
Non-controlling interests		(115)	(160)
		(417,893)	(230,396)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
— Basic and diluted	9	RMB(0.098)	RMB(0.065)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	452,379	411,926
Investment properties	11	21,323	247,478
Right-of-use assets	12	289,107	284,844
Intangible assets	13	662,325	662,550
Investments in associates	14	93,941	322,095
Payments in advance	15	–	22,621
Prepayments, other receivables and other assets	18	4,430	4,641
Deferred tax assets		924	6,694
Restricted deposits	19	561	146
		<hr/>	<hr/>
Total non-current assets		1,524,990	1,962,995
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories	16	59,855	57,193
Trade and bills receivables	17	26,424	60,641
Prepayments, other receivables and other assets	18	89,598	69,918
Cash and bank balances	19	37,984	19,761
		<hr/>	<hr/>
		213,861	207,513
Assets of a disposal group classified as held for sale	20	–	80,221
		<hr/>	<hr/>
Total current assets		213,861	287,734
		<hr/>	<hr/>

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	21	16,380	35,074
Contract liabilities	22	2,571	6,116
Other payables and accruals	23	117,273	90,617
Tax payables		21,328	23,042
Lease liabilities	12	1,117	5,150
Interest-bearing bank and other borrowings	24	23,880	33,867
		182,549	193,866
Liabilities of a disposal group classified as held for sale	20	–	4,315
Total current liabilities		182,549	198,181
NET CURRENT ASSETS		31,312	89,553
TOTAL ASSETS LESS CURRENT LIABILITIES		1,556,302	2,052,548
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	261,340	350,873
Deferred tax liabilities		8,291	8,081
Deferred income	25	4,429	4,640
Lease liabilities	12	772	23,149
Provision for rehabilitation	26	18,237	17,157
Total non-current liabilities		293,069	403,900
Net assets		1,263,233	1,648,648
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	37,063	34,274
Reserves		1,132,946	1,521,035
		1,170,009	1,555,309
Non-controlling interests		93,224	93,339
Total equity		1,263,233	1,648,648

NOTES

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These unaudited consolidated 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 Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for certain properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. The disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell. These unaudited consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 APPLICATION OF AMENDMENTS TO IFRS

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the unaudited consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 *Leases* (“IFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

2.3 NEW AND AMENDMENTS TO IFRSS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	<i>Insurance Contracts and the related Amendments</i> ²
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to IAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> ¹
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ¹
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2018–2020</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the unaudited consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the “Conceptual Framework”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to the business combinations for which the date of acquisition is on or after 1 January 2022.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to IFRSs *Annual Improvements to IFRSs 2018–2020*

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (2020: two) reportable continuing operating segments as below:

- (a) the marble products segment produces marble products and calcium carbonate products mainly for further processing or trading; and
- (b) the other segment engaged in the business of trading of commodities, cargo handling, warehousing and logistics.

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

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

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

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

Year ended 31 December 2021

	Marble products RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT REVENUE (<i>note 4</i>)	86,314	1,662	87,976
Segment results	(12,530)	(5,380)	(17,910)
<i>Reconciliation:</i>			
Interest income			43
Foreign exchange loss, net			(154)
Finance costs (other than interest on lease liabilities)			(45,529)
Corporate and other unallocated expenses			(352,657)
Loss before tax from continuing operations			(416,207)
Segment assets	1,518,963	84,159	1,603,122
<i>Reconciliation:</i>			
Deferred tax assets			924
Cash and cash equivalents			37,964
Restricted deposits			581
Corporate and other unallocated assets			96,260
Total assets			1,738,851
Segment liabilities	433,826	817	434,643
<i>Reconciliation:</i>			
Tax payable			21,328
Deferred tax liabilities			8,291
Corporate and other unallocated liabilities			11,356
Total liabilities			475,618
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation and amortisation	36,172	772	36,944
Impairment losses recognised in the statement of profit or loss, net [#]	19,737	4,186	23,923
Share of losses of associates	318,174	–	318,174
Investments in associates	93,941	–	93,941
Capital expenditure [*]	53,562	–	53,562

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

Impairment losses included in the segment results.

Year ended 31 December 2020

	Marble products <i>RMB'000</i> (Audited) (Represented)	Others <i>RMB'000</i> (Audited) (Represented)	Total <i>RMB'000</i> (Audited) (Represented)
SEGMENT REVENUE	70,630	3,261	73,891
Segment results	(104,631)	(22,291)	(126,922)
<i>Reconciliation:</i>			
Interest income			542
Foreign exchange loss, net			(2)
Finance costs (other than interest on lease liabilities)			(54,139)
Corporate and other unallocated expenses			<u>(51,899)</u>
Loss before tax			(232,420)
Segment assets	1,649,738	81,157	1,730,895
<i>Reconciliation:</i>			
Deferred tax assets			6,694
Cash and cash equivalents			19,846
Restricted deposits			251
Corporate and other unallocated assets			<u>493,043</u>
Total assets			<u><u>2,250,729</u></u>
Segment liabilities	566,643	335	566,978
<i>Reconciliation:</i>			
Tax payable			23,042
Deferred tax liabilities			<u>12,061</u>
Total liabilities			<u><u>602,081</u></u>
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets;			
Depreciation and amortisation	37,092	1,934	39,026
Impairment losses recognised in the statement of profit or loss, net [#]	74,532	24,892	99,424
Share of losses of associates	41,044	–	41,044
Investments in associates	322,095	–	322,095
Capital expenditure [*]	<u>114,270</u>	<u>100</u>	<u>114,370</u>

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

Impairment losses included in the segment results.

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2021 and 2020 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities.

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

Information about major customers

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Customer A (marble products segment)	N/A*	13,189
Customer B (marble products segment)	N/A*	7,812
Customer C (marble products segment)	<u>15,808</u>	<u>N/A*</u>

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited) (Represented)
Revenue from contracts with customers	<u>87,976</u>	<u>73,891</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

Segments	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited) (Represented)
<i>Types of goods or services</i>		
Sale of marble products	86,314	70,630
Provision of warehousing and logistics services	<u>1,662</u>	<u>3,261</u>
Total revenue from contracts with customers	<u>87,976</u>	<u>73,891</u>

Geographical markets

All of the Group's external revenue is derived from customers based in Mainland China for the years ended 31 December 2021 and 2020.

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited) (Represented)
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	86,314	70,630
Service transferred overtime	1,662	3,261
	87,976	73,891

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:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of marble products	6,116	4,223

(ii) Performance obligations

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

Sale of marble products

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

At 31 December 2021, 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:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited) (Represented)
Rental income (<i>note 6</i>)	7,464	6,725
Refund of value-added tax	4,612	2,371
Gain on disposal of right-of-use assets	804	–
Gain on disposal of property, plant and equipment (<i>note 6</i>)	622	–
Bank interest income (<i>note 6</i>)	43	542
Deferred income released to profit or loss (<i>note 25</i>)	211	210
Government grants*	8,560	10,990
Miscellaneous	53	–
	<hr/>	<hr/>
Total other income and gains	22,369	20,838
	<hr/> <hr/>	<hr/> <hr/>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Interest on bank loans	3,928	20,060
Interest on other borrowings	40,520	33,047
Unwinding of a discount for rehabilitation (<i>note 26</i>)	1,080	1,017
Interest on lease liabilities (<i>note 12</i>)	249	1,752
Others	–	15
	<hr/>	<hr/>
	45,777	55,891
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAX

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

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited) (Represented)
Cost of inventories sold		<u>63,095</u>	<u>60,243</u>
Employee benefit expense			
Wages and salaries		13,554	17,248
Welfare and other benefits		646	595
Pension scheme contributions			
— Defined contribution fund		1,889	1,198
Post-employment benefits		—	730
Housing fund		320	318
Equity-settled share option expense		<u>10,402</u>	<u>—</u>
Total employee benefit expense		<u>26,811</u>	<u>20,089</u>
Depreciation of items of property, plant and equipment	10	22,344	17,581
Depreciation of investment properties	11	4,070	6,830
Depreciation of right-of-use assets	12	10,305	12,466
Amortisation of intangible assets	13	<u>225</u>	<u>215</u>
Depreciation and amortisation expenses		<u>36,944</u>	<u>37,092</u>
Impairment losses recognised on:			
Trade and bill receivables	17	9,073	21,289
Investment properties	11	8,915	36,667
Goodwill		—	2,096
Prepayments, other receivables and other assets	18	1,585	1,277
Property, plant and equipment	10	4,350	22,900
Right-of-use assets	12	<u>—</u>	<u>15,195</u>
Total impairment losses recognised		<u>23,923</u>	<u>99,424</u>
Loss on disposal of subsidiaries		3,749	—
Loss on deregistered of a subsidiary		1,033	—
Gain on disposal of items of property, plant and equipment, net	4	(622)	—
Lease payments not included in the measurement of lease liabilities		100	3,393
Auditor's remuneration		1,200	3,200
Foreign exchange loss, net		134	2
Rental income from an operating lease of investment properties	4	(7,464)	(6,725)
Bank interest income	4	<u>(43)</u>	<u>(542)</u>

7. INCOME TAX

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

Jiangxi Keyue 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:

	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Audited) (Represented)
Current — PRC		
Charge for the year	237	51
Overprovision in prior years	(551)	—
Deferred tax	<u>2,000</u>	<u>(2,075)</u>
	<u>1,686</u>	<u>(2,024)</u>

8. DIVIDENDS

The directors do not recommend any payment of dividend for the year ended 31 December 2021 (2020: nil).

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

The calculation of basic loss per share for the year ended 31 December 2021 is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,245,843,066 (2020: 3,526,761,044) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the loss per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020 (Audited)							
Cost:							
As at 1 January 2020	55,365	54,302	10,561	13,251	13,236	249,082	395,797
Additions	1,474	4,721	9	1,603	–	101,310	109,117
Transfer	97,896	96,745	–	–	–	(194,641)	–
Disposal	–	–	–	–	–	(6,181)	(6,181)
As at 31 December 2020 and 1 January 2021 (Audited)	<u>154,735</u>	<u>155,768</u>	<u>10,570</u>	<u>14,854</u>	<u>13,236</u>	<u>149,570</u>	<u>498,733</u>
Additions	–	3,965	78	–	–	49,519	53,562
Transfer	4,280	1,882	–	–	118,000	(124,162)	–
Transfer from disposal group classified as held for sale (note 20)	14,868	34,137	892	245	–	1,160	51,302
Disposal	(3,360)	(18,747)	(2,478)	–	–	–	(24,585)
As at 31 December 2021 (Unaudited)	<u>170,523</u>	<u>177,005</u>	<u>9,062</u>	<u>15,099</u>	<u>131,236</u>	<u>76,087</u>	<u>579,012</u>
Accumulated depreciation and impairment:							
As at 1 January 2020	11,366	29,374	9,044	6,723	620	–	57,127
Provided for the year (note 6)	6,675	8,637	580	1,689	–	–	17,581
Impairment (note 6)	9,109	2,655	10	325	–	–	12,099
As at 31 December 2020 and 1 January 2021 (Audited)	<u>27,150</u>	<u>40,666</u>	<u>9,634</u>	<u>8,737</u>	<u>620</u>	<u>–</u>	<u>86,807</u>
Provided for the year (note 6)	6,840	13,717	293	1,494	–	–	22,344
Transfer from disposal group classified as held for sale (note 20)	9,709	9,111	752	218	–	–	19,790
Disposal	(2,284)	(2,074)	(2,300)	–	–	–	(6,658)
Impairment (note 6)	4,350	–	–	–	–	–	4,350
As at 31 December 2021 (Unaudited)	<u>45,765</u>	<u>61,420</u>	<u>8,379</u>	<u>10,449</u>	<u>620</u>	<u>–</u>	<u>126,633</u>
Net carrying amount:							
As at 31 December 2021 (Unaudited)	<u>124,758</u>	<u>115,585</u>	<u>683</u>	<u>4,650</u>	<u>130,616</u>	<u>76,087</u>	<u>452,379</u>
As at 31 December 2020 (Audited)	<u>127,585</u>	<u>115,102</u>	<u>936</u>	<u>6,117</u>	<u>12,616</u>	<u>149,570</u>	<u>411,926</u>

As at 31 December 2021, the Group's property, plant and equipment with a carrying amount of RMBNil (2020: RMB29,329,000) were pledged as security for certain other borrowings granted to the Group (note 24(a)).

11. INVESTMENT PROPERTIES

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Carrying amount at 1 January	247,478	290,975
Disposal of subsidiaries	(234,493)	–
Depreciation provided for the year (note 6)	(4,070)	(6,830)
Impairment (note 6)	(8,915)	(36,667)
Transfer from right-of-use assets (note 12)	21,323	–
	<u>21,323</u>	<u>–</u>
Carrying amount at 31 December	<u>21,323</u>	<u>247,478</u>

As at 31 December 2021, the Group's investment properties consist of two leasehold lands in Jiangsu, of which are leased to third parties under operating leases.

As at 31 December 2020, the Group's investment properties consist of eight properties in Shanghai, of which six investment properties are leased to third parties under operating leases, and the remaining two are held for capital appreciation.

As at 31 December 2021, the total fair value of the investment properties was estimated to be approximately RMB22,528,000 (2020: RMB257,790,000). The valuation was performed by Dongtai Real Estate Land Appraisal Co., Ltd., an independent professionally qualified valuer. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 *Fair Value Measurement*.

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

Valuation technique		Significant unobservable input	Range	
			2021 (Unaudited)	2020 (Audited)
Commercial properties	Market comparison method	Estimated price per square metre	N/A	RMB119,630 to RMB155,850
Leasehold lands	Market comparison method	Estimated price per square metre	RMB200	N/A

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

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

An impairment loss of RMB8,915,000 (2020: RMB36,667,000) was recognised to write down the carrying amount of Group's investment properties.

As at 31 December 2021, the Group's investment properties with a total carrying amount of RMBNil (2020: RMB112,531,000) were pledged to secure certain other borrowings granted to the Group (note 24(a)).

12. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land RMB'000	Office premises RMB'000	Factory RMB'000	Parcels of land RMB'000	Total RMB'000
As at 1 January 2020	258,623	5,714	–	8,220	272,557
Additions					
New leases	–	3,426	22,541	–	25,967
Depreciation charge (note 6)	(6,834)	(3,133)	(1,502)	(997)	(12,466)
Impairment (notes 6)	(1,214)	–	–	–	(1,214)
As at 31 December 2020 and 1 January 2021 (Audited)	<u>250,575</u>	<u>6,007</u>	<u>21,039</u>	<u>7,223</u>	<u>284,844</u>
Additions					
New leases	10,315	–	–	1,188	11,503
Transfer from assets of a disposal group classified as held for sale	47,422	–	–	–	47,422
Disposal of subsidiaries	–	(1,995)	–	–	(1,995)
Depreciation charge	(7,206)	(2,092)	–	(1,007)	(10,305)
Transfer to investment properties	(21,323)	–	–	–	(21,323)
Termination of lease	–	–	(21,039)	–	(21,039)
As at 31 December 2021 (Unaudited)	<u>279,783</u>	<u>1,920</u>	<u>–</u>	<u>7,404</u>	<u>289,107</u>

As at 31 December 2021, the Group's right-of-use assets with a carrying amount of RMBNil (2020: RMB253,422,000) were pledged as security for certain bank and other borrowings granted to the Group (note 24(a)). The land use rights are held under medium lease terms.

(b) *Lease liabilities*

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Carrying amount at 1 January	28,299	6,546
New leases	–	25,967
Accretion of interest recognised during the year (<i>note 5</i>)	249	1,752
Payments	(2,680)	(5,966)
Disposal of subsidiaries	(2,136)	–
Termination of lease	(21,843)	–
	<u>1,889</u>	<u>28,299</u>
Carrying amount at 31 December		
Analysed into:		
Current portion	1,117	5,150
Non-current portion	772	23,149
	<u>1,889</u>	<u>28,299</u>

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest on lease liabilities (<i>note 5</i>)	1,520	1,752
Depreciation charge of right-of-use assets (<i>note 6</i>)	10,305	12,466
Impairment of right-of-use assets (<i>note 6</i>)	–	1,214
Expense relating to short-term leases with remaining lease terms ended on or before 31 December 2020 (included in cost of sales) (<i>note 6</i>)	100	3,993
	<u>11,925</u>	<u>19,425</u>
Total amount recognised in profit or loss		

The Group as a lessor

The Group leases its investment properties (note 11) consisting of leasehold lands (2020: properties) in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB7,464,000 (2020: RMB6,725,000), details of which are included in note 4 to the unaudited consolidated financial statements.

As at 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within one year	1,979	8,146
After one year but within two years	1,979	8,516
After two years but within three years	2,177	8,516
After three years	30,834	24,680
	36,969	49,858

13. INTANGIBLE ASSETS

	Mining rights <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2021			
Cost			
As at 1 January 2020	662,459	2,006	664,465
Additions	5,153	–	5,153
As at 31 December 2020 (Audited), 1 January 2021 (Audited) and 31 December 2021 (Unaudited)	667,612	2,006	669,618
Accumulated amortisation and impairment:			
As at 1 January 2020	5,727	1,126	6,853
Amortisation provided during the year (<i>note 6</i>)	5	210	215
As at 31 December 2020 and 1 January 2021	5,732	1,336	7,068
Amortisation provided during the year (<i>note 6</i>)	15	210	225
As at 31 December 2021 (Unaudited)	5,747	1,546	7,293
Net carrying amount:			
As at 31 December 2021 (Unaudited)	661,865	460	662,325
As at 31 December 2020 (Audited)	661,880	670	662,550

- (a) As at 31 December 2021, the Group's mining rights of Zhangxi Mine and Lichuan Mine with a carrying amount of RMBNil (2020: RMB282,093,000) were pledged as security for certain bank and other loans granted to the Group (note 24(a)).

(b) Impairment

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

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). No impairment loss was recognised for the year ended 31 December 2021 (2020: nil).

14. INVESTMENTS IN ASSOCIATES

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Share of net assets	<u>93,291</u>	<u>322,095</u>

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

Name	Percentage of ownership interest attributable to the Group		Principal activities
	2021 (Unaudited)	2020 (Audited)	
Shangri-La Stone Co., Ltd. ("Shangri-La Stone")	49	49	Mining exploration, processing and sale of marble stones
Shanghai Yunyi Enterprise Management Co., Ltd. ("Shanghai Yunyi") ⁽¹⁾	49	100	Enterprise management and investing consulting
Good Benefit Holdings Limited and its subsidiaries ("Good Benefit Group") ⁽²⁾	49	100	Business management consulting and property holding

- (1) During the year ended 31 December 2021, an indirect wholly-owned subsidiary of the Company entered into sales and purchases agreement to sell 51% interest of Shanghai Yunyi. The transaction has been completed on 27 July 2021, upon the completion, the Company hold 49% equity interest of Shanghai Yunyi.
- (2) During the year ended 31 December 2021, an indirect wholly-owned subsidiary of the Company entered into sales and purchases agreement to sell 51% interest of Good Benefit Group. The transaction has been completed on 15 December 2021, upon the completion, the Company hold 49% equity interest of Good Benefit Group.

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

Investments in associates are accounted for using the equity method.

On 21 March 2022, the Shangri-La Stone received a notification (the "Notice") from Land and Resources Bureau (the "Xianggelila Shi Bureau") of Xianggelila Shi in Yunnan Province that the Xianggelila Shi Bureau has rejected the application for the renewal of mining licenses ("Licences") and terminated the mining right of Shangri-La Stone. Shangri-La Stone has written-off the mining right and result as loss for RMB571,826,000. The loss arising from the written-off of mining right attributable to owners of the Company amounted to approximately RMB279,711,000.

Summarised financial information of material associate

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

Shangri-La Stone

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current assets	2,694	3,341
Non-current assets	–	571,507
Current liabilities	(3,681)	(4,009)
Net (liabilities)/assets	(987)	570,839
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	–	279,711
Carrying amount of the investment	–	279,711
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	–	–
Loss and total comprehensive loss for the year	(571,826)	(210)
Dividend received	–	–

Shanghai Yunyi

	2021 <i>RMB'000</i> (Unaudited)
Current assets	122,690
Non-current assets	2,571
Current liabilities	<u>(26,451)</u>
Net assets	<u><u>98,810</u></u>

Reconciliation to the Group's interest in the associate:

Proportion of the Group's ownership	49%
Group's share of net assets of the associate	48,417
Carrying amount of the investment	<u><u>48,417</u></u>

	2021 <i>RMB'000</i>
Revenue	–
Profit and total comprehensive income for the period	8,090
Dividend received	<u><u>–</u></u>

Good Benefit Group

	2021 <i>RMB'000</i> (Unaudited)
Current assets	30,000
Non-current assets	93,111
Current liabilities	<u>(30,205)</u>
Net assets	<u><u>92,906</u></u>

Reconciliation to the Group's interest in the associate:

Proportion of the Group's ownership	49%
Group's share of net assets of the associate	45,524
Carrying amount of the investment	<u><u>45,524</u></u>

	2021 <i>RMB'000</i>
Revenue	–
Loss and total comprehensive loss for the period	(88)
Dividend received	<u><u>–</u></u>

As at 31 December 2021, the Group's investments in associates with a carrying amount of RMB Nil (2020: RMB279,711,000) were pledged as security for certain bank loans granted to the Group (note 24(a)).

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Share of associates' losses and total comprehensive loss for the year	(42,384)	(40,941)
Aggregate carrying amount of the Group's investments in associates	<u>–</u>	<u>42,384</u>

15. PAYMENTS IN ADVANCE

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
<i>In respect of the purchase of:</i>		
Property, plant and equipment	<u>–</u>	<u>22,621</u>

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

16. INVENTORIES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Finished goods	44,012	36,849
Work in progress	15,502	20,256
Materials and supplies	<u>341</u>	<u>88</u>
	<u>59,855</u>	<u>57,193</u>

17. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade and bills receivables	89,619	114,673
Allowance for credit losses	<u>(63,195)</u>	<u>(54,032)</u>
	<u>26,424</u>	<u>60,641</u>

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Within 1 month	3,950	4,863
1 to 3 months	2,610	1,977
3 to 6 months	1,354	1,936
6 to 12 months	4,512	16,715
Over 1 year	13,998	35,150
	26,424	60,641

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
At beginning of year	54,032	33,644
Transfer from disposal group classified as held for sale	90	–
Write-off	–	(811)
Impairment losses provided (<i>note 6</i>)	9,073	21,199
At end of year	63,195	54,032

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

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

As at 31 December 2021 (Unaudited)

	Current	Past due Less than 1 year	Over 1 year	Total
Expected credit loss rate	1.90%	39.97%	100%	
Gross carrying amount (<i>RMB'000</i>)	19,808	11,652	58,159	89,619
Expected credit losses (<i>RMB'000</i>)	379	4,657	58,159	63,195

As at 31 December 2020 (Audited)

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

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
<i>Current portion:</i>			
Prepayments in respect of:			
— Purchase of industrial goods		20,350	14,606
— Purchase of materials and supplies		7,911	7,538
— Warehouse rental		—	187
— Service fee		1,469	—
Escrow funds	(a)	16,909	36,381
Receivables under an operating lease		—	3,729
Performance security		3,016	3,000
Deductible input value-added tax		314	2,859
Deposits		2,565	1,451
Due from associates	(b)	36,683	—
Other receivables		3,231	1,412
		<u>92,448</u>	<u>71,163</u>
Impairment allowance	(c)	(2,850)	(1,245)
		<u>89,598</u>	<u>69,918</u>
<i>Non-current portion:</i>			
Prepayments in respect of			
— Cultivated land compensation	(d)	4,430	4,641
		<u>4,430</u>	<u>4,641</u>

Notes:

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
At beginning of year	1,245	3,208
Transfer from disposal group held for sale	20	–
Write-off	–	(3,220)
Impairment losses (<i>note 6</i>)	1,585	1,257
	<hr/>	<hr/>
At end of year	2,850	1,245
	<hr/>	<hr/>

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

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

19. RESTRICTED DEPOSITS AND CASH AND BANK BALANCES

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Cash on hand and cash at banks	38,545	19,907
Less:		
Restricted deposits:		
— Environmental rehabilitation deposits	(101)	(100)
— Others	(460)	(46)
	<hr/>	<hr/>
	37,984	19,761
	<hr/>	<hr/>

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

	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Audited)
RMB	33,709	14,259
HK\$	4,271	5,129
US\$	565	519
	38,545	19,907

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.

20. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Disposal Group is mainly engaged in warehousing and logistics. Pursuant to the Company's investment committee resolution dated 12 December 2019, the Group has decided to dispose of the Disposal Group because it plans to focus the Group's resources on mining operations. Management has been in active discussions with the potential buyer for the plant sale and from the discussions held, management noted that the potential proceeds from the sale of the entire plant are likely to be higher than that arising from the sale of plant and equipment on a piecemeal basis. The Group remains committed in relation to the existing disposal plans on the Disposal Group. As such, The Disposal Group continued to be classified as assets held for sale as at 31 December 2020 and recorded at recoverable amount, being fair value less cost to sell. During the year ended 31 December 2021, as the proposed disposal has been terminated on 30 September 2021 due to the expiration of LOI, the Disposal Group no longer classified as assets held for sale.

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

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

	2020 RMB'000 (Audited)
<i>Assets</i>	
Right-of-use assets	47,422
Property, plant and equipment	31,512
Prepayments, other receivables and other assets	681
Trade receivables	416
Restricted deposits	105
Cash and bank balances	85
	<hr/>
Assets classified as held for sale	80,221
	<hr/>
<i>Liabilities</i>	
Deferred tax liabilities	3,980
Other payables and accruals	201
Contract liabilities	88
Trade payables	46
	<hr/>
Liabilities directly associated with the assets classified as held for sale	4,315
	<hr/>
Net assets directly associated with the Disposal Group	75,906
	<hr/> <hr/>

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

	2020 RMB'000 (Audited)
Operating activities	267
Investing activities	(205)
Financing activities	—
	<hr/>
Net cash inflow	62
	<hr/> <hr/>
Loss per share:	
— Basic and diluted from the discontinued operation	RMB(0.005)
	<hr/> <hr/>

21. TRADE PAYABLES

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Trade payables	16,380	35,074

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Within 1 month	88	1,365
1 to 2 months	126	983
2 to 3 months	2,883	15,307
Over 3 months	13,283	17,419
	16,380	35,074

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

22. CONTRACT LIABILITIES

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Sales of goods	2,571	6,116

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

23. OTHER PAYABLES AND ACCRUALS

		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
<i>Current portion:</i>			
Payables relating to:			
Taxes other than income tax		22,982	31,528
Professional fees		12,613	10,737
Payroll and welfare		13,325	5,721
Purchase of property, plant and equipment		7,518	7,047
Receive in advance		400	—
Security deposit		350	1,886
Distributors' earnest money		1,855	1,745
Rental fees		2,019	4,794
Due to a director	(a)	11,491	—
Due to associates	(a)	5,592	—
Interest payables relating to:			
— Bank and other borrowings		32,915	20,353
— Purchase of mining rights	(b)	3,707	3,707
Others		2,506	3,099
		<u>117,273</u>	<u>90,617</u>

Notes:

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

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Bank loans:			
Secured	(a)	15,000	13,990
Guaranteed	(b)	23,847	22,776
		<u>38,847</u>	<u>36,766</u>
Effective interest rate per annum (%)		<u>4.81–8.48</u>	<u>4.81–12.00</u>
Other borrowings:			
Secured and guaranteed	(a)	12,628	271,756
Unsecured	(c)	233,745	76,218
		<u>246,373</u>	<u>347,974</u>
Effective interest rate per annum (%)		<u>7.56–24.00</u>	<u>5.00–24.00</u>
Analysed into:			
Bank loans repayable:			
Within one year		23,070	30,726
In the second year		540	–
In the third to fifth years, inclusive		<u>15,237</u>	<u>6,040</u>
		<u>38,847</u>	<u>36,766</u>
Other borrowings repayable:			
Within one year		810	3,141
In the second year		115,410	288,574
In the third to fifth years, inclusive		<u>130,153</u>	<u>56,259</u>
		<u>246,373</u>	<u>347,974</u>
Total bank and other borrowings		285,220	384,740
Portion classified as current liabilities		<u>(23,880)</u>	<u>(33,867)</u>
Non-current portion		<u>261,340</u>	<u>350,873</u>

Notes:

- (a) The Group's bank loans and other borrowings of approximately RMBNil as at 31 December 2021 (2020: RMB282,096,000) were secured by the Group's assets with net carrying values as follows:

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
<i>Secured by:</i>			
Property, plant and equipment	10	–	29,329
Investment properties	11	–	112,531
Leasehold Land	12	–	253,422
Mining rights of Zhangxi Mine and Lichuan Mine	13	–	282,093
Investment in an associate	14	–	279,711
		<u>–</u>	<u>957,086</u>

The Group's bank loans of approximately RMB Nil as at 31 December 2021 (2020: RMB3,650,000) were secured by the properties of the Group's management members, Ms. Chen Jianping and her spouse Mr. Chou Lu, Mr. Lv Changwen and his spouse Ms. Chou Xiaomei.

The Group's bank loans of approximately RMB12,800,000 as at 31 December were guaranteed by the Group's management members, Ms. Chan Jianping and her spouse Mr. Chou Lu.

The Group's bank loans of approximately RMB15,000,000 as at 31 December 2021 were secured by the patents of the subsidiary of the Company.

The Group's secured bank loans and other borrowings of approximately RMB12,628,000 as at 31 December 2021 (2020: RMB271,756,000) were guaranteed by the chairman Ms. Wu Jing and her spouse Mr. Leung Ka Kit.

- (b) The Group's bank loans of approximately RMB1,047,000 as at 31 December 2021 (2020: RMB1,047,000) were guaranteed by independent third parties Xiamen Siming Technique Financial Guarantee Co., Ltd..

The Group's bank loans of approximately RMB Nil as at 31 December 2021 (2020: RMB18,729,000) were guaranteed by a director, Mr. Gu Weiwen, and management members, Mr. Jiang Shikui and Ms. Chen Jianping. Bank loans of RMB10,000,000 (2020: RMB3,000,000) were guaranteed by an independent third party.

- (c) The Group's other borrowings of approximately RMB233,745,000 as at 31 December 2021 (2020: RMB76,218,000) were borrowed from several independent third party individuals and companies and bore interest at fixed rates of 7.56%–24% (2020: 7.56%–24%) per annum.

25. DEFERRED INCOME

	<i>RMB'000</i>
<i>Government grant</i>	
As at 1 January 2020 (Audited)	4,850
Released to profit or loss (<i>note 4</i>)	<u>(210)</u>
As at 31 December 2020 and 1 January 2021 (Audited)	4,640
Released to profit or loss (<i>note 4</i>)	<u>(211)</u>
As at 31 December 2021 (Unaudited)	<u>4,429</u>

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.

26. PROVISION FOR REHABILITATION

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
At the beginning of year	17,157	16,140
Unwinding of a discount (<i>note 5</i>)	<u>1,080</u>	<u>1,017</u>
At the end of year	<u>18,237</u>	<u>17,157</u>

27. SHARE CAPITAL

Shares

	2021 <i>HKD\$'000</i> (Unaudited)	2020 <i>HKD\$'000</i> (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
4,368,767,501 ordinary shares of HK\$0.01 each (2020: 4,032,697,729 ordinary shares of HK\$0.01 each)	<u>43,688</u>	<u>40,327</u>
Equivalent to approximately	<u>RMB37,063</u>	<u>RMB34,274</u>

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

Issued share capital:

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
As at 1 January 2020 (Audited)	3,156,827,729	26,392
Issue of shares upon placing of shares (<i>note (a)</i>)	875,870,000	7,882
As at 31 December 2020 and 1 January 2021 (Audited)	4,032,697,729	34,274
Issue of shares under exercising of share options (<i>note (b)</i>)	336,069,772	2,789
As at 31 December 2021 (Unaudited)	4,368,767,501	37,063

Note:

- (a) On 22 May 2020, 22 July 2020 and 2 September 2020, the Group issued an aggregate of 203,870,000, 450,000,000 and 222,000,000 new ordinary shares of the Company to supplement working capital and repay debts respectively. RMB7,882,000 was credited to the share capital account of the Company. Particulars of these events were set out in the Company's announcements dated 22 May 2020, 22 July 2020 and 2 September 2020, respectively.
- (b) During the year ended 31 December 2021, 336,096,772 share options were exercised to subscribe for 336,099,772 ordinary shares in the Company at a consideration of RMB22,312,000 of which RMB2,789,000 was credited to the share capital and the balance RMB19,523,000 was credited to the share premium account. Amount of RMB10,402,000 has been transferred from share option reserve to the share premium account.

28. SHARE OPTION SCHEME

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

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

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

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

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

On 4 January 2018 and 30 October 2018, the Company granted options to subscribe for 133,333,400 and 229,300,000 ordinary shares of HK\$0.01 each under the Share Option Scheme to eligible directors, employees and other eligible participants, and the exercise period of the share options granted is determinable by the Directors with a period of two years and commence effectively from the date of offer of the share options without vesting period. The exercise prices of the share options granted were HK\$0.854 and HK\$0.399 per share respectively. During the year ended 31 December 2020, such share options were expired and RMB25,570,000 was transferred to accumulated losses.

On 14 January 2021, the Company granted option to certain employees to subscribe for a total of 336,069,772 ordinary share of HK\$0.01 each under Share Option Scheme at exercise price of HK\$0.08. All of the share options are exercisable for a period of two years from the date of offer of the share options without vesting period.

The number and weighted average exercise prices of share options

	2021 (Unaudited)		2020 (Audited)	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the 1 January	N/A	–	HK\$0.555	260,383,400
Expired during the year	N/A	–	HK\$0.555	(260,383,400)
Granted during the year	HK\$0.08	336,069,772	N/A	–
Exercised during the year	HK\$0.08	(336,069,772)	N/A	–
Outstanding at 31 December	N/A	–	N/A	–
Exercisable at the end of the year	N/A	–	N/A	–

During the year ended 31 December 2021, 336,069,772 (2020: Nil) share options were granted and all of the share options have been exercised.

Fair value of share options and assumptions

The fair value of the share options determined on 14 January 2021 is measured by an independent valuer engaged by the Group, namely CHFT Advisory and Appraisal Ltd., based on the Binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

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

Fair value at measurement date (HK\$)	0.0371
Share price (HK\$)	0.08
Exercise price (HK\$)	0.08
Expected volatility (expressed as average volatility used in the modelling under binomial model)	67.5%
Option life	2 years
Expected dividends yield	–
Risk-free interest rate	0.116%

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

29. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Genpex Investment Limited (“Genpex”)

On 19 July 2021, the Group disposed 100% equity interests in Genpex and the assignment of RMB15,791,000 sale loan to an independent third party for an aggregate cash consideration of RMB63,500,000. Genpex was principally engaged in properties holding.

The cash flow and the carrying amount of the net assets of Genpex sold at the date of disposal were as follows:

	<i>RMB'000</i> (Unaudited)
Investment properties	63,576
Other loan	(15,791)
Other payables	(22)
	<hr/>
Net assets disposed of	47,763
Assignment of sale loan	15,791
	<hr/>
Total	63,554
Loss on disposal	(54)
	<hr/>
Satisfied by cash	63,500
	<hr/>
Cash consideration and net cash inflow arising on disposal	63,500
	<hr/>

(b) Disposal of Shanghai Yunyi Enterprise Management Co., Limited (“Shanghai Yunyi”)

On 27 July 2021, the Group disposed 51% equity interests in Shanghai Yunyi to an independent third party for an aggregate cash consideration of RMB45,000,000. Upon completion, the Company held 49% equity interest of Shanghai Yunyi and Shanghai Yunyi became the associate of the Company. Shanghai Yunyi was principally engaged in business information consultancy, marketing planning, cultural and arts exchange planning, non-residential real estate leasing, housing leasing; sales of stone, building materials, chemical raw materials, and products.

The cash flow and the carrying amount of the net assets of Shanghai Yunyi sold at the date of disposal were as follows:

	<i>RMB'000</i> (Unaudited)
Property, plant and equipment	1,273
Investment properties	77,723
Right-of-use asset	1,995
Inventories	361
Other receivables	106,352
Cash and bank balance	3
Other payables	(94,850)
Lease liability	(2,136)
	<hr/>
Net assets disposed of	90,721
Less: 49% equity interests	(44,453)
	<hr/>
Total	46,268
Loss on disposal	(1,268)
	<hr/>
Satisfied by cash	45,000
	<hr/>
Cash consideration	45,000
Cash and bank balance disposal of	(3)
	<hr/>
Net cash inflow arising on disposal	44,997
	<hr/>

(c) Disposal of Good Benefit Holdings Limited (“Good Benefit”) and its subsidiaries (“Good benefit Group”)

On 15 December 2021, the Group disposed 51% equity interests in Good Benefit to an independent third party for an aggregate cash consideration of RMB45,000,000. Upon completion, the Company held 49% equity interest of Good Benefit and Good Benefit Group became the associate of the Company. Good Benefit Group was principally engaged in properties holding and business management consulting.

The cash flow and the carrying amount of the net assets of Good Benefit Group sold at the date of disposal were as follows:

	<i>RMB'000</i> (Unaudited)
Investment properties	93,194
Other receivables	263
Cash and bank balance	1
Other payables	<u>(464)</u>
Net assets disposed of	92,994
Less: 49% equity interests	<u>(45,567)</u>
Total	47,427
Loss on disposal	<u>(2,427)</u>
Satisfied by cash	<u><u>45,000</u></u>
Cash consideration	45,000
Cash and bank balance disposal of	<u>(1)</u>
Net cash inflow arising on disposal	<u><u>44,999</u></u>

30. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the COVID-19 pandemic and the severe political tension between China and US were still continually creating a significant impact on the PRC economy and the global economy. To fight against the epidemic and the emergence of different new virus variants, the PRC government implemented various prevention and control measures throughout the country, particularly very strict and tight quarantine control and compulsory virus testing at the borders and in different cities in various provinces. In addition, there was unexpected occurrence of shortage of electricity supply in the PRC in the second half of 2021. The Group's overall business activities and its operating environments were inevitably affected to a large extent. The Group has readjusted its operating strategies to cope with the challenging environments. To strengthen its overall financial positions and liquidity, the Group has disposed of its controlling equity interests in its eight investment properties in 2021. It also tightened its credit policy to customers and enforced its collection efforts on long-aged accounts (including demanding customers to settle 50% and 100% of their accounts aged over 6 months and 12 months respectively before conducting any new sales to them). It also deferred and slowed down its capital expenditure, capital commitments, payment in advance, as well as purchase of raw materials until the operating environment is more clear and stable.

Marble and Mining and Calcium Carbonate Business

The Group's marble stone product business is part of the supply chain of the real estate construction sector, which, to a large extent, has not been fully recovered from the pandemic (and so as the overall business of the Group). During the year, property developers in China were facing a very tight debt level control (so called "Three Red Lines") imposed by the Central Bank in China. As such, most property developers were focusing on clearing up their inventory to reduce their debt levels instead of developing new projects. Under such circumstances, the management of the Group has been operating its business very cautiously during the year. In 2021, the Group's revenue from marble stone products amounted to approximately RMB31.2 million, representing 19.4% decreased, as compared to approximately RMB38.7 million in 2020.

In the fourth quarter of 2021, with the new mining license obtained in 2020, the Group has commenced its excavation activity in a small scale (703.2 cubic meters) at Yongfeng Mine. The Group is in the process of renewing its Safety Production Permit 《安全生產許可證》 for larger scale excavation activity in 2022. On the other hand, with the successful experience in renewing a new mining license of our Yongfeng Mine in 2020, during the year of 2021, managements of the Group's different mines have continued their work closely under the guidance 《關於加快建設綠色礦山的實施意見》 published by various central government bureaus and 《砂石行業綠色礦山建設規範》 issued by the PRC Ministry of Natural Resources in order to fulfil the required standard before renewed mining certificates can be officially issued or large-scale mining activities can be commenced. Substantial works at the site of our mines such as redesigning of marble block transportation and deposit yard arrangement, mine site and side slop plantation, mine site sewage treatment system and gravel treatment centre construction etc. have been completed or in progress. With the outbreak of COVID-19 since 2020, some works were unavoidably behind schedule. With the expected gradual resumption of work in different sites, the Group, on one hand, wish the excavation activity can be recommenced once the rectification and optimization works meet the standard laid down by the government authorities. On the other hand, based on the observation on the strict execution on various environmental and green policies by local government authority and their practice in the past years, it is expected that the renewal applications of existing two expired mining licences will take longer time than previously we expected. In the meantime, in addition to our marble blocks excavated from Yongfeng Mine, we continued, sourcing different types of marble blocks from other mines operators for processing into slabs to enrich our product line for sale before a full recommencement of excavation activities of our own mines.

Apart from the marble stone business, our marble downstream calcium carbonate business also faced a similar situation. The local management of our subsidiary, after conducting some market research, readjusted its marketing strategies by promoting low-priced products (with decent profit margins) for increasing its market share. The calcium carbonate business contributed an aggregate of approximately RMB55.1 million to the Group's revenue, representing 72.7% increase, as compared to approximately RMB31.9 million in 2020. The local management shared their view that, based on their observation on the current market situations, the significant growth in revenue will slow down and is unlikely to continue in 2022.

Commodities Trading Business

Apart from the impact of the COVID-19 pandemic, the deterioration of the China-US relationship following the trade war between these two giant economies has added tremendous uncertainties and risks to the business world. With such business climate since from 2020, the Group decided continually withholding any further commodities trading transactions until it is manageable to conduct such activities. As such, the Group does not record any revenue from this business segment in 2021 (2020: nil).

Warehouse Logistics Business

In mid December 2019, after reviewing the warehouse logistics segment's business environment and its operation performance, the Group decided to abandon this business segment for the purpose of focusing more resources on the core business segment. Since then, management has been in active discussion with a potential buyer for disposing of the entire plant. Due to the outbreak of the COVID-19 pandemic, the negotiation for the disposal and the due diligent work conducted by the potential buyer have experienced certain delay.

As at 31 December 2021, no legal binding agreement regarding the disposal was reached. The management is of view that, due to the unfavourable market conditions, there are uncertainties on reaching a final agreement of the disposal with the potential buyer. As such, the Disposal Group's assets are no longer classified as assets held for sale as at 31 December 2021. Consequently, the comparative figures of the consolidated profit and loss and the operating segment information of the Group for the year ended 31 December 2020 are re-presented to include the results from the warehouse logistics segment. In 2021, the Group's revenue from warehouse logistics segment amounted to approximately RMB1.7 million, representing 49% decrease, as compared to approximately RMB3.3 million in 2020. The Group remains committed in relation to the original disposal plan and will continue to seek other potential buyers. Further announcement(s) will be made if there is any progress.

Investment Properties

The Group's investment properties, at beginning of the year 2021, consisted of eight properties in Shanghai, including five commercial properties and three residential properties. The investment properties were leased to third parties under operating leases. During the financial year, the Group has disposed of 100% equity interests in one of the three residential investment properties and 51% equity interests in both the five commercial investment properties and the remaining two residential investment properties. In total, the Group received gross proceeds of RMB153.5 million from the above such disposals of the eight investment properties and incurred a net loss of RMB3.7 million on the disposals.

Investments In Associates

On 21 March 2022, the Shangri-La Stone received a notification from Land and Resources Bureau (the "Xianggelila Shi Bureau") of Xianggelila Shi in Yunnan Province that the Xianggelila Shi Bureau has rejected the application for the renewal of mining licenses and terminated the mining right of Shangri-La Stone. Shangri-La Stone has written-off the mining right and result as loss for RMB571.8 million. The loss arising from the written-off of mining right attributable to owners of the Company amounted to approximately RMB279.7 million. The management of Shangri-La Stone is seeking legal opinion and is trying to liaise with the Xianggelila Shi Bureau to revoke their decision (if possible). Further announcement(s) will be made if there is any progress.

FINANCIAL REVIEW

Revenue

In 2021, the Group recorded an operating revenue of approximately RMB88.0 million (2020: approximately RMB73.9 million), representing an increase of approximately RMB14.1 million (or 19.1%) compared to that of 2020. The sales of marble stone products contributed 35.6% or approximately RMB31.2 million (2020: 52.4% or approximately RMB38.7 million) to the Group's total revenue. And the sales of calcium carbonate products contributed 62.6% or approximately RMB55.1 million (2020: 43.2% or approximately RMB31.9 million) to the Group's total revenue.

(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:

	2021		2020	
	Approximate percentage RMB'000	(%)	Approximate percentage RMB'000	(%)
Marble stone products	31,244	35.6	38,705	52.4
Calcium carbonate products	55,070	62.6	31,925	43.2
Revenue from segment of marble products	86,314	98.2	70,630	95.6
Warehouse logistics	1,662	1.8	3,261	4.4
Commodity trading	—	—	—	—
Total	87,976	100.0	73,891	100.0

(b) Sales Volume

The following table sets out the sales volume of marble stone products and calcium carbonate products:

	2021	2020
Sales volume		
Marble stone products (m^3)	134,486	219,987
Calcium carbonate products (Ton)	171,542	102,784

Cost of Sales

For the year ended 31 December 2021, the Group's total cost of sales amounted to approximately RMB66.1 million (2020: approximately RMB60.6 million), including the cost of marble stone products of approximately RMB19.7 million and the cost of calcium carbonate products of approximately RMB43.4 million which represented approximately 29.8%, and 65.7% of the total cost of sale respectively. The proportion of the costs of marble stone products and calcium carbonate products was in line with the proportion of their respective revenue contributions.

GROSS PROFIT AND GROSS PROFIT MARGIN

During 2021, the Group realised a gross profit amounted to approximately RMB21.9 million, increased by approximately RMB8.6 million as compared to that of 2020. The overall gross profit margin in 2021 was approximately 24.9%, while the overall gross profit margin in 2020 was approximately 18.1%. The gross profit margin of the sales of the Group in 2021 increased as compared to that of 2020 is mainly attributable to the increase in average gross profit margin in both marble stone products and calcium carbonate products, resulting from the combining effects of (i) the Group was able to access lower raw material costs under the pandemic situations (expected only in short term), (ii) the Group, with its improved liquidity (from sale proceeds of controlling equity interests in its eight investment properties) during the year, has managed to shorten its payment period (to certain extent) to its suppliers in exchange for better offer of purchase discount on raw materials, and (iii) larger proportion of low-priced and/or low margin marble stone products were sold in 2020 for clearing up aged inventory.

OTHER INCOME AND GAINS

Other income and gains, mainly comprised of the rental income generated from the investment properties in the PRC, government grants and refund of value-added tax, were approximately RMB22.4 million (2020: approximately RMB20.8 million). Compared with 2020, other income and gains increased by approximately RMB1.6 million mainly due to increase in refund of value-added tax, gain on disposal of right-of-use assets and property, plant and equipment, and rental income generated from the investment properties by approximately RMB2.2 million, RMB1.5 million and RMB0.8 million respectively, partially offset by the decrease of government grant by approximately RMB2.4 million.

OTHER EXPENSES

Other expenses, mainly comprised of inventory scrap loss, depreciation of investment properties and penalty, were approximately RMB4.8 million (2020: approximately RMB12.3 million). Compared with 2020, other expenses decreased by approximately RMB7.5 million mainly due to (i) the decrease of depreciation of investment properties by approximately RMB2.3 million as a results of the disposals of the Group's controlling equity interests in its eight investment properties in 2021, and (ii) decrease in penalty by approximately RMB4.3 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses, mainly comprised of salaries of the Group's sales and distribution staff, travelling expenses and advertising costs, were approximately RMB2.5 million, representing approximately 2.9% of the Group's total revenue while the selling and distribution expenses of approximately RMB2.9 million in 2020 accounted for approximately 3.9% of the Group's total revenue. The selling and distribution expenses decreased by approximately RMB0.4 million mainly due to more tight cost control by the management.

ADMINISTRATIVE EXPENSES

Administrative expenses, mainly consisted of equity-settled share option expenses, salaries of administrative staff, consultancy fees and depreciation expense, were approximately RMB61.6 million (2020: approximately RMB55.0 million). Administrative expenses increased by approximately RMB6.6 million, mainly due to the incurrance of equity-settled share option expenses of approximately RMB10.4 million in 2021 (2020: nil).

IMPAIRMENT LOSS

The aggregate impairment losses on (i) trade and bills receivables, (ii) prepayments, other receivables and other assets, (iii) goodwill, (iv) investment properties, (v) property, plant and equipment, and (vi) right-of-use assets, decreased by approximately RMB75.5 million in total as compared to that of 2020. The substantial decrease of such impairment losses was because most of the negative impacts of the COVID-19 pandemic on the impairment of the above mentioned assets classes were reflected in the impairment review in 2020.

FINANCE COSTS

Finance costs, mainly included interests on other borrowings, interests on bank loans, interests on lease liabilities and related interests of rehabilitation, were approximately RMB45.8 million (2020: approximately RMB55.9 million). Finance costs decreased by approximately RMB10.1 million as compared to that of 2020, which was mainly attributable to the decrease in interests on bank loans and other borrowings by approximately RMB99.5 million resulting from the reduction in the Group's overall amount of bank loans and other borrowing during the financial year in 2021 as compared with that of 2020.

INCOME TAX EXPENSE

Income tax expense increased by approximately RMB3.7 million from a net tax credit of approximately RMB2.0 million for the year ended 31 December 2020 to approximately RMB1.7 million for the year ended 31 December 2021. The increase was mainly due to the a net tax credit of approximately RMB5.4 million from the segment of warehouse logistics as a result of reduction in deferred tax liabilities derived from a net impairment loss of approximately RMB24.9 million on the segment's assets in 2020 .

LOSS AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss attributable to owners of the Company during the year amounted to approximately RMB417.8 million, which increased by RMB187.6 million as compared to the net loss of to RMB230.2 million for the year ended 31 December 2020. The increased net loss was mainly due to (i) a net loss on disposals of Group's controlling equity interest in investment properties of approximately RMB3.7 million, (ii) the increase in administrative expenses by approximately RMB6.6 million, and (iii) the increase in share of losses of associates by approximately RMB277.1 million.

INVENTORIES

The Group's inventories increased by approximately 4.7%, from approximately RMB57.2 million as at 31 December 2020 to approximately RMB59.9 million as at 31 December 2021. The increase was in line with the increase in the Group's revenue offsetting by the decrease of purchase in 2021.

TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables decreased from approximately RMB61.1 million as at 31 December 2020 to approximately RMB26.4 million as at 31 December 2021. The decreased was primarily due to the combining effects of impairment on trade receivable by RMB9.1 million and the Group's tightening credit policy and enforcement of collection efforts by the Group's management on the long-aged accounts in 2021.

TRADE PAYABLES

The Group's trade payables decreased from approximately RMB35.1 million as at 31 December 2020 to approximately RMB16.4 million as at 31 December 2021. The decreased was primarily due to the fact that, the Group has slowed down its overall purchase of raw materials in 2021 (leading to the purchase in 2021 decreased by approximately RMB20.0 million).

NET CURRENT ASSETS

Net current assets of the Group decreased from approximately RMB89.6 million as at 31 December 2020 by 65.0% to approximately RMB31.3 million as at 31 December 2021, which was primarily due to reclassification of Disposal Group which contributed RMB75.9 net current assets as at 31 December 2020.

CURRENT RATIO

The current ratio, being current assets over current liabilities, was 1.17 as at 31 December 2021 (31 December 2020: 1.45).

BORROWINGS

The Group generally finances its operations with internally generated cash flows, other borrowings and banking credit facilities. As at 31 December 2021, the Group had total bank loans and other borrowings of RMB285.2 million (31 December 2020: RMB384.7 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 2021, the gearing ratio was 19.6% (2020: 22.1%).

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 2021, the Group's expenditure for purchase of property, plant and equipment aggregated to approximately RMB53.6 million (2020: approximately RMB109.1 million).

FOREIGN EXCHANGE EXPOSURE

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

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

HUMAN RESOURCES AND REMUNERATION POLICY

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

As at 31 December 2021, the total number of full-time employees of the Group was 205 (31 December 2020: 194). Employee costs (including the Directors' remunerations) totally amounted to approximately RMB26.8 million for 2021 (2020: approximately RMB20.1 million). Meanwhile, taking into account the strategic goal of the Group, operating results, efforts and contributions made by each of our executive Directors, senior management and employees, and for the purposes of recognizing their value, motivating for better performance and skills, maintaining the Company's fast-growing development and achieving its long and short-term goals, the remunerations are in line with the market performance and their qualifications and abilities, and makes adjustment according to varied percentage. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

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

The local government authorities are responsible for the entire pension obligations payable to the retired employees and the Group has no obligation for the payment of retirement benefits beyond the annual contributions. In 2021, the contributions of approximately RMB1.9 million (2020: approximately RMB1.2 million) were charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

PLEDGE OF ASSETS

As at 31 December 2021, there were no assets pledged as security for obtaining certain bank and other loans granted to the Group.

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had capital commitments of approximately RMBNil for acquisition of property, plant and equipment, which were contracted but not provided for (2020: RMB3.3 million). As at 31 December 2021, the Group had no material contingent liabilities.

MAJOR ACQUISITION AND DISPOSAL OF ASSETS AND MERGER AND SUBSTANTIAL INVESTMENT

During the year, the Group conducted three disposals, for a total consideration of RMB153.5 million and resulting in a net loss on disposals of RMB3.8 million, in relation to all of its eight investment properties as follows:

(i) Disposal of 100% equity interests in Genpex Investment Limited (“Genpex”):

Genpex, being a wholly-owned subsidiary of the Group, was engaged in investment property holdings. It owned a residential property with a gross floor area of approximately 446.52 square meters in conjunction with a carpark space situated in Shanghai, the PRC, for the purpose of generating rental income. The Group disposed of 100% equity interests in Genpex in June 2021 for a gross consideration of RMB63.5 million, which was completed in July 2021 (for more details, please refer to the Company’s disposal announcement, supplemental announcement and completion announcement dated 21 June 2021, 29 June 2021 and 19 July 2021 respectively).

(ii) Disposal of 51% equity interests in Shanghai Yunyi Enterprise Management Co., Ltd. (“Shanghai Yunyi”):

Shanghai Yunyi, being a wholly-owned subsidiary of the Group, was engaged in investment property holdings. It owned five commercial properties with a gross floor area of approximately 2,431.18 square meters situated in Shanghai, the PRC, for the purpose of generating rental income. The Group disposed of 51% equity interests in Shanghai Yunyi in May 2021 for a gross consideration of RMB45 million, which was completed in July 2021 (for more details, please refer to the Company’s disposal announcement, supplemental announcement and completion announcement dated 6 May 2021, 12 May 2021 and 29 July 2021 respectively).

Upon completion of the above disposal of Shanghai Yunyi, the Group ceased to hold controlling equity interest in Shanghai Yunyi and accordingly, the financial results of Shanghai Yunyi was no longer consolidated into the financial statements of the Company and was treated as an associate company in the Company’s financial statements.

(iii) Disposal of 51% equity interests in Good Benefit Holding Limited (“Good Benefit”):

Good Benefit, being a wholly-owned subsidiary of the Group, was engaged in investment property holdings. It, through its subsidiaries in the PRC, indirectly owned two residential properties with a gross floor area of approximately 792.24 square meters in conjunction with a carpark space situated in Shanghai, the PRC, for the purpose of generating rental income. The Group disposed of 51% equity interests in Good Benefit in September 2021 for a gross consideration of RMB45 million, which was completed in December 2021 (for more details, please refer to the Company’s disposal announcement, supplemental announcement and completion announcement dated 7 September 2021, 15 November 2021 and 15 December 2021 respectively).

Upon completion of the above disposal of Good Benefit, the Group ceased to hold controlling equity interest in Good Benefit and accordingly, the financial results of Good Benefit was no longer consolidated into the financial statements of the Company and was treated as an associate company in the Company’s financial statements.

Save for the above, the Group did not conduct any significant investments or material acquisition or disposal of any subsidiary, associate or joint venture for the year ended 31 December 2021.

OUTLOOK

Looking forward, with the launch of vaccines and medicines for COVID-19, it brought new hope to the world and the Group believe the influence of the pandemic will be diminishing as the time goes. Although there are still uncertainties and challenges in the PRC and the global economy (especially from the potential impact of the war between Russia and Ukraine commenced in February 2022), the Group will formulate long term business plans with a goal to fully utilize its existing resources. The Group will keep monitoring the development of COVID-19 and assessing the impact of the pandemic on the Group’s financial position and operating results and adopt its business plans in response to the everchanging business environment. It will seek out opportunities to monetise non-core assets (particularly the disposal of its Warehouse Logistic Business) where appropriate in order to generate immediate liquidity and to lower its debt level. Meanwhile, the Group will continue identifying any project or business which is beneficial to the Group and its shareholders as a whole.

RESOURCES AND RESERVES

Dejiang Mine

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

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

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

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

The following table summarizes the marble resources of our Dejiang Mine, estimated as of 31 December 2021 under Chinese Standards.

RESOURCES	Millions of cubic meters
Indicated	1.3
Inferred	0.8
Total	<u>2.1</u>

The Group did not have exploration, development and production activities for Dejiang Mine in 2021 (2020: nil).

Yongfeng Mine

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

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

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

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

The following table summarizes the marble resources and reserves of our Yongfeng Mine, estimated as of 31 December 2021 under the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

RESOURCES	Millions of cubic meters
Measured	51.2
Indicated	46.6
Inferred	8.8
Total	<u>106.6</u>

Yongfeng Mine (Continued)

RESOURCES	Millions of cubic meters
Proved	23.0
Probable	21.0
	<hr/>
Total	44.0
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The estimated resources and reserves of the Yongfeng Mine as of 31 December 2021 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 2021 and have been substantiated by Mr. NIE Zhiqiang, the vice president of Jueshi Mining, our wholly-owned subsidiary, who has over 25 years of experience in mining production (including exploration and extraction process). For details of the biographical information of Mr. NIE Zhiqiang, please refer to the prospectus of the Company dated 16 December 2013 (the “Prospectus”).

The estimated resources and reserves of Yongfeng Mine as of both 30 September 2013 (as disclosed in the Prospectus) and 31 December 2021 (as disclosed in this announcement) 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 2021 were identical.

The Group took exploration, development and production activities with a volume of approximately 703.2 cubic metres for Yongfeng Mine in 2021 (2020: approximately 233.3 cubic metres).

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 opened to traffic, thus making it possible for the Group to get connected to China's national transportation system.

Zhangxi Mine (Continued)

The table below summarizes 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 kilometre
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 summarizes the marble resources of Zhangxi Mine estimated as of 31 December 2021 according to Chinese Standards.

RESOURCES	Millions of cubic meters
Measured	7.1
Indicated	18.4
Inferred	4.2
Total	<u>29.7</u>

The Group did not have exploration, development and production activities for Zhangxi Mine in 2021 (2020: nil).

Lichuan Mine

The Lichuan Mine is located at Shaxi County, Lichuan, Hubei Province, the PRC.

The table below summarizes 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 kilometre
Issuance date	22 August 2018
Expiration date	22 August 2023
Permitted production volume	13,000 cubic metres 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 2021 according to Chinese Standards.

RESOURCES	Millions of cubic meters
Indicated	3.88
Inferred	0.67
Total	<u>4.55</u>

The Group did not have exploration, development and production activities for Lichuan Mine in 2021 (2020: nil).

OTHER INFORMATION

SHARE CAPITAL

The total amount of authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each, with 4,368,767,501 ordinary shares in issue as at 31 December 2021.

During the year, the Company issued 336,069,772 ordinary shares under the exercise of 336,069,772 share options granted to eligible employees on 14 January 2021 under the Share Option scheme at exercise price of HK\$0.08 per share. A gross proceeds of HK\$26.9 million, (equivalent to approximately RMB22.3 million) was received by the Group for general working capitals.

PRE-EMPTION RIGHT

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

NON-COMPLIANCE WITH LISTING RULES

There was no non-compliance with Listing Rules during the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards of dealings as set out in the Model Code throughout the year ended 31 December 2021.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2021 (2020: nil).

AUDIT COMMITTEE

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

The Audit Committee has, in conjunction with the management of the Company, reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and reviewed this unaudited results announcement as well as the unaudited annual results for the year ended 31 December 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021, except for the following deviation.

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

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

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

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the outbreak of new wave of COVID-19 in Hong Kong and PRC. As advised by the Hong Kong Government, commencing from mid February 2022, the Group's Hong Kong office has arranged its staff members to work from home on an alternative day basis leading to less supporting work (with lower efficiency) available to the auditors. Unfortunately, subsequently, several staff members from the Group in Hong Kong as well as from the auditors' team were infected by COVID-19 in March 2022. In addition, as instructed by the respective local government authorities, the Shenzhen office of the auditors and the Shanghai head office of the Group were closed for a week in mid March 2022 respectively for quarantine control and virus tests. The auditors therefore have not been able to finish all the required works before the latest timeline for this announcement under this really worse pandemic situation. As such, the unaudited annual results contained in this announcement have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results for the year ended 31 December 2021 will be made when the auditing process has been completed by the Company's auditors in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF FURTHER ANNOUNCEMENT(S), FINAL RESULTS ANNOUNCEMENT AND 2021 ANNUAL REPORT

This unaudited results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.artgo.cn). Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results of the Group for the year ended 31 December 2021 as agreed by the Company's auditors and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2022. The annual report of the Company for the year ended 31 December 2021 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course and, in any event, not later than Friday, 13 May 2021.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2021 have not been audited and have not been agreed with the auditors, and is subject to possible adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2022

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